

As I have loved you.

— John 13:34

Roman Catholic Diocese of Charlotte
Annual Report 2020-2021

Dear Brothers and Sisters in Christ,

The theme of this 2020-'21 annual report, "As I Have Loved You" (John 13:34), is an apt description for a year marked by concern for everyone's health, economic welfare and spiritual well-being. The Church in western North Carolina remains hopeful, resilient and, above all, faithful as we continue to share the love of God with our neighbors and navigate the challenges of the ongoing COVID-19 pandemic.

This annual report presents information about the finances of the Diocese of Charlotte and, through text and photos, describes the gifts given and received from July 1, 2020, through June of this year. I am gratified to report that the overall financial health of the diocese is good, and I am thankful for your support of the Church through your prayers, service and financial contributions. The pandemic continued to impact our parishes, schools and ministries this year, yet the people of the diocese continued to show steadfast commitment, creativity and energy in living their faith, epitomizing the words of St. Paul, "Be strong in the Lord, stand firm in the Lord." (Eph 6:10-14)

The diocese remains grateful for the ministry of our priests, deacons and religious serving the Catholics of western North Carolina, now exceeding 500,000. We were blessed this June to have two men, Father Juan Miguel Sanchez and Father Joseph Wasswa, ordained to the holy priesthood. In addition, we formally opened and blessed St. Joseph College Seminary on Sept. 15, 2020 – a wonderful sign of God's continued blessings on our diocese during the universal Church's celebration of the Year of Saint Joseph. Please pray for all 45 of our seminarians as they prepare to follow the Lord's call in serving the people of the diocese.

Our 19 Catholic schools continued their mission of providing a high-quality, holistic and solidly Catholic education to approximately 7,000 students from pre-kindergarten through the 12th grade. The schools' commitment to providing safe, in-person instruction during the pandemic has shown positive results as enrollment for the 2021-'22 academic year has risen by double digits.

Catholic Charities Diocese of Charlotte continued responding generously to the many needs of people suffering during these difficult times – providing food, financial assistance, counseling and education to more than 15,000 people in the Asheville, Charlotte, Greensboro, Lenoir, Murphy and Winston-Salem areas. The agency also expanded its services to veterans experiencing homelessness, refugees, those needing mental health counseling, and families needing financial assistance to bury a loved one.

The Diocese of Charlotte Eucharistic Congress shifted to an online and parish-based event in both 2020 and 2021, out of concern for the health and well-being of our participating parishioners, planners, speakers, workers and visitors. The faithful instead celebrated with activities at their parishes or online – bringing the whole diocese together in spirit as one family in Christ through our shared love for the Eucharist.

These are just a few examples of how the people of God in western North Carolina have taken to heart the words of Scripture: "Be strong and steadfast! Do not fear nor be dismayed, for the Lord, your God, is with you wherever you go." (Joshua 1:9)

Please be assured of my prayers as you continue striving for holiness and sharing the love of God with others.

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



+ Peter J. Jugis

Queridos hermanos y hermanas en Cristo,

El tema del informe anual 2020-21, "Como te he amado" (Juan 13:34), es una descripción adecuada para un año marcado por la preocupación de la salud, el bienestar económico y espiritual de todos. La Iglesia en el oeste de Carolina del Norte sigue siendo esperanzada, resistente y, sobre todo, fiel a medida que continuamos compartiendo el amor de Dios con nuestros vecinos y navegando los desafíos de la pandemia de COVID-19 en curso.

Este informe anual presenta información sobre las finanzas de la Diócesis de Charlotte y, a través de texto y fotos, describe los obsequios otorgados y recibidos desde el 1 de julio de 2020 hasta junio de este año. Me complace informarles que la salud financiera general de la diócesis es buena y agradezco su apoyo a la Iglesia a través de sus oraciones, servicio y contribuciones financieras. La pandemia continuó impactando nuestras parroquias, escuelas y ministerios este año, sin embargo, la gente de la diócesis continuó demostrando un compromiso firme, creatividad y energía al vivir su fe, personificando las palabras de San Pablo, "Sé fuerte en el Señor, ponte de pie firmes en el Señor". (Efesios 6: 10-14)

La diócesis sigue agradecida por el ministerio de nuestros sacerdotes, diáconos y religiosos que sirven a los católicos del oeste de Carolina del Norte, que ahora superan los 500.000. Este junio fuimos bendecidos con dos ordenaciones al sacerdocio, el Padre Juan Miguel Sánchez y el Padre Joseph Wasswa. Además, inauguramos y bendecimos formalmente el Seminario Universitario St. Joseph el 15 de septiembre de 2020, una señal maravillosa de las continuas bendiciones de Dios en nuestra diócesis durante la celebración de la Iglesia universal del Año de San José. Ore por nuestros 45 seminaristas mientras se preparan para seguir el llamado del Señor al servir a la gente de la diócesis.

Nuestras 19 escuelas católicas continuaron su misión de brindar una educación de alta calidad, holística y sólidamente católica a aproximadamente 7,000 estudiantes desde pre-kinder hasta el 12 ° grado. La promesa de las escuelas de brindar instrucción segura y en persona durante la pandemia, ha mostrado resultados positivos, ya que la matrícula para el año académico 2021-22 ha aumentado al doble.

La Diócesis de Caridades Católicas de Charlotte continuó respondiendo generosamente a las muchas necesidades de las personas que sufren durante estos tiempos difíciles, proporcionando alimentos, asistencia financiera, asesoramiento y educación a más de 15,000 personas en las áreas de Asheville, Charlotte, Greensboro, Lenoir, Murphy y Winston-Salem. La agencia también amplió sus servicios a los veteranos sin hogar, los refugiados, los que necesitan asesoramiento sobre salud mental y las familias que necesitan asistencia financiera para enterrar a un ser querido.

El Congreso Eucarístico de la Diócesis de Charlotte cambió a un evento en línea y basado en sus parroquias en 2020 y 2021, debido a la preocupación por la salud y el bienestar de nuestros feligreses, planificadores, oradores, trabajadores y visitantes participantes. En cambio, los fieles celebraron con actividades en sus parroquias o en línea, uniendo a toda la diócesis en espíritu como una familia en Cristo a través de nuestro amor compartido por la Eucaristía.

Estos son solo algunos ejemplos de cómo el pueblo de Dios en el oeste de Carolina del Norte ha tomado en serio las palabras de las Escrituras: "¡Sé fuerte y firme! No temas ni desmayes, porque el Señor, tu Dios, estará contigo dondequiera que vayas". (Josué 1: 9)

Tenga la seguridad de mis oraciones mientras continúa luchando por la santidad y compartiendo el amor de Dios con los demás.

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



‘As I Have Loved You’

This past year has continued to bring challenges, yet also has been a time of renewed reliance on our Catholic faith. The ongoing COVID-19 pandemic, which began to wane earlier in 2021 before worsening again this summer, has prompted the people of the Diocese of Charlotte to respond with resilience and determination, trusting in God’s love and sharing His love with others as Jesus tells us: “I give you a new commandment: love one another. As I have loved you, so you also should love one another. This is how all will know that you are my disciples, if you have love for one another” (John 13:34-35).

The Church in western North Carolina has shared God’s love with others in so many astonishing ways, among them: resources to improve the health and well-being of our brothers and sisters; spiritual and material support for families in crisis, veterans experiencing homelessness, and refugees fleeing violence and persecution; safe, in-person learning for our children in Catholic schools and faith formation programs; and an increased focus on prayer and reception of the sacraments in our parishes, schools and ministries. Together, we the People of God in western North Carolina, remain hopeful, undeterred by the continued challenges, and trusting in God’s providence as we continue to share His love with others.

Some of the notable efforts to demonstrate the love of God to others are summarized on the following pages, followed by a detailed financial report for the fiscal year ending June 30, 2021.

Our hearts and prayers go out to the people who have fallen sick and, most especially, to those who have lost loved ones due to the COVID-19 pandemic.

So, too, we remember in prayer those who have lost jobs and suffered so many other consequences of this global health emergency.

Pastoral Ministry

This past year we have persevered in faith – and nowhere is that more evident than in the many men and women whose vocation of service to God and His Church have provided daily examples of God’s love. Those who serve the 500,000-plus people of our diocese – the 86 active diocesan priests, 22 religious order priests, 25 retired priests, 134 permanent deacons and 128 women religious, 2,700 employees and countless volunteers – have been constant reminders of Christ’s love, grace and presence among His People. They have lived by example the theme Bishop Peter Jugis chose for the 17th annual Eucharistic Congress: “As I Have Loved You,” from the Gospel of John.

Thanks to their love, courage and self-sacrifice – in conjunction with the prayers and support of the faithful – vocations have continued to flourish in our diocese, growing dramatically over the past five years, from 16 seminarians in 2015-’16 to 41 seminarians last year.

Two of those seminarians, Darren Balkey and Aaron Huber, took the next step on their journey to the priesthood when they were ordained transitional deacons on June 5, 2021, by Bishop Jugis. Two weeks later, on June 19, 2021, Bishop Jugis ordained to the priesthood Juan Miguel Sanchez and Joseph Wasswa. The ranks of the clergy grew yet again in September, when Bishop Jugis ordained 12 men as permanent deacons for the diocese.

Another highlight of the 2020-’21 year was the opening of a permanent home for the diocese’s growing college seminary program. On Sept. 15, 2020, Bishop Jugis formally opened and blessed the new St. Joseph College Seminary in Mount Holly. With Gothic architecture and brickwork inspired by nearby Belmont Abbey, where in 1876 Benedictine monks planted the roots of Catholicism in western North Carolina, the seminary building houses

“Let us continue to pray for, and especially to encourage, vocations to the holy priesthood throughout the Church, especially here in the Diocese of Charlotte.” — Bishop Peter J. Jugis

the only program of its kind between Washington, D.C., and Miami. Situated amid 86 wooded acres, the two-story building includes 40 dorm rooms, a chapel, classroom and library, faculty offices, a refectory and kitchen, and a picturesque cloister walk where students can meditate and pray. Thanks to the generosity of nearly 2,000 donors, the capital campaign to build a permanent home for the college seminary ended the year with \$19.7 million of its \$20 million goal achieved.

The building was a significant milestone in the diocese’s college seminary program, which aims to nurture local vocations among the parishes and families in the Charlotte diocese, close to home. Graduates go on to major seminaries out of state to complete their priestly formation, then return for ordination to serve in the diocese’s growing parishes. The program has been magnet for young men wanting to discern the priesthood – proving so popular that construction on the permanent building had to be accelerated. Enrollment has more than tripled since the program was established in 2016, and upon opening the new building last fall, the program had reached two-thirds of capacity. The 27 men enrolled last year came from across the diocese – including Arden, Boone, Charlotte, Forest City, Gastonia, Huntersville, Lenoir and Salisbury.

These successes are proof of God’s blessings upon our diocese, and promoting vocations to the priesthood and



religious life remains one of the top priorities of Bishop Jugis' episcopacy.

To that end, two annual retreats for young men and women resumed in the summer of 2021 after being canceled in 2020. Due to COVID-19 restrictions, the eighth annual Quo Vadis Days retreat for young men was limited to 65 young men. They attended Belmont Abbey College for a time of prayer and reflection on the direction God may be calling them. Since 2013, more than 600 young men have attended these Quo Vadis Days retreats. The fifth annual

“It is a great blessing to serve at Holy Mass, be close to the priest as he celebrates the Eucharist, and distribute Holy Communion to the congregation.” — Newly ordained Deacon Thomas Martin



Duc in Altum discernment retreat for young women, also held in June with COVID-19 restrictions, drew 60 young women to Belmont Abbey College for a similar week of prayer and reflection. Over the past five years, more than 300 young women have participated in Duc in Altum retreats.

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

Women religious serving in our diocese, representing 17 different religious communities, continued to show God’s love by their example, caring for the poor, the sick and the most vulnerable with unswerving devotion.

The work of sharing God’s love was also evident in the diocese’s African American Affairs Ministry and Hispanic Ministry.

The African American Affairs Ministry used in-person and online resources to evangelize and educate people of the diocese and beyond, with the goal of nurturing a vibrant Catholic community committed to actively combating racism and promoting social justice and harmony. They continued strengthening bonds with existing social justice networks and parish groups as well as creating new educational and outreach opportunities. In conjunction with Catholic Charities and the Sisters of Mercy, the ministry held workshops to address issues related to systemic racism and social justice within the African American community as well as other



“The Church here in the Diocese of Charlotte takes seriously the need for strong and holy vocations to the priesthood.”

