

Diocese of Charlotte

Celebrating 50 years

Annual Report 2022

FAITH
MORE PRECIOUS THAN GOLD
1 PETER 1:7





Dear Brothers and Sisters in Christ,

The theme of this 2021-'22 annual report, "Faith More Precious Than Gold" (1 Peter 1:7), conveys the gratitude and joy we have felt this year as the Diocese of Charlotte commemorated the 50th anniversary of our founding and we began to recover from the pandemic. It was a year to give thanks to God and serve our brothers and sisters in need.

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, 2021, through June of this year. I am pleased to report that the overall financial health of the diocese is good, and I am grateful for your support of the Church through your prayers, service and financial contributions.

Our parishes, schools and ministries continued to weather economic challenges as the pandemic subsided, yet we also welcomed a return to the regular rhythms of life in our local Church.

It was a year to be thankful for the devoted ministry of our priests, deacons, religious and lay faithful. We were blessed to have two men, Father Darren Balkey and Father Aaron Huber, ordained to the priesthood in June 2022. In addition, 12 men were ordained in fall 2021 as permanent deacons for the diocese, bringing the total number of deacons serving in our diocese to 139 – the most in our history. Please pray for them, for our record number of 49 seminarians, and for all religious as they joyfully follow the Lord in serving His people in western North Carolina.

The success of our Catholic schools through the pandemic demonstrated our commitment to providing a high-quality Catholic education from pre-kindergarten through the 12th grade. More and more people are embracing what our Catholic schools offer. Enrollment systemwide was 15% higher this fall compared to the 2019-'20 school year, when the pandemic began, to nearly 8,000 students. In May, we also welcomed Canongate Catholic High School, an independent school in Arden, as an affiliate to our Catholic schools system.

The residual effects of the pandemic and rising inflation created demand for food, housing and financial assistance, and Catholic Charities Diocese of Charlotte responded: serving more than 15,000 people over the past year. Catholic Charities also rose to the challenge as a surge of more than 240 refugees fleeing Afghanistan were resettled to Asheville and Charlotte – welcoming them and providing assistance to begin new lives in the U.S.

We gave back to even more people in need this 50th anniversary year, sharing our time, talent and treasure in so many ways. Parishes, schools and groups organized dozens of "Acts of Charity" – from food and diaper drives to painting and clean-up projects – which impacted local communities and addressed needs across our diocese.

Another highlight of the 50th anniversary year was the 18th annual Eucharistic Congress. Held at the Charlotte Convention Center in August, it marked a welcome return to in-person worship and fellowship after two years of pandemic-restricted virtual programs. People from across western North Carolina came together as one family in Christ to deepen our love for the Eucharist and give thanks to God for our faith "more precious than gold."

As we look back on this our 50th anniversary, it inspires us even more to give praise to God for all His blessings, recalling the words of the psalmist: "Give thanks to the Lord, for He is good; His love endures forever." (Ps 106:1)

Please be assured of my prayers as we continue to share 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 de este informe anual 2021-22, "La fe más preciosa que el oro" (1 Pedro 1:7), transmite la gratitud y la alegría que hemos sentido este año cuando la Diócesis de Charlotte conmemoró el 50 aniversario de nuestra fundación y comenzó a recuperarse de la pandemia. Fue un año para dar gracias a Dios y servir a nuestros hermanos y hermanas en necesidad.

Este informe anual presenta información sobre las finanzas de la Diócesis de Charlotte y, a través de texto y fotos, describe los obsequios entregados y recibidos desde el 1 de julio de 2021 hasta junio de este año. Me complace informar que la salud financiera general de la diócesis es buena y estoy agradecido por su apoyo a la Iglesia a través de sus oraciones, servicio y contribuciones financieras.

Nuestras parroquias, escuelas y ministerios continuaron enfrentando los desafíos económicos a medida que la pandemia disminuía, pero también dimos la bienvenida al regreso a los ritmos regulares de vida en nuestra Iglesia local.