— Father Matthew Kauth, rector of St. Joseph College Seminary

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

	2021	2020		2021	2020
REVENUE & OTHER SUPPORT			EXPENSES		
Contributions			Seminarian formation	\$ 2,314,261	\$ 1,522,266
Priests’ retirement collection	\$ 925,688	\$ 1,187,775	Duc in Altum	24,027	3,349
FFHL Contributions	58,391	96,648	Quo Vadis Days	28,461	7,596
Priests’ Continuing Education			Diaconate formation	32,721	23,049
& Seminarian collection	401,779	68,127	Care for priests not in ministry	638,347	599,295
Seminarian education campaign	949,649	976,275	St. Joseph College Seminary administration	387,267	182,297
St. Joseph College Seminary building	5,177,440	3,858,140	St. Joseph College Seminary fundraising	423,979	194,774
Other	251,946	36,907	Priests’ retirement benefits	1,134,141	2,171,386
Parish Assessments	364,027	762,397	Other	430,880	381,850
Grants & Endowment Distributions	-	85,150	TOTAL EXPENSES	\$ 5,414,084	\$ 5,085,862
DSA funding	630,004	759,287	Surplus – St. Joseph College Seminary -		
Other income	85,129	21,493	earmarked for building project	\$ 3,975,683	\$ 3,665,934
Administration funding	545,714	899,597			
TOTAL REVENUE & OTHER SUPPORT	\$ 9,389,767	\$ 8,751,796			

minority communities. Some of the topics included: “Saved by Grace – Striving for a More Racially Just Society”; “Responding to the Sin of Racism: Implementing ‘Open Wide our Hearts’ and Promoting Racial Justice and Ending Health Disparities in the USA”; and “The Intersection of Poverty, Wealth and Race in America.” The ministry also promoted Black Catholic History Month in November, and it launched a quarterly newsletter to provide prayer and educational resources that address racial and social justice issues.

When COVID-19 caused churches to close to in-person services and activities in 2020, Hispanic Ministry coordinators and volunteers shifted nimbly to social media and video conferencing on Zoom and WhatsApp to continue their outreach efforts to parishes and ministries serving the growing Hispanic Catholic population, particularly families and youth. The ministry's efforts were bolstered in January 2021 with about \$17,000 worth of new video and audio equipment funded through the diocese's Multicultural Ministries Endowment Fund.

As the pandemic stretched into a second year, Hispanic Ministry coordinators witnessed many Hispanic couples



and families continuing to suffer. Some of the reasons: illness due to the coronavirus and lack of access to health care, increased insecurity over immigration status, reduced opportunities for work, lack of access to the internet and other resources to help students in hybrid education from home, and other hardships that placed even more stress on families already in crisis.

In response, Hispanic Ministry embarked on a new initiative: enlisting professional psychologists to train select married couples throughout the diocese who will serve as a resource for pastors to accompany these families in their time of crisis. As the program is developed, these couples will be empowered to mentor people in need, listening to their concerns and connecting them to appropriate resources as well as sharing their wisdom and experience with parenting, life skills and more.

Hispanic Ministry also kept up its work with V Encuentro, discerning how to apply the conclusions from the national conference here in our diocese. Its continuing objectives:

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

Corporal Works of Mercy

The 13th chapter of the Gospel of John details the depth of our Savior’s love for us and His charge on how to live the Christian life: “I give you a new commandment: love one another. As I have loved you, so you also should love one another” (34). Jesus calls us to be like Him in all things and shows us the way we are to be known as His disciples: “This is how all will know that you are my disciples, if you have love for one another” (35).

We show our love for one another when we serve the poor, embrace the marginalized, and care for the most vulnerable among us. This essential work of the Church – through parishes and exemplified by our Catholic Charities agency and our housing corporation – is accomplished thanks to you and tens of thousands of other people of goodwill across western North Carolina who give their time, talent and treasure to love one another – especially among those living on the peripheries of our communities.

The personal and communal response to this work of charity has been even more remarkable over the past year, especially in assisting many individuals and families experiencing economic hardship, homelessness, mental health challenges, and more during a year made more difficult because of the ongoing pandemic. This diocese-wide commitment was demonstrated in \$6.4 million allocated for social service programs for our neighbors in need last year.

Specifically, the work of Catholic Charities has been a concrete example of the Church’s mission to love one another – serving more than 15,000 people last year with a variety of services including emergency food aid, financial help, shelter, burial assistance, counseling and life-skills education.

Regional food pantries in Asheville, Charlotte and Winston-Salem provided 533,889 pounds of food and 9,262 pounds of supplies to 9,918 people, and direct material assistance was provided to 699 people. Catholic Charities’ offices in Asheville, Greensboro, Lenoir and Winston-Salem distributed clothing to provide protection from the weather for 845 people, including 477 children and 35 seniors. Thanks to help from parishes and community groups, 1,520 people received food and other holiday assistance. The agency provided school supplies to 282 students, and a specially-funded program to help community college students stay in school at Forsyth Technical Community College helped 15 people. Catholic Charities’ unique Burial Assistance program provided 123 dignified burials for the especially destitute, including for eight children. Catholic Charities’ teen and young parenting program assisted four



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

	2021	2020		2021	2020
REVENUE & OTHER SUPPORT			EXPENSES		
Paycheck Protection Program award	\$ 190,912	\$ 438,197	Counseling program	\$ 444,228	\$ 429,379
Other federal and state agency awards	2,932,466	1,982,412	Direct Assistance	2,184,031	1,970,087
Other grants, contracts and awards	291,689	297,129	Family Life Services	251,990	316,324
Contributions - Diocese of Charlotte:			Office of Economic Opportunity	30,463	48,953
DSA funding	2,028,176	1,948,595	Refugee & Immigration Services	1,183,631	1,338,892
Other support	-	18,770	Respect Life	47,788	62,220
Contributions - Other	2,343,108	2,013,508	Social Concerns & Advocacy	121,191	150,895
Fees	423,140	462,028	Stay the Course/Teen Parenting Program	197,226	191,291
Other	1,478,408	107,117	Translation & Interpretation	69,864	537,092
TOTAL REVENUE	\$ 9,687,899	\$ 7,267,756	U.S. Bishops collections (CCHD & CRS)	11,160	54,488
			Veterans Services	1,845,667	432,389
			Youth Counseling	36,509	117,338
			Administrative expenses	857,967	862,772
			Fundraising expenses and direct benefits to donors	264,371	351,416
			TOTAL EXPENSES	\$ 7,546,086	\$ 6,863,536

birth parents in learning parenting skills and helped them achieve greater educational and job goals. Mental health counseling was provided to 210 people, primarily through telehealth remote services.

Catholic Charities also resettled 213 refugee families – many of whom have fled violence, political upheaval, or religious, economic or ethnic persecution – enabling them to establish new lives in western North Carolina. Thanks to parishes’ and community support, 11 apartments were set up and furnished for newly-arrived refugees. Separately, legal immigration services were provided to 276 people.

Outreach to veterans experiencing homelessness in the Charlotte area – through Catholic Charities’ Supportive Services for Veteran Families (SSVF) program – ensured that 186 former members of our nation’s military had a safe, stable place to live. This program provides supportive services to very low-income veteran families in Mecklenburg County who are experiencing homeless or at risk of homelessness. Its goal: to end homelessness among veterans.

Catholic Charities’ 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 57 educational workshops and informational efforts attended by 1,135 people.



“Over this past year, we’ve witnessed the heavy toll of COVID-19 on the lives of so many people who come to Catholic Charities for assistance. We are so grateful to all of our partners in carrying out the Church’s ministry of charity.” — Dr. Gerard Carter, Catholic Charities’ executive director/CEO

Another 300 people took part in marriage preparation classes, as part of the diocese’s ongoing effort to promote healthy marriages. All couples completing a marriage preparation class in the diocese also received instruction in Natural Family Planning, and an additional 657 people also received NFP instruction or assistance.

Across the diocese, 394 seniors participated in 26 Elder Ministry events that included inspirational webinars and educational resources on topics such as COVID-19, home safety and avoiding falls, Medicare updates, cybercrime and fraud, and resources for caregivers. The topics last year were far-ranging, but the diocese’s Elder Ministry mission remains unchanged: Enhancing the lives of seniors so they may in turn enhance the lives of others.

In addition, the Diocese of Charlotte Housing Corporation continued its mission to build affordable housing for vulnerable seniors, adults with developmental and intellectual disabilities, and other vulnerable/underserved populations. With three successful housing developments already in its portfolio, the housing corporation successfully opened its fourth last year. Guardian Angel Villa, a three-story, 81-unit community in south Charlotte for seniors – the diocese’s largest project to date – opened in December 2020. It serves seniors 55 and older who earn between 30% and 60% of the area’s median income.

Making these corporal works of mercy possible were more than 50 full- and part-time employees, 191 volunteers who contributed 11,796 hours of service (with an estimated value of \$336,657), over 2,000 donors who gave directly to Catholic Charities, and financial support received through the annual Diocesan Support Appeal.

Education and Catechesis

Catechesis aims to foster an ever-increasing desire to be holy – to become missionary disciples in communion with Jesus and to share in His Divine Love. We are strengthened in this call to love through the experience of life in the Church: participation in the Holy Sacrifice of the Mass, reception of the sacraments, Adoration of the Most Blessed Sacrament, prayer, and spiritual and corporal works of mercy.

Despite the pandemic, the work of the Education Vicariate continued this salvific mission of the Church last year, encouraging people of all ages to engage more deeply with our faith and to love others as Christ loves us.

Some in-person events – including the fifth annual Diocesan Catechetical Conference – had to be canceled, but where possible online and at-home resources continued to be offered to the people of the diocese. In particular, Catholic school teachers, faith formation catechists, and parents continued to use our online Basic and Advanced Catechetical Certification Programs.

The diocese’s 19 Catholic schools provided in-person instruction throughout the 2020-’21 academic year, employing robust, multi-layered safety protocols to ensure the health and well-being of its 7,000 students and 654 staff. Many were attracted to the schools living out their mission in this way, and we have seen double-digit enrollment growth. Additionally, we broke ground on a new Mecklenburg Area Catholic Schools Fine Arts Center, located on the campus of Charlotte Catholic High School, and completed a \$900,000 renovation project at Immaculata Catholic School in Hendersonville. The Catholic Schools Office also moved forward with piloting a virtues education program entitled “Disciples of Christ – Education in Virtue” at five schools.

Not deterred by the limitations posed by the pandemic, our students completed thousands of hours of service to help build up their local communities and share the love of Christ with others. And all 19 schools celebrated Discover Catholic Schools Week and Catholic Schools Week, which now opens the doors twice a year to families and other stakeholders who can learn more about our mission and communities of faith.

In addition, the Office for Youth Ministry impacted between 725 and 1,250 people directly – both in person and online through the Diocesan Youth Conference and Faithful Servant Leadership Training. Campus Ministry also continued to serve approximately 1,700 Catholic students at 22 college and university campuses throughout western North Carolina, thanks to the dedicated service of nine full-time campus ministers who provided spiritual

EDUCATION FORMATION OFFICES OF THE DIOCESE OF CHARLOTTE FINANCIAL HIGHLIGHTS FOR THE YEARS ENDING JUNE 30		
	2021	2020
REVENUE & OTHER SUPPORT		
(includes DSA funding of \$1,812,426 in 2021 and \$1,640,876 in 2020)	\$2,347,684	\$2,286,839
EXPENSES	\$2,347,684	\$2,286,839
DIOCESAN AND REGIONAL SCHOOLS FINANCIAL HIGHLIGHTS FOR THE YEARS ENDING JUNE 30		
	2020	2020
Tuition and fees	\$51,254,094	\$46,487,371
Parish support	4,441,009	4,477,466
Campaign contributions	2,187,488	2,650,051
Other contributions and gifts	1,838,083	1,886,810
School activity revenue	518,301	1,089,383
Income from rental property	646,188	646,182
Other	2,221,936	1,663,023
TOTAL REVENUE & OTHER SUPPORT	\$63,107,099	\$58,900,286
Instructional personnel	\$29,960,035	\$27,605,639
Other instructional costs	2,249,117	2,404,608
Facilities	9,578,816	9,529,670
Administrative personnel	3,755,277	3,679,204
Supplementary programs and activities	4,163,157	4,340,118
Other	5,108,779	4,445,383
TOTAL EXPENSES	\$54,815,181	\$52,004,662



guidance, emotional support, fellowship, faith formation, retreat opportunities and more.

Another initiative overseen by the Education Vicariate, the Eucharistic Congress, was necessarily re-imagined in both 2020 and 2021 in response to the ongoing pandemic. Instead of the traditionally large “family reunion”-style celebration at the Charlotte Convention Center in September, the annual event shifted to parish- and home-based family celebrations for both years. Parishes developed their own worship and educational programs, as well as Eucharistic Adoration and Mass. Bishop Jugis offered a special Mass streamed live to the people of the diocese from St. Patrick Cathedral in Charlotte, and the Catholic News Herald provided supplemental educational materials for families to deepen their devotion to the Eucharist.



“More and more Catholics across the diocese are making a difference through both generous donations and estate gifts. They are giving back in gratitude for all the blessings God has given them in their lives.”

— Jim Kelley, Diocese of Charlotte director of development

Stewardship of Treasure

The people of our diocese continued to provide generous financial support to ensure that the wide-ranging work of our parishes, schools and ministries – indeed, our entire diocese – continues unabated, despite economic headwinds posed by the ongoing pandemic.

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF CHARLOTTE FINANCIAL HIGHLIGHTS FOR THE YEARS ENDING JUNE 30					
	2021	2020		2021	2020
ASSETS			LIABILITIES		
Cash	\$ 799,804	\$ 978,376	Payables & unearned income	\$ 34,053	\$ 46,894
Due from Advancement Corp. and other receivables	234,257	248,264	Custodial & annuity obligations	22,898,192	17,927,594
Investments	72,207,248	56,827,887	TOTAL LIABILITIES	\$ 22,932,245	\$ 17,974,488
Beneficial Interest in Advancement Corp.	88,590	85,062	NET ASSETS		
Assets held in trust	-	-	Net assets without donor restrictions	\$ 4,625,494	\$ 3,850,602
TOTAL ASSETS	\$ 73,329,899	\$ 58,139,589	Net assets with donor restrictions	45,772,160	36,314,499
			TOTAL NET ASSETS	\$ 50,397,654	\$ 40,165,101
			TOTAL LIABILITIES AND NET ASSETS	\$ 73,329,899	\$ 58,139,589

Thanks to your support, the Foundation of the Roman Catholic Diocese of Charlotte’s total number of endowments grew from 278 in fiscal year 2020 to 307 in 2021. These endowment funds have helped our parishes, schools, Catholic Charities, retired priests, seminarians, and outreach programs by allowing them to support others, “As the Father loves me, so I also love you.” Contribution amounts to the 29 new endowments also supported diocesan entities that are close to parishioners’ hearts. For example, The Genevieve Keller Endowment Fund, to benefit St. Gabriel Catholic Church in Charlotte, was established through a bequest via two charitable gift annuities. The Sister Emma Yondura Endowment Fund, to benefit St. Leo Catholic School in Winston-Salem, was established through an outright gift. These gifts, no matter what size, are a devoted response to the blessings the Lord has bestowed.

DIOCESAN SUPPORT APPEAL MINISTRY FUNDING FOR THE YEARS ENDING JUNE 30					
	2021 (from 2020 DSA)	2020 (from 2019 DSA)		2021 (from 2020 DSA)	2020 (from 2019 DSA)
GRANTS TO CATHOLIC CHARITIES	\$ 2,028,176	\$ 1,948,595	VOCATIONS		
EDUCATIONAL MINISTRIES			Seminarian Education	55,819	676,574
Adult Education/Evangelization	98,025	100,297	Permanent Diaconate	74,185	82,713
Campus/Young Adult Ministry	791,969	789,088	TOTAL VOCATIONS	\$ 630,004	\$ 759,287
Faith Formation Office	444,109	428,685	Eucharistic Congress/Year of St. Joseph	\$ 3,425	\$ 288,773
Youth Ministry Office	106,523	114,215	Housing Ministry	\$ 206,128	\$ 309,514
Catholic Schools Office	266,946	113,776	DSA CAMPAIGN COSTS	\$ 388,096	\$ 338,418
Education Administration	104,854	94,8158	TOTAL DSA FUNDING	<u>\$ 5,781,164</u>	<u>\$ 6,032,464</u>
TOTAL EDUCATIONAL MINISTRIES	\$ 1,812,426	\$ 1,640,876			
MULTICULTURAL MINISTRIES	\$ 712,909	\$ 747,001			

Additions to new and existing endowments for the year totaled \$1,858,394. Distributions for the year totaled \$1,557,422 – bringing the total of distributions since the foundation began in 1994 to more than \$12 million. The foundation also awarded \$87,000 in grants from four specialized endowments to support 21 projects at churches, schools and diocesan ministries. Since 2001, the foundation has awarded 396 grants worth almost \$1.1 million from these four endowments.

SPECIAL COLLECTIONS AMOUNTS COLLECTED FOR THE YEARS ENDING JUNE 30		
	2021	2020
International/National Combined Collection	\$ 173,919	\$ 101,521
Catholic Campaign for Human Development	81,505	144,390
Religious Retirement Collection	176,019	278,897
Combined Mission Collection	186,985	272,834
World Mission Sunday	82,198	213,568
Archdiocese for Military Services	-	162,805
Disaster Relief	-	-
TOTAL	<u>\$ 700,626</u>	<u>\$ 1,174,015</u>

Beyond the long-term support provided through the foundation, the annual Diocesan Support Appeal (DSA) enables us to address the needs of our neighbors throughout western North Carolina. Last year, despite hardships caused by the pandemic, financial gifts totaling \$6.1 million from more than 15,000 donors to the 2020 appeal supported more than 50 ministries and programs across the diocese: including seminarian education; Catholic Charities; educational programs for children and adults; the permanent diaconate; multicultural ministries;

the housing corporation ministry; and the Eucharistic Congress. Overall, 23 percent of registered households across the diocese shared an average gift of \$408, up from an average gift of \$382 in the 2019 campaign. Fifty-nine percent of parishes and missions across the diocese reached or exceeded their goal.

In addition, contributions to special collections in fiscal year 2020 supported: International/National Combined Collection (Catholic Relief Services, Collection for the Holy Land, Collection for the Works of the Holy Father/Peter’s Pence, Catholic University of America, and Catholic Communications Campaign); Catholic Campaign for



During the year, donors continued to make pledge payments to the Diocese of Charlotte’s “Forward in Faith, Hope, and Love” Campaign. The solicitation phase of the campaign ended in 2015. Cumulative cash receipts and net distributions for the campaign as of June 30, 2021 are as follows:

Distributions (including Endowments with the Diocesan Foundation):

Parish Life and Ministries	19,321,000
Catholic Education	7,640,000
Pastoral and Temporal	4,376,000
Clergy Support	7,797,000
Catholic Outreach	5,403,000
Funds applied to cover Campaign expenses	5,169,000
Total Distributions	49,706,000

Future Distributions:

Catholic Education	17,000
Pastoral and Temporal	2,527,000
Catholic Outreach	1,501,000
Clergy Support -Priest Retirement Trust	7,000
Total future distributions	4,052,000
Total Cash Receipts	53,758,000

Human Development; Religious Retirement Collection; Combined Mission Collection (Church in Latin America, Church in Central and Eastern Europe, United States Mission Appeal/Black and Indian Mission, Catholic Home Mission, and Church in Africa); and World Mission Sunday.

The year also saw people continue to make regular payments toward their pledges in the Diocese of Charlotte’s “Forward in Faith, Hope, and Love” campaign. The unprecedented campaign was launched in 2012 to renew, strengthen and advance the financial resources of the 92 parishes and missions in the diocese, and to solidify the diocese’s financial foundation for the future. Of the 13 components of the FFHL campaign, seven are endowments. FFHL endowment distributions totaling \$220,862 in fiscal 2020-’21 were distributed to schools and to Hispanic Ministry.

Human Capital

Pope Francis once said, “To love as Jesus Christ means to offer yourself in service at the service of your brothers and sisters.” This spirit of service – demonstrating love for others in our daily actions – has characterized the efforts of the approximately 2,700 full- and part-time employees in our parishes, schools, offices and ministries who provide services and support wherever it is needed in the diocese. Last year, despite the pandemic, was no different.

Employees and volunteers throughout the diocese found innovative ways to carry on the work of the Church, often moving between in-person and remote workplaces with little advance preparation. Meetings were held online, business was conducted by phone and email, often from home while juggling family and school demands – yet employees continued to serve without noticeable interruption.

A positive outcome from these challenges? The often unprecedented situations led to the diocese developing guidance and best practices that were shared to assist both

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

	2021	2020
Long Term Disability	\$ 169,993	\$ 165,393
Health and Life Insurance	10,848,091	9,467,941
Lay Pension Plan	3,574,365	2,984,012
403(b) Plan Contributions	3,616,267	3,435,641
FSA/HSA Administration Fees	15,412	14,092
TOTAL	<u>\$ 18,224,128</u>	<u>\$ 16,067,079</u>

employers and employees. In addition, the generous benefit programs provided for diocesan employees and their families have become especially valued, with many services related to mental health continuing to be offered free to employees. And timeframes for using other benefits have been extended to encourage employees to take care of their health and well-being.

Following the example of Jesus, employees and volunteers demonstrated their commitment to showing love for others in all they have done over the past year.



Looking Forward

Because of your prayers, support and love for one another, we have been able to play our part in the Church and community response to the ongoing pandemic, meeting the challenges set before us with faith, charity and trust in God's love. We remain steadfast in our resolve to keep up the life-giving work of the Church here in western North Carolina.

The following pages detail the diocese's finances for the fiscal year ending June 30, 2021.

As we conclude one year and look to the next, let us reaffirm our desire to follow Jesus and share His love with one another. The Lord has been and continues to be our example in holiness: "This is how all will know that you are my disciples, if you have love for one another" (John 13:35).

Report from the Chief Financial Officer

Dear Brothers and Sisters in Christ,

Undeterred by the continued challenges of the pandemic affecting many of the faithful during the past year, the Diocese of Charlotte remains in sound financial health. Operating income for the year ended June 30, 2021 (before considering capital campaign activity) was \$2.2 million, down from \$4.1 million in fiscal 2020.

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

- Capital additions and improvements at our regional and diocesan schools, \$6.8 million; and grants to parish schools, \$212,000, \$145,000 of which was earmarked for student tuition assistance;
- Social service programs for our neighbors in need, \$6.4 million;
- Our retired priests, seminarians and other clergy serving the faithful, approximately \$6.0 million;
- Parish Faith Formation and support for our 19 schools by the Catholic Schools Office, \$2.3 million;
- Pastoral programs for our Catholic immigrant brothers and sisters, approximately \$800,000;
- Grants to support parishes, \$325,000 (primarily from the FFHL campaign proceeds).

All of our initiatives are dependent on the good work of our many dedicated clergy and lay persons. During the fiscal year just ended, employee salaries and benefits totaled approximately \$60.5 million, up from \$56.3 million in fiscal 2020. This increase was primarily driven by support of our education programs and higher benefit expense. Employee benefits include three health insurance programs from which employees may select, term life insurance, numerous employee-paid optional benefits, a generous schedule of paid time off and a 403(b) defined contribution pension plan. Non-temporary employees working

at least 1,000 hours in a calendar year receive a contribution to their 403(b) account totaling 5% of their annual salary. In addition, they receive a match equal to 50% of the first 4% of pay they contribute to their pension account.

Of course, the heart of the Diocese is our parishes and schools. And while this report covers the financial activities of many diocesan ministries and entities, it does not include our parishes (and parish and inter-parochial schools), which are independent entities and report separately to their parishioners. The diocesan financial statements for the years ended June 30, 2021 and 2020 are presented on the following pages for your review.

Results of operating activities for the year ended June 30, 2021

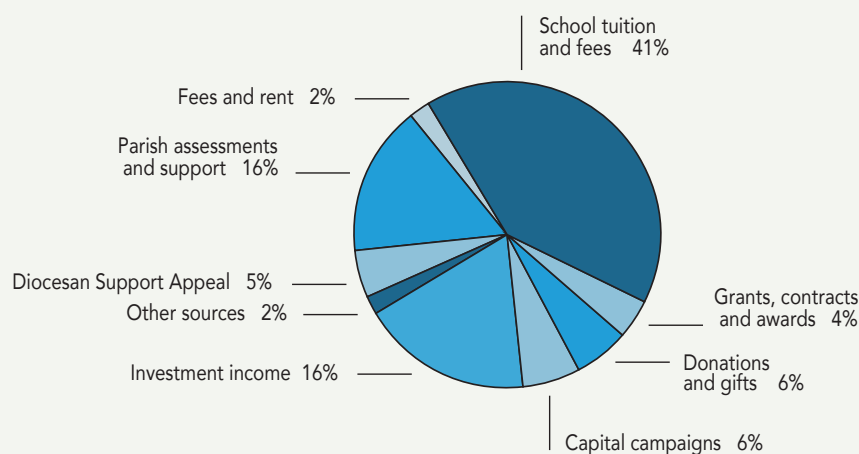
Expenses in support of our various program (ministry) services totaled \$62.2 million, while all other operating expenses (excluding the capital campaign expenses) totaled approximately \$30.4 million, for a total of \$92.6 million.

We were blessed to receive \$90.2 million in financial support without donor restrictions (excluding capital campaign income), and reclassified donor restricted revenue totaling \$5.9 million to unrestricted operating revenue as a result of fulfilling donor restrictions, for a total of \$96.1 million in revenue without donor restrictions (excluding capital campaign revenue).