Fue un año para agradecer el ministerio devoto de nuestros sacerdotes, diáconos, religiosos y fieles laicos. Tuvimos la bendición de tener a dos hombres, el Padre Darren Balkey y el Padre Aaron Huber, ordenados al sacerdocio en junio de 2022. Además, 12 hombres fueron ordenados en el otoño de 2021 como diáconos permanentes para la diócesis, elevando el número total de diáconos que sirven en nuestra diócesis a 139 – la mayor cantidad en nuestra historia. Oren por ellos, por nuestro número récord de 49 seminaristas y por todos los religiosos que siguen al Señor con alegría al servir a su pueblo en el oeste de Carolina del Norte.

El éxito de nuestras escuelas católicas durante la pandemia demostró nuestro compromiso de brindar una educación católica de alta calidad desde el jardín de infantes hasta el grado 12. Cada vez más personas están aceptando lo que ofrecen nuestras escuelas católicas. La inscripción en todo el sistema fue un 15% más alta este otoño en comparación con el año escolar 2019-'20, cuando comenzó la pandemia, a casi 8000 estudiantes. En mayo, también dimos la bienvenida a Canongate Catholic High School, una escuela independiente en Arden, como afiliada a nuestro sistema de escuelas católicas.

Los efectos residuales de la pandemia y el aumento de la inflación crearon una demanda de alimentos, vivienda y asistencia financiera, y la Diócesis de Caridades Católicas de Charlotte respondió: sirviendo a más de 15,000 personas durante el año pasado. Caridades Católicas también estuvo a la altura del desafío cuando una oleada de más de 240 refugiados que huían de Afganistán fueron reasentados en Asheville y Charlotte, dándoles la bienvenida y brindándoles asistencia para comenzar una nueva vida en los Estados Unidos.

Devolvimos a más personas necesitadas este año del 50 aniversario, compartiendo nuestro tiempo, talento y tesoro de muchas maneras. Las parroquias, las escuelas y los grupos organizaron docenas de "Actos de caridad", desde colectas de alimentos y pañales hasta proyectos de pintura y limpieza, que impactaron a las comunidades locales y abordaron las necesidades en toda nuestra diócesis.

Otro punto destacado del año del 50 aniversario fue el 18° Congreso Eucarístico anual. Celebrado en el Centro de Convenciones de Charlotte en agosto, marcó un bienvenido regreso a la adoración y el compañerismo en persona después de dos años de programas virtuales restringidos por la pandemia. Personas de todo el oeste de Carolina del Norte se unieron como una sola familia en Cristo para profundizar nuestro amor por la Eucaristía y dar gracias a Dios por nuestra fe "más preciosa que el oro".

Al mirar hacia atrás en este nuestro 50 aniversario, nos inspira aún más a alabar a Dios por todas sus bendiciones, recordando las palabras del salmista: "Dad gracias al Señor, porque es bueno; Su amor es para siempre." (Sal 106:1)

Tenga la seguridad de mis oraciones mientras continuamos compartiendo el amor de Dios con los demás.

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

DIocese of
CHARLOTTE



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‘Faith More Precious Than Gold’

This past year marked meaningful milestones for the Diocese of Charlotte as we celebrated our 50th anniversary and saw the global pandemic begin to subside, allowing a return to near-normal life in the Church.

On Jan. 12, 2022, Bishop Peter Jugis declared a yearlong anniversary celebration, themed “Faith More Precious than Gold” (1 Peter 1:7) – which has included special Masses, Eucharistic devotions, events, prayers, a pilgrimage and “50 Acts of Charity,” as the faithful gave thanks to God for His blessings and the gift of our faith. The observance continues through January 2023, and is chronicled on an anniversary website (FaithMorePreciousThanGold.com) that also showcases the diocese’s treasured sites and its history, with our roots reaching back to Benedictine monks and the circuit-riding priests before them.

Growth continued to be a hallmark for the diocese during the fiscal year ending June 30, 2022. An estimated 530,000 Catholics now live across the diocese’s 46 counties in the western half of North Carolina. With 92 parishes and missions, the diocese also experienced growth in its 19 Catholic schools – where enrollment jumped 15 percent since the pandemic began. The diocese also welcomed a 20th school, Canongate Catholic High School in Asheville, as an affiliate, and saw continued growth at its St. Joseph College Seminary, which is training young men of the diocese to serve here as priests.

Through God’s grace, other significant events also punctuated the year. More than 7,000 people participated in 400 listening sessions across the diocese as part of a worldwide Synod, offering their thoughts and aspirations for the Church.

Bishop Jugis also established a diocesan Office of Family Life to enhance outreach, pro-life advocacy and services for couples and families. In recognition of the U.S. Supreme Court’s overturning of *Roe v. Wade*, the bishop called on parishes not only to redouble their pro-life advocacy at the state level but also to intensify their efforts to help mothers in need.

The year also brought unprecedented work by the diocese’s Catholic Charities agency, whose caseworkers and volunteers



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

| | 2022 | 2021 | | 2022 | 2021 |
|--|--------------------|--------------------|---|--------------------|--------------------|
| REVENUE & OTHER SUPPORT | | | EXPENSES | | |
| Priests' retirement collection | \$ 1,205,542 | \$ 925,688 | Seminarian formation | \$ 2,582,586 | \$ 2,314,261 |
| FFHL Contributions | 28,641 | 58,391 | Duc in Altum | 31,125 | 24,027 |
| Priests' Continuing Education & Seminarian collection | 414,085 | 401,779 | Quo Vadis Days | 37,462 | 28,461 |
| Seminarian Education Campaign | 1,135,273 | 949,649 | Diaconate formation | 48,130 | 32,721 |
| St. Joseph College Seminary building projects | 2,124,664 | 5,177,440 | Care for priests not in ministry | 661,716 | 638,347 |
| Other contributions | 842,262 | 251,946 | St. Joseph College Seminary administration | 390,301 | 387,267 |
| Parish assessments | 378,866 | 364,027 | St. Joseph College Seminary fundraising | 319,838 | 423,979 |
| DSA funding | 718,468 | 630,004 | Priests' retirement benefits | 1,249,393 | 1,134,141 |
| Supplemental DSA funding | 271,463 | - | Other | 410,186 | 430,880 |
| Other income | 71,820 | 85,129 | TOTAL EXPENSES | \$5,730,737 | \$5,414,084 |
| Administrative funding | 450,387 | 545,714 | Surplus – St. Joseph College Seminary - earmarked for building project | \$1,910,734 | \$3,975,683 |
| TOTAL REVENUE & OTHER SUPPORT | \$7,641,471 | \$9,389,767 | | | |

in just four months successfully resettled more than 240 Afghan refugees in Charlotte and Asheville – arranging for food, medical care, jobs, schools and housing, despite a severe lack of affordable housing in the region.

In March 2022, the faithful also participated in an extraordinary worldwide prayer for peace in Ukraine, and refugees from that country began arriving in Charlotte and elsewhere within months.

In addition, the diocese was blessed during its anniversary to be able to host its first in-person Eucharistic Congress in three years, in August 2022.

A specially commissioned statue of Mary, Mother of God, made an appearance at the Congress as part of a spiritual pilgrimage to more than 100 locations across the diocese to visit the faithful, just as Mary did in her visitation to St. Elizabeth. And in a special anniversary video, shared at the Eucharistic Congress and elsewhere, Bishop Jugis called on the faithful to embrace the anniversary as an opportunity: “As we commemorate this golden anniversary year,” he said, “I invite you to seek a closer relationship with the Lord and with one another, ever thankful to God for our Faith – which truly is more precious than gold.”

Following are a few notable efforts to demonstrate God’s love to others, as well as a detailed financial report for the fiscal year ending June 30, 2022.

Pastoral Ministry

This past year we have given thanks to God for His blessings – among them, the many men and women whose vocation of service to God and His Church provide daily examples of God’s faithfulness. Serving the 530,000 people of our diocese were 133 priests, 139 permanent deacons, 128 women religious, 2,560 employees and countless volunteers – constant reminders of Christ’s love, grace and presence among His People.

Thanks to their love, courage and self-sacrifice – in conjunction with the prayers and support of the faithful – vocations continued to flourish in our diocese, growing dramatically over the past five years, from 16 seminarians in 2016 to a record 49 seminarians this year.

Two of those seminarians – Darren Balkey and Aaron Huber – were ordained priests for the diocese in June 2022. Father Huber represents the “first fruits” of the diocese’s remarkable vocations effort with St. Joseph College Seminary in Mount Holly, as its first graduate ordained a priest to serve here.

Three other seminarians – two who also graduated from St. Joseph College Seminary – were ordained deacons. Christopher Brock, Chinonso Nnebe-Agumadu and Peter Rusciollelli are deepening their commitment to serving God as they continue on the path to priesthood.