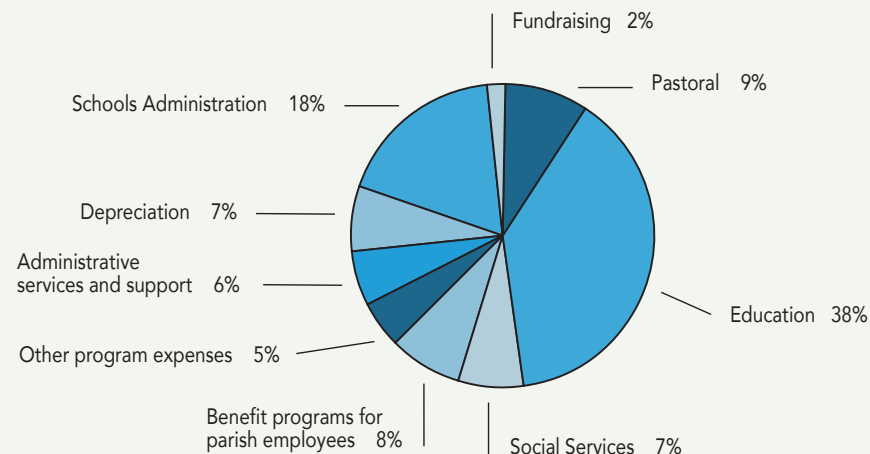
The Diocese recorded a net decrease in donor-restricted operating funds (excluding capital campaign activities) of approximately \$1.3 million for the year ended June 30, 2021. This represents the excess of \$5.9 million in donor restricted gifts whose restrictions were fulfilled during the fiscal year over \$4.6 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 breakout of expenses by functional area, along with a comparison to fiscal 2020, are presented within the Statement of Activities on page 19.

SOURCES OF REVENUE



USES OF OUR RESOURCES



Capital campaign activity for the year ended June 30, 2021

There were four capital campaigns with activity during fiscal 2021. The Forward in Faith, Hope, and Love campaign recorded a gain of approximately \$86,000 as a result of recovery of losses recorded as uncollectible contributions. Page 14 provides additional information about FFHL activities. The campaign for the construction of St. Joseph College Seminary recorded revenue, net of campaign costs, totaling \$4.9 million during the fiscal year. MACS had two capital campaigns in the gift solicitation phase: (1) for the construction of a Fine Arts Center at Charlotte Catholic High School and (2) to expand the gymnasium and add athletics amenities at Christ the King Catholic High School. The MACS campaigns recorded total revenue, net of campaign costs, of \$1.7 million during fiscal 2021.

Results of nonoperating activities for the year ended June 30, 2021

Nonoperating activities consist of the return earned on diocesan investments. The Diocese reported a gain on investments this past year of approximately \$21.4 million, of which \$12.7 million is subject to donor restrictions. The increase in returns relative to prior years is representative of the portfolio's outperformance. Yields for the past fiscal year were at the highest point compared to the past 20 years.

Net Asset Credit for the year ended June 30, 2021

The Diocese recorded a \$24.4 million credit to (increase in) net assets in fiscal 2021 due to our pension and post-retirement benefit plans' most recent actuarial valuations. The primary driver of this charge is an increase in the discount rate from last year. As a result of fluctuating discount rates, the Diocese recorded net asset charges related to our pension and post-retirement benefit plans totaling \$20.5 million in fiscal years 2019 and 2020, and net asset credits of \$24.4 million in 2021, resulting in a net credit over the past three years of \$3.9 million.

The cumulative charge against net assets related to our pension and post-retirement benefit plans through June 30, 2021 totals approximately \$29.0 million, leaving a balance in net assets without donor restrictions of approximately \$119.1 million, of which approximately \$57.2 million is designated for certain diocesan activities. Additionally, the accrued liability for the pension and post-retirement benefit plans was approximately \$60.3 million at June 30, 2021. Due to the significant liability and charge to net assets related to the Lay Employee Pension Plan, this plan was amended to eliminate future accruals for all participants, except for those who were at least age 62 and had at least 12 years of service, and was closed to new entrants, as of January 1, 2018.

Although the plan is frozen, employees who were participants in the plan will retain benefits accumulated up to January 1, 2018, based on credited service and eligible earnings, in accordance with the terms of the plan.

Cash flows for the year ended June 30, 2021

Cash generated from operating activities totaled approximately \$16.4 million (including \$8.6 million of pledge receivables collected), which provided the funds needed for the acquisition of property and equipment, which totaled \$7.3 million.

Liquidity as of June 30, 2021

Although the pension and post-retirement benefit liabilities have a significant impact on our unrestricted net assets, they are long term in nature and do not affect our liquidity in the short term. As the Statement of Financial Position shows, cash and investments total \$212.6 million at June 30, 2021, of which \$69.4 million is invested in donor-restricted endowments, leaving a balance of \$143.2 million. Receivables totaling \$6.7 million are due within the coming year, resulting in liquid assets of \$149.9 million. Of this amount, \$63 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 \$87 million. Of this amount, \$40 million represents parish deposits held by DL Catholic, leaving a balance of \$47 million for general operations, which represents approximately 6 months of total operating expense for the Diocese.

Financial governance and oversight

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

Diocese of Charlotte are also published on the diocesan website. These policies are updated regularly. It is the responsibility of the diocesan Finance Office to ensure that accounting policies and procedures are being adhered to, and internal controls are in place and operating so as to safeguard diocesan assets and ensure that all financial activity is accounted for properly.

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

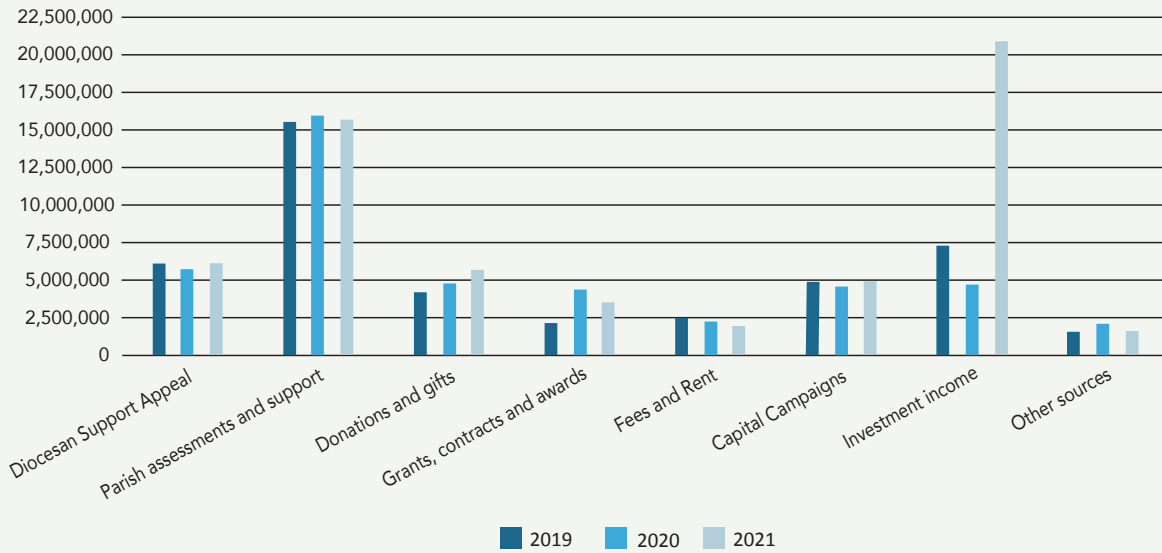
- Systems of internal accounting control;
- Compliance with laws and regulations;
- Compliance with diocesan code of ethics;
- Financial reporting; and the
- External auditors.

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

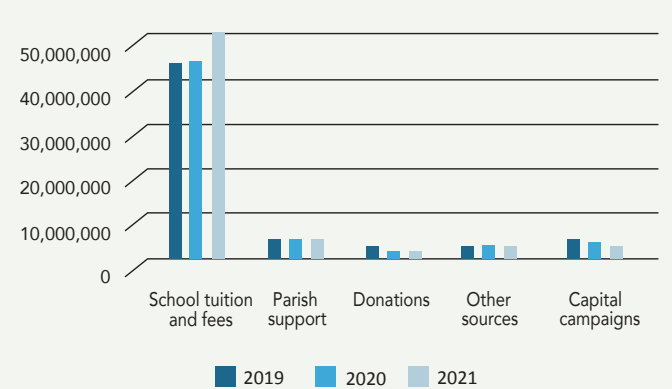


Matthew P. Ferrante
Chief Financial Officer

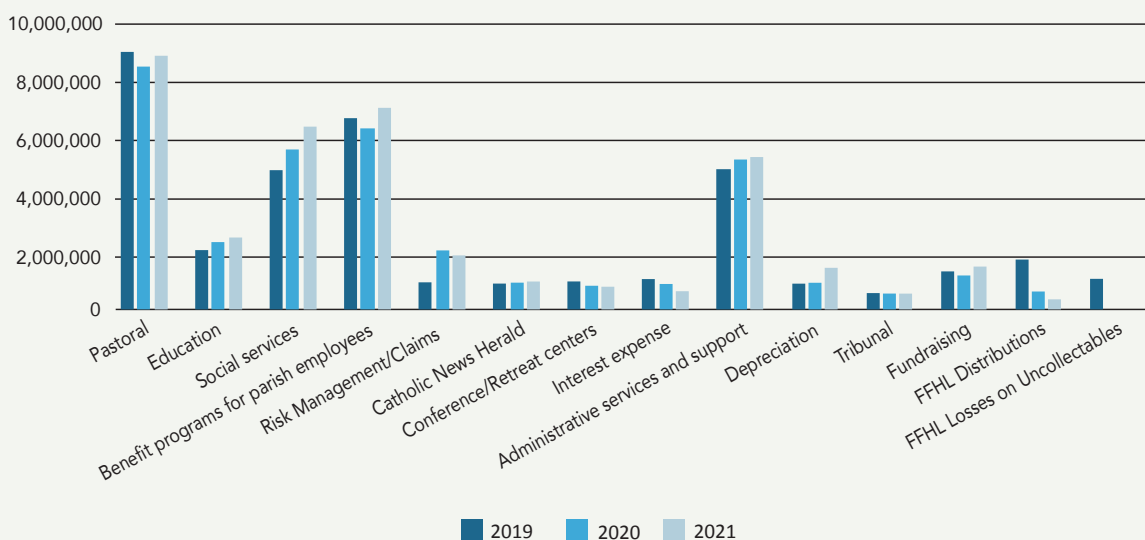
Diocesan Revenues excluding Schools: 2019-2021



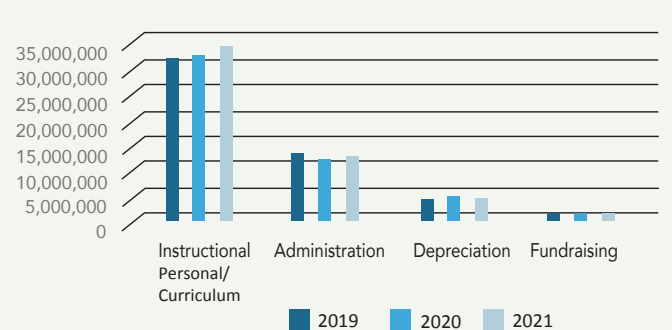
Regional and Diocesan Schools' Revenues: 2019-2021



Diocesan Expenses excluding Schools: 2019-2021



Regional and Diocesan Schools' Expenses 2019-2021



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, 2021 and 2020, and the related combined statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the combined financial statements. The combined financial statements include the accounts of the affiliated diocesan entities described in Note 1 to the combined financial statements, which operate under the auspices of the Diocese.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

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

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

the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Diocese's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Diocese's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Diocese as of June 30, 2021 and 2020, the combined changes in their net assets, their cash flows, and their functional expenses for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

October 20, 2021

**THE ROMAN CATHOLIC DIOCESE OF CHARLOTTE
COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020**

	2021	2020
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 39,293,884	\$ 30,933,154
PLEDGES RECEIVABLE—Net	6,988,703	7,540,965
OTHER ACCOUNTS RECEIVABLE—Net	3,363,089	2,902,835
NOTES RECEIVABLE—Net	9,738,628	11,537,433
ADVANCES TO PARISHES—Net	3,168,793	3,775,520
INVESTMENTS	173,297,903	143,134,462
PROPERTY AND EQUIPMENT—Net	97,060,736	95,459,689
BENEFICIAL INTERESTS IN PERPETUAL TRUSTS	11,699,552	9,516,848
DEFERRED RENT AND RIGHT-OF-USE ASSETS—Operating leases	724,650	1,315,732
OTHER ASSETS	1,363,622	925,295
TOTAL	\$ 346,699,560	\$ 307,041,933
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 5,190,869	\$ 3,752,525
Accrued salaries, wages, and benefits	5,974,929	5,526,547
Accrued pension and postretirement benefits	60,318,234	81,203,778
Unearned revenue	13,090,036	10,862,501
Lease liabilities	1,076,664	1,389,209
Custodial, annuity, and other obligations	59,821,061	57,691,281
Total liabilities	145,471,793	160,425,841
CONTINGENCIES (Note 12)		
NET ASSETS:		
Net assets without donor restrictions:		
Undesignated	90,828,151	82,401,678
Net asset charge—Lay and Priest Retirement Plans and Retired Clergy Health Plan	(28,992,265)	(53,423,646)
Total undesignated net assets without donor restrictions	61,835,886	28,978,032
Designated	57,227,785	49,731,562
Total net assets without donor restrictions	119,063,671	78,709,594
Net assets with donor restrictions	82,164,096	67,906,498
Total net assets	201,227,767	146,616,092
TOTAL	\$346,699,560	\$307,041,933