The diocese also was blessed this past year with a historic number of 139 deacons serving in our parishes, schools and ministries – including a dozen men ordained as deacons in 2021. Deacons have played a crucial role in helping the faithful navigate changes in public health protocols during the pandemic by assisting at Mass, offering the sacraments, staffing parishes and ministries, and more. They also resumed their full ministries in hospitals, at 67 detention facilities, and at the Charlotte airport.

Women religious serving in our diocese, representing 17 different religious communities, continued their vital work of ministering to the poorest and most vulnerable among us: the sick and homebound, seniors, homeless pregnant women, women escaping domestic violence, people suffering with AIDS, disabled children and adults, and migrants and refugees. In addition, a new apostolate, the Daughters of the Virgin Mother, continued to grow, now numbering seven women who focus on pro-life work and the support of our priests and seminarians. All of these women religious enrich the life of the local Church and its ministries, providing a prayerful and powerful witness of God’s love.

The diocese’s work to promote vocations continued to show success through summer discernment camps for young people: This year, 87 young men attended Quo Vadis Days, and 82 young women attended Duc In Altum, both held at Belmont Abbey College.

The work of sharing God’s love throughout the increasingly diverse diocese also was evident in the African American Affairs Ministry, Hispanic Ministry and Vietnamese Ministry – and through more than a dozen faith communities and

religious rites within the diocese.

The African American Affairs Ministry continued 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. One highlight was its webinar that drew participants from across the country to examine the U.S. bishops' 2018 letter on racism, "Open Wide our Hearts," and how its teachings apply at a parish level. The ministry also collaborated with Catholic Charities to present a workshop detailing COVID-19's disproportionate impact on people of color.

The Hispanic Ministry continues to grow more important than ever as half the diocese's parishioners are now of Hispanic origin. Hispanic Ministry coordinators and volunteers continued to use technology and skills honed during the pandemic to bolster outreach to parishes and ministries serving Hispanic Catholics, particularly families and youth. The fruits of these efforts were evident in growing Mass attendance at parishes, in faith formation and other classes, and at 50th anniversary events – including more than 700 mostly Hispanic Catholics who turned out for a special Mass and family day at Carowinds in July 2022. The Hispanic Ministry witnessed to those hit particularly hard by the pandemic by illness, a lack of health care, reduced opportunities for work, and a lack of access to the internet and other resources necessary for remote learning. The Ministry also played a vital role in translating and distributing important Church information, engaging Hispanics in the Synod, and connecting immigrants with resources as they assimilate into life and culture in the U.S.

The diocese's Vietnamese ministry, centered at St. Joseph Church in Charlotte, also worked to accommodate continuing growth, rejoicing and responding to serve a 20 percent increase in children and youth in its faith formation classes. The parish set an example in its embrace of the diocese's anniversary with a three-day devotion to the pilgrim statue of Mary, which drew hundreds of parishioners.

Corporal Works of Mercy

People of faith are called to show God's love for others in part by serving the poor and caring for the most vulnerable among us – and the Church across western North Carolina took that to heart, going beyond our traditional work in commemoration of our 50th anniversary. The diocese launched a special initiative to perform "50 Acts of Charity" – inspiring schools, parishes and ministries to undertake a variety of efforts to increase outreach, service and solidarity with our brothers and sisters in need. Included among the acts were collections of food, diapers, blood, toiletries, cleaning and school supplies. Volunteers also jumped in, repairing a playground, women's shelter, retreat center, prayer garden and other church and community facilities. And in partnership with Roof Above, Charlotte's homeless services agency, more than 100 diocesan employees spent two days repainting the living quarters of an apartment complex for men in treatment for substance addiction.

The 50 Acts of Charity amplified the essential work of the Church carried out daily through parishes and Catholic Charities – thanks to tens of thousands of people of goodwill across western North Carolina who give their time, talent and treasure to love one another, especially those living on the peripheries of our communities. These good works were all the more remarkable as the Church continued to grapple with the impact of COVID-19, and at the same time assisted individuals and families experiencing economic hardship, homelessness, mental health and other challenges.

More than \$6.4 million was allocated for Catholic Charities' social service programs, which served 18,762 people with 60 staff and 225 volunteers.