**THE ROMAN CATHOLIC DIOCESE OF CHARLOTTE
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 54,611,675	\$ 3,372,769
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Contributions from donor restrictions—property purchases	(7,147,194)	(6,157,318)
Contributions from donor restrictions—endowments	(716,359)	(361,553)
Depreciation and amortization	6,070,173	5,420,171
Investment realized and unrealized gains	(18,130,827)	(1,530,596)
Gain on disposition of property	(1,088,028)	(690,790)
Net asset (credit) charge—Lay and Priest Retirement Plans and Retired Clergy Health Plan	(24,431,381)	11,282,087
Increase in discounts and allowances on advances, notes, and pledges receivable	(7,526,578)	(1,549,821)
Changes in operating assets and liabilities:		
Other accounts receivable	(460,254)	733,710
Deferred rent	458,482	91,585
Pledges receivable	8,585,567	2,450,947
Other assets	(456,663)	111,180
Accounts payable and accrued expenses	454,186	(1,422,463)
Accrued salaries, wages, and benefits	448,382	355,235
Accrued pension and postretirement benefits	3,545,837	1,502,972
Unearned revenue	2,232,535	212,419
Net cash provided by operating activities	16,449,553	13,820,534
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(7,285,863)	(15,815,206)
Proceeds from the sale of property	2,334,543	923,450
Purchase of investments	(63,596,989)	(49,024,690)
Proceeds from maturity and sales of investments	54,255,183	41,426,470
Issuance of advances and notes	(2,100,902)	(3,471,592)
Payments received on advances and notes	4,175,498	4,248,982
Increase in other assets	(30,981)	
Increase in custodial obligations	(2,602,264)	(3,622,790)
Net cash used in investing activities	(14,851,775)	(25,335,376)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distribution of corpus from perpetual trust	\$ 136,554	\$ 92,483
Contributions with donor restrictions—property purchases	7,008,051	6,812,422
Contributions with donor restrictions—endowments	674,711	423,377
Net proceeds—PPP Loan	(278,022)	278,022
Principal payment of finance lease obligations	(778,342)	(763,036)
Net cash flows provided by financing activities	6,762,952	6,843,268
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,360,730	(4,671,574)
CASH AND CASH EQUIVALENTS:		
Beginning of year	30,933,154	35,604,728
End of year	\$ 39,293,884	\$ 30,933,154
SUPPLEMENTAL DATA:		
Interest paid	\$ 18,279	\$ 22,152
Non-cash acquisition of property	\$ 1,509,224	\$ 525,066

See notes to combined financial statements.

(Concluded)

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

	JUNE 30, 2021			JUNE 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT:						
School tuition and fees—net	\$ 51,294,714	\$ -	\$ 51,294,714	\$ 46,493,871	\$ -	\$ 46,493,871
Contributions—Diocesan Support Appeal (DSA)	6,069,150	-	6,069,150	5,869,209	-	5,869,209
Other support—DSA programs	249,430	-	249,430	330,602	-	330,602
Other donations and gifts	3,544,538	4,170,648	7,715,186	3,484,083	3,245,460	6,729,543
Parish assessments:	-	-	-	-	-	-
Employee benefit programs	8,289,661	-	8,289,661	8,536,510	-	8,536,510
Property liability insurance	1,793,758	-	1,793,758	1,732,178	-	1,732,178
Catholic News Herald	980,685	-	980,685	983,160	-	983,160
Central office	4,449,566	-	4,449,566	4,523,242	-	4,523,242
Parish support of schools	4,441,009	-	4,441,009	4,477,466	-	4,477,466
Federal and state agency awards	3,856,611	68,000	3,924,611	4,841,076	-	4,841,076
Other grants and awards	208,162	266,079	474,241	18,379	301,500	319,879
Fees for services rendered	1,186,778	-	1,186,778	1,512,944	-	1,512,944
Rental income	1,221,085	-	1,221,085	1,244,550	-	1,244,550
Interest income—parish loans	364,612	-	364,612	531,093	-	531,093
Other income	2,275,923	55,403	2,331,326	3,154,987	10,429	3,165,416
Net assets released from restriction	5,912,035	(5,912,035)	-	5,335,997	(5,335,997)	-
Total revenues and other support	96,137,717	(1,351,905)	94,785,812	93,069,347	(1,778,608)	91,290,739
EXPENSES:						
Program expenses:						
Pastoral:						
Clergy, vocations, and support for retired priests	5,997,828	-	5,997,828	5,897,844	-	5,897,844
Multicultural ministries	808,157	-	808,157	859,203	-	859,203
Contributions, grants, and subsidies	2,011,605	-	2,011,605	1,139,835	-	1,139,835
Other	2,725	-	2,725	444,005	-	444,005
Education:						
Regional and diocesan schools	32,776,129	-	32,776,129	30,950,178	-	30,950,178
Other education and faith formation	2,347,684	-	2,347,684	2,286,839	-	2,286,839
Social service programs	6,442,882	-	6,442,882	5,661,246	-	5,661,246
Benefit programs for lay parish employees	7,367,199	-	7,367,199	6,301,072	-	6,301,072
Risk management services/claims	1,925,072	-	1,925,072	2,111,545	-	2,111,545
Publication of Catholic News Herald	1,183,126	-	1,183,126	1,157,650	-	1,157,650
Conference/retreat centers	792,027	-	792,027	801,021	-	801,021
Tribunal	531,969	-	531,969	545,862	-	545,862
Total program expenses	62,186,403	-	62,186,403	58,156,300	-	58,156,300
Administrative:						
Central office administration	3,710,672	-	3,710,672	3,704,974	-	3,704,974
Regional and diocesan schools administration	17,274,372	-	17,274,372	16,170,669	-	16,170,669
Social services administration	807,698	-	807,698	810,456	-	810,456
Interest—parish savings and investments	308,461	-	308,461	736,191	-	736,191
Interest—lease obligations	12,752	-	12,752	18,229	-	18,229
Depreciation and amortization	6,070,173	-	6,070,173	5,420,171	-	5,420,171
Other	880,499	-	880,499	835,356	-	835,356
Total administrative expenses	29,064,627	-	29,064,627	27,696,046	-	27,696,046
Fundraising	1,370,788	-	1,370,788	1,373,300	-	1,373,300
Total expenses	92,621,818	-	92,621,818	87,225,646	-	87,225,646
CHANGE IN NET ASSETS BEFORE CAPITAL CAMPAIGN AND NONOPERATING ACTIVITIES AND NET ASSET CHARGE	3,515,899	(1,351,905)	2,163,994	5,843,701	(1,778,608)	4,065,093
CAPITAL CAMPAIGN ACTIVITIES:						
Forward in Faith, Hope, and Love (FFHL):						
FFHL—contributions	-	(8,511)	(8,511)	87,000	10,200	97,200
FFHL—recovery of losses on uncollectible contributions	-	385,352	385,352	-	548,879	548,879
FFHL—net assets released from restriction	233,202	(233,202)	-	672,302	(672,302)	-
FFHL—distributions to parishes	(233,202)	-	(233,202)	(672,302)	-	(672,302)
FFHL—fundraising and other expenses	(57,936)	-	(57,936)	(128,487)	-	(128,487)
Net FFHL campaign activity	(57,936)	143,639	85,703	(41,487)	(113,223)	(154,710)
Mecklenburg Area Catholic Schools (MACS):						
MACS—contributions	36,548	1,675,940	1,712,488	156,099	2,493,951	2,650,050
MACS—fundraising expenses	(36,548)	-	(36,548)	(156,099)	-	(156,099)
Net MACS campaign activity	-	1,675,940	1,675,940	-	2,493,951	2,493,951
St. Joseph College Seminary:						
St. Joseph College Seminary—contributions	563,551	4,753,461	5,317,012	194,774	3,663,366	3,858,140
St. Joseph College Seminary—fundraising expenses	(423,979)	-	(423,979)	(194,774)	-	(194,774)
St. Joseph College Seminary—net assets released from restrictions	3,674,617	(3,674,617)	-	9,253,932	(9,253,932)	-
Net St. Joseph College Seminary campaign activity	3,814,189	1,078,844	4,893,033	9,253,932	(5,590,566)	3,663,366
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	7,272,152	1,546,518	8,818,670	15,056,146	(4,988,446)	10,067,700
NONOPERATING—Net investment return	8,650,543	12,711,080	21,361,623	3,280,068	1,307,088	4,587,156
CHANGE IN NET ASSETS FROM NONOPERATING ACTIVITIES	8,650,543	12,711,080	21,361,623	3,280,068	1,307,088	4,587,156
CHANGE IN NET ASSETS BEFORE NET ASSET CHARGE	15,922,695	14,257,598	30,180,293	18,336,214	(3,681,358)	14,654,856
NET ASSET CREDIT (CHARGE)—Lay and Priest Retirement Plans and Retired Clergy Health Plan	24,431,382	-	24,431,382	(11,282,087)	-	(11,282,087)
CHANGE IN NET ASSETS	40,354,077	14,257,598	54,611,675	7,054,127	(3,681,358)	3,372,769
NET ASSETS:						
Beginning of year	78,709,594	67,906,498	146,616,092	71,655,467	71,587,856	143,243,323
End of year	\$ 119,063,671	\$ 82,164,096	\$ 201,227,767	\$ 78,709,594	\$ 67,906,498	\$ 146,616,092

See notes to combined financial statements.

(Concluded)

**THE ROMAN CATHOLIC DIOCESE OF CHARLOTTE
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

	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	\$ 4,497,461	\$ 744,501	\$ 209,240	\$ 151,871	\$ 326,847	\$ 1,595	\$ 66,313	\$ 5,997,828
Multicultural ministries	666,218	54,378	30,824	6,811	48,053	875	998	808,157
Contributions, grants and subsidies	-	-	-	-	-	2,011,605	-	2,011,605
Other	700	-	425	183	1,417	-	-	2,725
Education:								
Regional and diocesan schools	29,960,036	-	2,816,093	-	-	-	-	32,776,129
Other education and faith formation	1,865,181	346,459	85,044	17,696	31,597	-	1,707	2,347,684
Social service programs	2,706,177	621,330	152,742	172,762	55,773	2,733,700	398	6,442,882
Benefit program for lay parish employees	7,367,199	-	-	-	-	-	-	7,367,199
Risk management services/claims	-	1,784,720	-	-	-	15,990	124,362	1,925,072
Publication of Catholic News Herald	580,775	53,710	411,577	131,463	4,840	-	761	1,183,126
Conference/retreat centers	482,596	246,251	53,070	2,346	1,395	-	6,369	792,027
Tribunal	373,314	58,567	24,941	35,659	39,138	100	250	531,969
Total program expenses	48,499,657	3,909,916	3,783,956	518,791	509,060	4,763,865	201,158	62,186,403
ADMINISTRATIVE:								
Central office administration	2,771,934	-	264,666	474,716	139,356	60,000	-	3,710,672
Regional and diocesan schools administration	7,468,578	5,617,094	3,005,213	416,655	557,433	-	209,399	17,274,372
Social Services Administration	594,745	47,105	27,106	86,659	11,571	-	40,512	807,698
Interest—parish savings and investments	-	-	-	-	-	-	308,461	308,461
Interest—lease obligations	-	-	-	-	-	-	12,752	12,752
Depreciation and amortization	-	6,070,173	-	-	-	-	-	6,070,173
Other	432,041	108,102	110,559	183,646	26,093	4,113	15,945	880,499
Total administrative expenses	11,267,298	11,842,474	3,407,544	1,161,676	734,453	64,113	587,069	29,064,627
FUNDRAISING	580,418	7,491	474,374	293,311	7,343	-	7,851	1,370,788
TOTAL EXPENSES BEFORE CAPITAL CAMPAIGN ACTIVITIES IN THE STATEMENT OF ACTIVITIES	60,347,373	15,759,881	7,665,874	1,973,778	1,250,856	4,827,978	796,078	92,621,818
CAPITAL CAMPAIGN ACTIVITIES:								
Distributions to parishes—FFHL	-	-	-	-	-	233,202	-	233,202
Fundraising and other expenses—FFHL	-	-	17,079	40,857	-	-	-	57,936
Total FFHL expenses	-	-	17,079	40,857	-	233,202	-	291,138
MACS campaigns' expenses	9,104	-	27,144	300	-	-	-	36,548
St Joseph College Seminary campaign expenses	97,833	-	119,732	200,343	5,629	-	442	423,979
Total capital campaign expenses	106,937	-	163,955	241,500	5,629	233,202	442	751,665
TOTAL EXPENSES PER THE STATEMENT OF ACTIVITIES	\$ 60,454,310	\$ 15,759,881	\$ 7,829,829	\$ 2,215,278	\$ 1,256,485	\$ 5,061,180	\$ 796,520	\$ 93,373,483

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

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

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, 2021 AND 2020

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, 2021 and 2020.
- 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 intradiocesan transactions have been eliminated in combination.

2. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

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

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

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

Functional Expenses—The costs of program and supporting services activities have been summarized on a functional basis in the combined statements of activities. The combined statement of functional expenses presents the natural classification detail of expenses by function. Certain costs are attributed to more than one program or supporting function and, therefore,

require allocation among the programs and supporting services benefited. We believe our allocations are done on a reasonable and consistent basis. Occupancy costs are allocated on a square footage basis. Most personnel costs, office expenses, professional services, travel and professional development costs, and grants and other assistance are identified with a specific program or supporting function at the time they are incurred and are reported accordingly. However, some of these expenses require allocation, which is done on the basis of estimates of time and effort.

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

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

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

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

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

Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to future net undiscounted cash flows expected to be generated by the asset group. If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. No impairment charges related to property and equipment were recognized during fiscal years 2021 and 2020.

The major classes of property and equipment represented as of June 30, 2021 and 2020, are as follows:

	2021	2020	Life (In Years)
Land*	\$ 17,671,024	\$ 18,248,430	N/A
Land improvements	21,537,007	20,869,597	5–15
Buildings**	98,512,209	98,370,480	30–40
Furniture and equipment	12,819,489	12,205,655	3–10
Vehicles	2,914,261	2,796,877	5
Right-of-use assets (finance leases)	2,776,355	2,705,223	3
Interest in St. Matthew Education Center	5,550,590	5,561,332	Varies
Construction in progress	6,106,084	676,775	N/A
Property held for sale	17,500	17,500	N/A
	<u>167,904,519</u>	<u>161,451,869</u>	
Less accumulated depreciation	<u>(70,843,783)</u>	<u>(65,992,180)</u>	
Total	<u>\$ 97,060,736</u>	<u>\$ 95,459,689</u>	

* The Diocese is the lessor in operating leases of various parcels of land, which are included in the land classification above. The cost basis for land leased totaled \$875,132 as of June 30, 2021 and 2020.

** The Diocese is the lessor in an operating lease associated with the former All Saints School (see Note 12), which is included in the buildings major class above. The cost basis for the property lease totaled \$3,415,520 and the accumulated depreciation totaled \$2,583,994 and \$2,487,804 as of June 30, 2021 and 2020, respectively.

Accumulated depreciation related to right-of-use assets (finance leases) totaled \$1,407,037 and \$1,313,552 at June 30, 2021 and 2020, respectively.

The construction in progress as of June 30, 2021 and 2020 consists primarily of amounts expended for expansion of Christ the King Catholic High School's gymnasium and the Charlotte Catholic High School Fine Arts Center.

Unexpended contractual commitments at June 30, 2021 and 2020 were approximately \$12,406,000 and \$1,329,000 for the construction of the Charlotte Catholic High School Fine Arts Center, respectively. Also, there were unexpended contractual commitments as of June 30, 2020 for approximately \$77,200 for construction of the Seminary facility. In addition, there was approximately \$405,500 and \$6,800 related to retainage payable for the Charlotte Catholic High School Fine Arts Center as of June 30, 2021 and 2020 which is included in accounts payable and accrued expenses in the accompanying combined statements of financial position.

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.

Interest expense incurred that relates to the acquisition or construction of property and equipment is capitalized. No interest expense was capitalized in fiscal year 2021 or 2020 in the accompanying combined statements of financial position.

Custodial Obligations—Custodial funds are managed by the Diocese, as agent, on behalf of the

originating organization. These funds are not recorded as contributions or net assets of the Diocese but rather are included as assets and corresponding custodial obligations in the accompanying combined statements of financial position.

Pension and Other Retirement Benefit Plans—The Diocese accounts for its defined benefit pension and other postretirement benefit plans by recording an asset (liability) for the excess (deficit) of plan assets over the actuarially determined projected benefit obligation, with the net periodic benefit cost allocated to program and administrative expenses based on related salaries and wages. Changes in the funded status of the plans, other than net periodic benefit costs, are reported as a net asset credit (charge) in the accompanying combined statements of activities. The net asset credit of \$24,431,381 for the year ended June 30, 2021 is primarily attributable to asset performance with all plans experiencing significant asset gains during the fiscal year. The net asset charge of \$(11,282,087) for the years ended June 30, 2021 and 2020, respectively, is primarily attributable to decreases in the discount rate. The Diocese's defined benefit pension and other postretirement benefit plans are described below:

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

During fiscal years 2021 and 2020, each diocesan entity was assessed a percentage of lay employees' salaries to fund the contribution to the Lay Plan and certain other employee benefits. The assessment rate was 5.6% during fiscal years 2021 and 2020. It is the intent of the Diocese for the minimum funding to be the actuarially recommended contribution amount.

In addition to contributing the actuarially recommended contribution amount to the Lay Plan for fiscal years 2021 and 2020 of \$1,976,398 and \$2,486,950, respectively, the Diocese contributed \$182,684 and \$269,274 in additional contributions to the plan during fiscal years 2021 and 2020, 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 Diocese contributed the actuarially recommended contribution amount to the Priest Plan for fiscal years 2021 and 2020 of \$396,579 and \$862,145, respectively, and \$357,221 and \$342,739 in additional contributions during fiscal years 2021 and 2020, respectively. The Priest Plan received contributions directly from the Advancement Corporation of \$58,391 and \$96,648 during the years ended June 30, 2021 and 2020, 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 fiscal years 2021 and 2020 of \$35,092 and \$396,841, respectively, the Diocese contributed \$31,608 and \$157,763 in additional contributions to the Plan during fiscal years 2021 and 2020, 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 2.3% and 3.5% of annual offertory as their goal for this collection for fiscal years 2021 and 2020, respectively. 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 \$622,405 and \$555,549 in fiscal years 2021 and 2020, respectively, and are reported within expenses in the accompanying combined statements of activities. In addition, all diocesan entities contribute 5% of eligible salaries (basic contribution) to the tax-deferred defined contribution plan on behalf of each eligible employee. The basic contribution expense totaled \$1,506,444 and \$1,481,385 in fiscal years 2021 and 2020, 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, 2021 and 2020, funds held on behalf of parishes and combined entities totaled \$1,443,890 and \$1,434,429, 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, 2021 and 2020, as follows:

	2021	2020
Future expenditures for:		
Bishop McGuinness High School programs	\$ 657,343	\$ 431,802
Mecklenburg Area Catholic Schools capital projects	17,590,713	12,722,110
Mecklenburg Area Catholic Schools programs	2,648,312	3,195,228
Capital Campaign and DSA fundraising and administrative costs	985,747	1,009,811
Diocesan Support Appeal funded programs	9,018,496	9,043,485
Self insurance (property and employee health) and lay employee pension	12,261,691	12,206,850
Facility maintenance	1,369,941	1,296,136
Land acquisition/improvements	2,216,591	771,311
Seminary College building project	-	-
Seminary College programs	3,014	13,538
Other Diocesan programs	509,847	522,800
Reserve for potential investment/loan losses by DL Catholic	4,073,059	3,808,956
Management designated endowments established with the Diocesan Foundation	5,893,031	4,709,535
	<u>\$ 57,227,785</u>	<u>\$ 49,731,562</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, 2021 and 2020 is presented in Note 15.

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

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

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

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

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

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

The Diocese and the entities comprising the combined financial statements had no unrecognized tax positions as of and during the years ended June 30, 2021 and 2020. Fiscal year 2018 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 20, 2021, the date the combined financial statements were available to be issued.

Accounting Standards Updates— Adopted

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement ("ASU 2018-13")* in August 2018. The amendments in this ASU modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. The ASU is effective for fiscal years beginning after December 15, 2019 with early adoption permitted. The Diocese adopted the ASU on July 1, 2020. Adoption of this standard did not result in a material impact to the financials or related disclosures.

To be adopted

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958) — Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets ("ASU 2020-07")* in September of 2020. The ASU affects Not-for-Profits (NFP) that receive contributed nonfinancial assets. The objective of the amendments in this Update is to increase transparency of contributed nonfinancial assets for NFP entities through enhancements in presentation and disclosure requirements. NFP entities will now be required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart

from contributions of cash and other financial contributions. NFPs will also be required to disclose various information related to contributed nonfinancial assets. The ASU is effective for fiscal years beginning after June 15, 2021 with early adoption permitted. The Diocese is currently evaluating the effects of the ASU on the financial statements.

3. LIQUIDITY AND AVAILABILITY

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

	2021	2020
Cash and cash equivalents	\$ 39,293,884	\$ 30,933,154
Investments, other than endowments	101,090,655	86,306,575
Endowment investments available for general purposes and for distribution in accordance with the Foundation spending rate policy	<u>2,801,637</u>	<u>2,212,060</u>
Total cash, cash equivalents and investments	143,186,176	119,451,789
Pledges receivable, due within one year	1,090,186	1,446,735
Accounts receivable and other assets, due within one year	3,365,514	2,961,490
Notes receivable, due within one year	1,977,208	1,916,484
Advances to parishes, due within one year	<u>283,689</u>	<u>298,089</u>
	149,902,773	126,074,587
Less amounts unavailable for general expenditures:		
Required to satisfy donor restrictions	(15,820,528)	(12,211,346)
Required to satisfy management designations	(47,261,695)	(40,200,950)
Required for distributions, endowments, and grants	<u>(31,639)</u>	<u>(141,265)</u>
Financial assets available to meet cash needs for general expenditures and withdrawals of parish funds on deposit	86,788,911	73,521,026
Parish funds on deposit (Note 8)	<u>(40,167,468)</u>	<u>(42,070,426)</u>
Financial assets available to meet cash needs for general expenditures within one year, excluding parish funds on deposit	<u>\$ 46,621,443</u>	<u>\$ 31,450,600</u>

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, 2021 and 2020:

2021	Saint Joseph Seminary College					Total
	FFHL	MACS		Other		
Unconditional promises at face value	\$ 1,852,535	\$ 3,203,993	\$ 4,260,482	\$ 1,168,097	\$ 10,485,107	
Less allowance for uncollectible pledges	1,665,858	551,404	639,072	3,595	2,859,929	
Less unamortized discount	7,497	248,387	353,444	27,147	636,475	
Net unconditional promises to give	<u>\$ 179,180</u>	<u>\$ 2,404,202</u>	<u>\$ 3,267,966</u>	<u>\$ 1,137,355</u>	<u>\$ 6,988,703</u>	
Amounts due in:						
Less than one year	\$ 1,614,712	\$ 338,870	\$ 1,172,063	\$ 1,006,557	\$ 4,132,202	
One to five years	227,456	2,535,123	1,802,484	131,540	4,696,603	
More than five years	10,367	330,000	1,285,935	30,000	1,656,302	
Total	<u>\$ 1,852,535</u>	<u>\$ 3,203,993</u>	<u>\$ 4,260,482</u>	<u>\$ 1,168,097</u>	<u>\$ 10,485,107</u>	

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

The change in the allowance for uncollectible pledges for the year ended June 30, 2021, related to the FFHL campaign reflects recoveries of prior year allowances of \$385,352 on unconditional promises to give received in previous years and outstanding at June 30, 2021, plus actual write-offs of \$7,314,195. The change in the allowance for uncollectible pledges for the year ended June 30,

2020, related to the FFHL campaign reflects recoveries of prior year allowances of \$548,880 on unconditional promises to give received in previous years and outstanding at June 30, 2020, plus actual write-offs of \$1,041,488. Pledges receivable due within one year as of June 30, 2021 and June 30, 2020, related to the FFHL campaign include past due accounts totaling approximately \$1,600,000 and \$9,100,000, 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 1.75% to 4.90% at June 30, 2021 and 3.0% to 5.04% at June 30, 2020.

As of June 30, 2021, 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	\$ 2,078,993
One to five years	4,047,723
More than five years	2,847,548
Less allowances	<u>(528,922)</u>
Net—term loans	8,445,342
Lines of credit	<u>1,293,286</u>
Notes receivable—net	<u>\$ 9,738,628</u>

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, 2021 and 2020, totaled \$4,296,178 and \$4,595,759, respectively. These advances are long-term in nature and are reflected, net of allowances, at their estimated present value of \$3,168,793 and \$3,775,520 in the accompanying combined statements of financial position as of June 30, 2021 and 2020, respectively.

7. INVESTMENTS

The cost and fair value of investments as of June 30, 2021 and 2020, are summarized below:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Foundation:				
Endowment and custodial funds:				
Cash and cash equivalents	\$ 525,799	\$ 525,915	\$ 176,366	\$ 176,366
Equity funds and securities	35,286,560	52,049,186	34,828,425	40,050,001
Fixed income mutual funds	19,313,102	19,301,080	15,943,056	16,159,499
Annuity funds:				
Money market funds	5,050	5,050	35,334	35,334
Equity funds and securities	126,447	183,976	202,656	225,459
Fixed income mutual funds	134,905	142,041	171,006	181,228
Total Foundation investments	<u>55,391,863</u>	<u>72,207,248</u>	<u>51,356,843</u>	<u>56,827,887</u>
Other:				
Cash	500,665	500,665	1,624,862	1,624,862
Certificates of deposit	680,475	680,475	1,764,931	1,764,931
Variable rate demand notes			1,561,983	1,561,983
Equity funds and securities	15,889,886	23,644,353	15,458,944	18,013,617
Bonds and fixed income funds	75,394,141	76,265,162	62,029,529	63,341,182
Total other investments	<u>92,465,167</u>	<u>101,090,655</u>	<u>82,440,249</u>	<u>86,306,575</u>
Total investments	<u>\$147,857,030</u>	<u>\$173,297,903</u>	<u>\$133,797,092</u>	<u>\$143,134,462</u>

The Diocese had no unfunded commitments to purchase investments as of June 30, 2021 or 2020.

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 2021 and 2020. Funds on deposit with an 18-month minimum investment period earned interest at the prime rate minus 2.5% during fiscal years 2021 and 2020. The prime rate was 3.25% at June 30, 2021 and 2020. Funds on deposit from non-combined entities along with accrued interest totaled \$40,167,468 and \$42,070,426 at June 30, 2021 and 2020 and, respectively, and are reflected as investments and custodial obligations in the accompanying combined statements of financial position.

9. PENSION AND RETIREMENT PLANS

The funded status and other information of the Lay and Priest plans as of June 30, 2021 and 2020 is set forth in the following tables (in thousands)

	2021		2020	
	Lay	Priest	Lay	Priest
Funded status and amounts recognized in the combined statements of financial position:				
Projected benefit obligation	\$(102,587)	\$(41,459)	\$(105,331)	\$(40,390)
Fair value of plan assets—end of year	64,830	21,276	52,435	16,852
Funded status	<u>\$ (37,757)</u>	<u>\$(20,183)</u>	<u>\$(52,896)</u>	<u>\$(23,538)</u>
Accrued pension expense liability—end of year	<u>\$ (37,757)</u>	<u>\$(20,183)</u>	<u>\$(52,896)</u>	<u>\$(23,538)</u>
Amounts recognized in net assets without donor restrictions (net asset charge) not yet recognized as net periodic benefit cost consist of the following:				
Unrecognized transition obligation	\$ -	\$ -	\$ -	\$ -
Unrecognized prior service cost	-	105	-	303
Cumulative unrecognized net loss	19,317	9,925	35,871	14,675
Net asset charge—end of year	<u>\$ 19,317</u>	<u>\$ 10,030</u>	<u>\$ 35,871</u>	<u>\$ 14,978</u>
Amounts recognized in the combined statements of activities—net periodic benefit cost	<u>\$ 3,574</u>	<u>\$ 2,404</u>	<u>\$ 2,984</u>	<u>\$ 2,096</u>
Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions:				
Net (gain) loss	(12,743)	(4,181)	10,620	5,392
Amortization of transition obligation	-	-	-	(69)
Amortization of prior service cost	-	(197)	-	(197)
Amortization of net loss	(3,810)	(569)	(2,672)	(331)
Total net asset (credit) charge	<u>(16,553)</u>	<u>(4,947)</u>	<u>7,948</u>	<u>4,795</u>
Total net asset (credit) charge and net periodic benefit cost recognized in net assets without donor restrictions	<u>\$ (12,979)</u>	<u>\$ (2,543)</u>	<u>\$ 10,932</u>	<u>\$ 6,891</u>
Amounts included in net assets without donor restrictions (net asset charge) that are expected to be recognized as net periodic benefit cost during the next year are as follows:				
Amortization of transition obligation	\$ -	\$ -	\$ -	\$ -
Amortization of prior service cost	-	106	-	197
Amortization of unrecognized net loss	1,383	309	3,810	569
	<u>\$ 1,383</u>	<u>\$ 415</u>	<u>\$ 3,810</u>	<u>\$ 766</u>
Other information:				
Actuarially recommended annual contribution	\$ 1,976	\$ 397	\$ 2,487	\$ 862
Additional employer contributions	183	357	269	343
Contributions from Advancement Corporation	-	58	-	97
Benefits paid	4,184	1,050	3,816	946
Accumulated benefit obligation	102,576	33,444	105,310	33,285
Assumptions used to determine benefit obligations as of June 30:				
Discount rate	2.98 %	3.31 %	2.96 %	3.25 %
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	2.96 %	3.25 %	3.69 %	3.88 %
Expected return on plan assets	6.75 %	6.75 %	6.75 %	6.75 %
Rate of compensation increase	2.50 %	-	2.50 %	-

The funded status and other information for the Retired Clergy Health Plan as of June 30, 2021 and 2020 is as follows:

	2021	2020
Funded status and amounts recognized in the combined statements of financial position:		
Projected benefit obligation	\$(16,816,235)	\$(16,430,441)
Fair value of plan asset—end of year	14,439,074	11,661,215
Funded status	<u>(2,377,161)</u>	<u>(4,769,226)</u>
Accrued pension expense liability—end of year	<u>\$ (2,377,161)</u>	<u>\$ (4,769,226)</u>
Amounts recognized in the combined statements of activities—net periodic benefit cost	<u>\$ 605,137</u>	<u>\$ 1,035,059</u>
Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions (net asset credit)	<u>(2,930,502)</u>	<u>(1,460,180)</u>
Total net asset (credit) charge and net periodic benefit cost recognized in net assets without donor restrictions	<u>\$ (2,325,365)</u>	<u>\$ (425,121)</u>
Amounts recognized in net assets without donor restrictions (net asset (credit) charge) not yet recognized as net periodic benefit cost	<u>\$ (355,543)</u>	<u>\$ 2,574,959</u>
Other information:		
Benefits paid	\$ 525,400	\$ 441,368
Actuarially recommended annual contribution	35,092	396,841
Additional employer contributions	31,608	157,763
Assumptions used to determine benefit obligations as of June 30:		
Discount rate	3.36%	3.30%
Expected return on plan assets	6.75%	6.75%
Assumptions used to determine net benefit cost for the years ended June 30—Discount rate	3.30%	3.98%

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, 2021 and 2020 are as follows:

	2021		2020	
	Long-Term Care	Health	Long-Term Care	Health
Health care cost trend rate	5 %	7 %	5 %	8 %
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		2028		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, 2021 and 2020, 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, 2021 and 2020 is as follows:

	2021			2020		
	Lay Pension	Priest Pension	Retired Clergy Health	Lay Pension	Priest Pension	Retired Clergy Health
Domestic large cap equity securities and funds	29 %	29 %	29 %	27 %	27 %	27 %
Domestic small and mid cap equity funds	7	7	7	8	8	8
International equity funds	27	26	26	27	26	26
Domestic fixed income	21	21	21	21	21	21
International fixed income	3	3	3	3	3	3
Domestic high-yield fixed income	2	2	2	2	2	2
Hedged equities	10	10	10	10	10	10
Cash and cash equivalents	1	2	2	2	3	3
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

The 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, 2021 and 2020:

	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 2022 is \$1,618,142; \$416,408; and \$36,847, respectively.

Benefits expected to be paid over the next 10 fiscal years as of June 30, 2021, are as follows:

Years Ended June 30	Lay Pension	Priest Pension	Retired Clergy Health
2022	\$ 4,857,450	\$ 1,178,809	\$ 636,345
2023	5,032,192	1,201,942	677,375
2024	5,190,392	1,291,142	710,386
2025	5,319,059	1,358,944	732,740
2026	5,412,224	1,332,973	774,673
2027-2031	27,396,280	7,312,108	4,534,470
Total	<u>\$53,207,597</u>	<u>\$13,675,918</u>	<u>\$8,065,989</u>

10. EMPLOYEE HEALTH BENEFITS

The Diocese administers medical insurance coverage for eligible employees of the Diocese. The Diocese charges each organization premiums for the coverage of its employees on a monthly basis. The individual organizations have no liability for claims in excess of the premiums to be paid. The Diocese has an arrangement with a third party to administer the medical plan. During fiscal years 2021 and 2020, approximately 15.4% and 18.5%, 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 2021 and 2020, and aggregate coverage beginning at 125% of the actuarially projected total individual claims under \$175,000 for fiscal years 2021 and 2020. Total expenditures incurred for employee medical benefits were approximately \$13,617,000 and \$12,936,000 during fiscal years 2021 and 2020, respectively.

11. LEASES AND FACILITIES USAGE AGREEMENTS

Operating Leases in which the Diocese is the Lessee—The Diocese is the lessee in various operating leases for office equipment and for office space. These leases have fixed lease payments and do not contain options to extend or terminate early. Operating lease costs for the Diocese

totalled \$79,632 and \$148,961 for the years ended June 30, 2021 and 2020, respectively. Right-of-use assets related to these leases is \$92,540 and \$225,140 as of June 30, 2021 and 2020, respectively, and is recorded in deferred rent and right-of-use-assets—operating leases in the accompanying statements of financial position.

Operating Leases in which the Diocese is the Lessor—The Diocese is the lessor in a ground lease agreement and the lessee in a space lease agreement with the same third party. In fiscal year 2003, the third party paid to the Diocese the net amount due for the entire terms of these lease agreements of \$290,128. The Diocese is also responsible for monthly payments relating to the operating costs associated with the space lease agreement which are adjusted annually based on changes to the Consumer Price Index. Prepaid rent relating to the space lease of \$532,941 and \$567,698 as of June 30, 2021 and 2020, 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 \$622,576 and \$663,178 as of June 30, 2021 and 2020, 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 \$44,491 and \$43,291 for the years ended June 30, 2021 and 2020 respectively.

The Diocese is a lessor in a ground lease with Guardian Angel Villa, LLC, a related party. During fiscal year 2020, a payment of \$450,000 representing the entire lease term was received. Unearned revenue related to the ground lease of \$438,564 and \$444,530 as of June 30, 2021 and 2020 is reflected in unearned revenue in the accompanying combined statements of financial position. The unearned revenue related to the ground lease is being amortized on a straight-line basis over the life of the lease. Rental income related to the ground lease totaled, \$5,967 and \$5,470 for the years ended June 30, 2021 and 2020, 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 \$440,775 and \$433,120 for the years ended June 30, 2021 and 2020, respectively. Undiscounted cash flows to be received on an annual basis for the remainder of these leases are \$442,931 for fiscal year 2022, \$382,494 for fiscal year 2023, \$338,659 for fiscal year 2024, \$249,868 each year for fiscal years 2025 and 2026, and \$1,478,386 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 \$646,188 both fiscal year 2021 and 2020. As revenue recognized as of June 30, 2021 and 2020 exceeded rental payments received, a deferred rent asset of \$48,844 and \$468,296 is recorded in the statements of financial position as of June 30, 2021 and 2020, respectively. Undiscounted cash flows to be received on an annual basis for the remainder of this lease are \$156,527 for fiscal year 2022.

Finance Leases—The Diocese is the lessee in finance leases for computer equipment used in MACS and BMCHS. The corresponding right-of-use assets of \$2,776,355 and \$2,705,223 as of June 30, 2021 and 2020, respectively, is reported within property and equipment—net in the accompanying combined statements of financial position. The lease obligation was \$984,124 and \$1,164,069 as of June 30, 2021 and 2020, respectively. Total lease costs related to these leases was \$774,195 and \$767,383 for the years ended June 30, 2021 and 2020, respectively, of which \$764,147 and \$749,154 is amortization of the right-of-use assets and \$10,048 and \$18,229 is interest expense on lease liabilities for the years ended June 30, 2021 and 2020, 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 \$88,755 and \$95,488 for the years ended June 30, 2021 and 2020, 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 \$93,553 and \$99,833 for the years ended June 30, 2021 and 2020, 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, 2021 are as follows:

Years Ended June 30	Operating Leases	Finance Leases	Total Leases
2022	\$ 80,438	\$ 795,307	\$ 875,745
2023	9,039	200,219	209,258
2024	5,363	-	5,363
2025	576	-	576
2026	144	-	144
Thereafter	-	-	-
Total	95,560	995,526	1,091,086
Less amount representing interest on lease liabilities	(3,020)	(11,402)	(14,422)
Lease liability as of June 30, 2021	\$92,540	\$984,124	\$ 1,076,664
Lease liability as of June 30, 2020	\$ 225,140	\$ 1,164,069	\$ 1,389,209

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 \$606,411 and \$599,040 for fiscal years 2021 and 2020, respectively, and are reported within regional and diocesan schools administration expense in the accompanying combined statements of activities.

12 CONTINGENCIES

From time to time, the Diocese is subject to various disputes and legal proceedings arising in the

ordinary course of business. Management is of the opinion, based upon information presently available, that it is unlikely that any liability to the extent not provided for through insurance or otherwise, would be material in relation to the Diocese’s combined financial position, results of operations, or cash flows.

The Housing Corporation has guaranteed various contingent payment obligations of its equity method investee, Curlin Commons Housing of Mooresville, Inc. (CCHM), related to an affordable housing project located in Mooresville, North Carolina. The maximum amount of the Housing Corporation’s guarantee obligation was approximately \$4,000,000 as of June 30, 2021; 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, 2021 and 2020, based on the three levels of inputs within the fair value hierarchy, are summarized as follows:

Fair Value Measurement as of June 30, 2021				
	Total	Level 1	Level 2	Level 3
Investments:				
Money market funds	\$ 5,050	\$ -	\$ 5,050	\$ -
Investments in certificates of deposit	680,475	-	680,475	-
Domestic large cap equity securities	4,522,271	4,522,271	-	-
Domestic large cap equity funds	20,724,876	-	20,724,876	-
Domestic bonds	46,372,862	-	46,372,862	-
International bonds	5,055,779	-	5,055,779	-
Mutual funds:				
Domestic small and mid cap equities	7,897,199	7,897,199	-	-
Domestic large cap equities	4,528,307	4,528,307	-	-
Hedged equities	10,439,348	10,439,348	-	-
International equities	27,765,514	27,765,514	-	-
Domestic bonds	22,645,341	22,645,341	-	-
International bonds	3,032,016	3,032,016	-	-
Domestic high-yield bonds	2,528,301	2,528,301	-	-
United States treasury notes	11,621,708	-	11,621,708	-
Agency securities	1,171,797	-	1,171,797	-
Mortgage backed securities	739,271	-	739,271	-
Municipal bonds	2,541,208	-	2,541,208	-
Total investments	172,271,323	83,358,297	88,913,026	-
Beneficial interest in perpetual trust	11,699,552	-	11,699,552	-
Total	\$183,970,875	\$ 83,358,297	\$100,612,578	\$ -

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

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.

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, 2021 and 2020.

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, 2021 and 2020, respectively, is summarized as follows:

**Fair Value Measurement as of June 30, 2021
for the Lay Plan**

	Total	Level 1	Level 2	Level 3
Domestic large cap equity securities	\$ 2,834,771	\$ 2,834,771	\$ -	\$ -
Domestic large cap equity funds	12,928,451	-	12,928,451	-
Mutual funds:				
Domestic small and mid cap equities	4,743,114	4,743,114	-	-
Domestic large cap equities	2,825,156	2,825,156	-	-
Hedged equities	6,513,405	6,513,405	-	-
International equities	17,085,061	17,085,061	-	-
Domestic bonds	13,682,340	13,682,340	-	-
International bonds	1,846,512	1,846,512	-	-
Domestic high-yield bonds	1,508,097	1,508,097	-	-
Total	\$63,966,907	\$51,038,456	\$ 12,928,451	\$ -

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

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

**Fair Value Measurement as of June 30, 2021
for the Priest Plan**

	Total	Level 1	Level 2	Level 3
Domestic large cap equity securities	\$ 919,421	\$ 919,421	\$ -	\$ -
Domestic large cap equity funds	4,222,825	-	4,222,825	-
Mutual funds:				
Domestic small and mid cap equities	1,582,253	1,582,253	-	-
Domestic large cap equities	924,962	924,962	-	-
Hedged equities	2,126,091	2,126,091	-	-
International equities	5,501,512	5,501,512	-	-
Domestic bonds	4,468,071	4,468,071	-	-
International bonds	602,912	602,912	-	-
Domestic high-yield bonds	492,832	492,832	-	-
Total	\$20,840,879	\$16,618,054	\$ 4,222,825	\$ -

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

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

**Fair Value Measurement as of June 30, 2021
for the Retired Clergy Health Plan**

	Total	Level 1	Level 2	Level 3
Domestic large cap equity securities	\$ 630,112	\$ 630,112	\$ -	\$ -
Domestic large cap equity funds	2,887,756	-	2,887,756	-
Mutual funds:				
Domestic small and mid cap equities	1,053,774	1,053,774	-	-
Domestic large cap equities	631,327	631,327	-	-
Hedged equities	1,455,076	1,455,076	-	-
International equities	3,750,216	3,750,216	-	-
Domestic bonds	3,056,873	3,056,873	-	-
International bonds	406,187	406,187	-	-
Domestic high-yield bonds	329,352	329,352	-	-
Total	\$14,200,673	\$11,312,917	\$ 2,887,756	\$ -

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

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

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 1 and 19 donor restricted endowments in which cumulative investment losses exceed cumulative investment gains ("underwater" endowments) as of June 30, 2021 and 2020, respectively. The aggregate original gift amount of the "underwater" endowment funds totals \$3,000 and \$1,450,106 as of June 30, 2021 and 2020, respectively. The aggregate fair value of the "underwater" endowment funds totals \$2,578 and \$1,393,800 as of June 30, 2021 and 2020, respectively, resulting in aggregate losses of "underwater" funds totaling \$422 and \$56,306 as of June 30, 2021 and 2020, 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 year ended June 30, 2021, there were no distributions from endowments with a fair value that was less than the cumulative original gift amount at the time of the distribution. During the fiscal year ended June 30, 2020, \$5,000 was distributed 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, 2021 and 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
2021			
Designated	\$ 5,973,116	\$ -	\$ 5,973,116
Donor restricted:			
Purpose restrictions	-	46,233,706	46,233,706
No purpose restriction—time restriction only	-	172,926	172,926
Total funds	\$ 5,973,116	\$46,406,632	\$52,379,748
2020			
Designated	\$ 4,702,699	\$ -	\$ 4,702,699
Donor restricted:			
Purpose restrictions	-	36,392,501	36,392,501
No purpose restriction—time restriction only	-	115,473	115,473
Total funds	\$ 4,702,699	\$36,507,974	\$41,210,673
Changes in endowment assets for the year ended June 30, 2021 consisted of the following:			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets—beginning of year	\$ 4,702,699	\$36,507,974	\$41,210,673
Investment income	1,337,949	10,243,272	11,581,221
Additions	72,251	938,346	1,010,597
Distributions	(84,676)	(860,458)	(945,134)
Other changes:			
Administrative fees	(43,204)	(331,258)	(374,462)
Management fees	(11,903)	(91,244)	(103,147)
Endowment net assets—end of year	\$ 5,973,116	\$46,406,632	\$52,379,748

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

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

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, 2021 and 2020, and the corresponding purposes for which the income is expendable are as follows:

	2021	2020
Bishop McGuinness High School programs	\$ 617,147	\$ 271,297
Meckleburg Area Catholic Schools capital projects	7,881,520	6,210,740
Mecklenburg Area Catholic Schools programs	510,846	429,221
Catholic Charities' programs	831,277	700,669
Elderly Outreach	487,331	487,331
FFHL gifts for parishes	57,904	102,283
FFHL gifts for Priest Retirement Plan	99,709	96,451
FFHL gifts for facility construction and improvements	4,085,001	4,992,340
St. Joseph Seminary construction	3,461,445	2,394,539
Other programs	476,645	426,892
Amounts in excess of endowment corpus and annuities subject to expenditure for donor specified purposes:		
Parishes	2,897,093	1,198,310
Education	3,285,706	1,198,135
Clergy/vocations	2,375,370	1,127,019
Outreach programs and services	5,414,374	2,188,630
Diocesan programs	696,182	418,348
Nondiocesan programs	215,962	87,471
	<u>33,393,512</u>	<u>22,329,676</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	10,834,413	10,574,778
Education	8,637,914	8,526,378
Clergy/vocations	3,712,393	3,599,495
Outreach programs and services	6,764,238	6,420,740
Other diocesan purposes	803,397	802,111
Nondiocesan	436,400	397,932
	<u>31,188,755</u>	<u>30,321,434</u>
FFHL gifts restricted for endowments:		
Education	27,258	26,173
Clergy/vocations	10,222	9,815
Outreach programs and services	30,666	29,444
Other diocesan purposes	20,444	19,630
	<u>88,590</u>	<u>85,062</u>
Beneficial interest in perpetual trust—parishes	<u>5,332,371</u>	<u>4,506,605</u>
Beneficial interest in perpetual trust—education	<u>6,367,181</u>	<u>5,010,243</u>
Permanent loan fund—parishes	<u>5,736,408</u>	<u>5,509,961</u>
Annuity funds:		
Parishes	57,279	101,027
Clergy/vocations		21,245
Outreach programs		21,245
	<u>57,279</u>	<u>143,517</u>
Total net assets with donor restrictions	<u>\$82,164,096</u>	<u>\$67,906,498</u>

16. PAYCHECK PROTECTION PROGRAM

The Central Administration, CCDOC and BMHS applied for and received Paycheck Protection Program (PPP) loans from the Small Business Administration under the Coronavirus Aid Relief and Economic Security Act (CARES Act) in May 2020 in the net amount of \$2,841,945. As of June 30, 2021 and 2020, \$2,841,945 and \$2,563,923, respectively, of the proceeds of the loans were expended for expenses that qualify for forgiveness under the provisions of the PPP. For the fiscal years ended June 30, 2021 and 2020, \$278,022 and \$2,563,923, respectively, is recorded in federal and state agency awards in the accompanying combined statements of activities. The balance of \$278,022 at June 30, 2020 is reported in custodial, annuity, and other obligations in the accompanying combined statements of financial position. As of June 30, 2021, the PPP loans have been forgiven.

Protecting God's Children 2021

Over the past two decades, the Catholic Church has installed sweeping measures to prevent child sexual abuse. In 2002, the United States bishops adopted the Charter for the Protection of Children and Young People, mandating strict protocols for all U.S. dioceses that have continued to be expanded and refined.

The Diocese of Charlotte takes the Charter's mandate to protect children and youths very seriously. The cornerstones of our safe environment program are our policies, our educational programs and our background screening process. The diocese has promulgated its own safe environment policies, including the Code of Ethics and the Policy of the Diocese of Charlotte Regarding Sexual Misconduct by Church Personnel, which conform to the standards of the Charter. All clergy, religious, lay employees and volunteers must adhere to the provisions in these policies.

During the 2020-2021 fiscal year, in-person training opportunities were reduced due to the COVID-19 pandemic, so many participants in the diocese's "Protecting God's Children" educational awareness program instead participated in online training options. Some facilitators even presented group workshops virtually so participants could experience the same group discussions and interactions that are part of the typical in-person learning experience. Despite the limitations imposed by the pandemic, 2,190 diocesan personnel completed the "Protecting God's Children" program and 3,786 criminal background checks were completed this past year. Since its inception, nearly 60,000 participants have completed the diocese's safe environment program.

Each year, the diocese participates in an outside review to determine compliance with the Charter. Stonebridge Business Partners has been contracted by the U.S Conference of Catholic Bishops to conduct this audit. The audit for the period of July 2020 through June 2021 was conducted in August 2021. The diocese has been found to be compliant with the provisions of the Charter each year since the audits began in 2003.

In 2019 the diocese launched an independent hotline for the reporting of sexual abuse and misconduct, in combination with a report on historical abuse data online at accountability.charlottediocese.org. Reports can be made 24 hours a day, 7 days a week, by phone or online through a web portal, in many different languages. Reports can be made anonymously, and individuals making the reports can choose to receive updates through the web portal. The hotline is another component of the diocese's comprehensive efforts to protect children and the vulnerable from abuse.

These activities represent a significant financial commitment on the part of the diocese. The cost of the various programs and measures outlined herein totaled \$97,013 during the fiscal year ended June 30, 2021. The diocese also provided financial assistance to victims and their families. During the past year, \$14,340 was provided for medical and counseling services. The diocese incurred \$76,217 in legal costs during the fiscal year in connection with historical sexual misconduct lawsuits.

We remain firmly committed to maintaining a safe environment for those entrusted to our care. It is part of our mission to follow Jesus's commandment that we "love one another as I have loved you." There is no greater way to demonstrate our love for each other than to do everything possible to keep children and the vulnerable safe from harm.