Among highlights, Catholic Charities provided:

- Food for 13,511 people through pantries in Charlotte, Asheville and Greensboro
- Burial assistance for 130 adults and three children
- Mental health counseling for 255 people
- Eldercare for 839 seniors
- Immigration assistance for 255 immigrants in the country legally
- Resettlement services for 332 refugees and additional assistance to 636 refugees
- Catholic Social Teaching for 1,211 people
- Services for 77 homeless veterans, 67 homeless individuals and families, and 28 youth in crisis.



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

| | 2022 | 2021 | | 2022 | 2021 |
|--|---------------------------|---------------------------|--|---------------------------|---------------------------|
| REVENUE & OTHER SUPPORT | | | EXPENSES | | |
| Paycheck Protection Program award | \$ - | \$ 190,912 | Counseling program | \$ 484,947 | \$ 444,228 |
| Federal and state agency awards | 2,217,585 | 2,598,119 | Direct Assistance | 2,617,470 | 2,184,031 |
| Other grants, contracts & awards | 457,637 | 291,689 | Family Life Services | 172,892 | 251,990 |
| Contributions - Diocese of Charlotte: | | | Office of Economic Opportunity | 21,682 | 30,463 |
| DSA funding | 1,942,277 | 2,028,176 | Refugee & Immigration Services | 2,241,231 | 1,183,631 |
| Contributions - Other | 2,425,735 | 1,929,538 | Respect Life program | 13,102 | 47,788 |
| Fees | 402,946 | 423,140 | Social Concerns & Advocacy | 139,705 | 121,191 |
| In-Kind Contributions | 475,282 | 413,570 | Stay the Course/Teen Parenting Program | 163,181 | 197,226 |
| Nonfinancial federal assistance- | | | Translation & Interpretation | 4,300 | 69,864 |
| food commodities | 245,700 | 334,347 | U.S. Bishops' Collections (CCHD & CRS) | 56,767 | 11,160 |
| Investment gain(loss) and other income | (1,195,170) | 1,478,408 | Veterans' Services | 472,361 | 1,845,667 |
| | | | Youth Counseling program | 19,679 | 36,509 |
| | | | Administrative expenses | 1,127,344 | 857,967 |
| | | | Fundraising expenses and direct | | |
| | | | benefits to donors | 391,900 | 264,371 |
| TOTAL REVENUE | <u>\$6,971,992</u> | <u>\$9,687,899</u> | TOTAL EXPENSES | <u>\$7,926,561</u> | <u>\$7,546,086</u> |

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. The work of the Education Vicariate and Catholic Schools Office continued this saving mission of the Church this past year, encouraging people of all ages to engage more deeply with our faith and to share that gift of faith with others.

The Catholic Schools' commitment to delivering in-person learning through the pandemic drew support from families, helping to boost enrollment to more than 7,500 students across the diocese. About 96 percent of new students stayed on in our Catholic schools, even after other schools returned to in-person instruction.

The schools also adopted a mission-centric strategic vision focused on providing a robust Catholic identity, holistic education, operational vitality, and effective leadership. They achieved financial milestones as well, as nearly all schools began

conducting annual fund efforts to build support from within school communities. Overall, the schools raised more than \$3 million during the fiscal year, including gifts to annual funds, endowments, events, and parent association initiatives. Yet, not only did the schools receive, they also gave back: Students completed thousands of hours of service and in honor of the diocese’s 50th anniversary adopted the “Golden Pledge,” which called for each school to conduct their own 50 Acts of Charity.

Additionally, the \$21 million Mecklenburg Area Catholic Schools Fine Arts Center opened in August 2022 at Charlotte Catholic High School, and Christ the King Catholic High School broke ground on its \$6.6 million Fulford Athletic and Activity Complex.

Another highlight was the 18th annual Diocese of Charlotte Eucharistic Congress, directed by the Education Vicariate. The Aug. 5-6, 2022, celebration and “Catholic family reunion” saw a tremendous turnout: approximately 7,000 people from across western North Carolina gathered at the Charlotte Convention Center for Mass, Eucharistic Adoration, prayer, educational talks, music and fellowship. The theme of the Congress borrowed from the anniversary, “Faith More Precious Than Gold,” and aimed not only to bring people together from around the diocese but also to deepen devotion and love of the Eucharist.

Also, Catholic school teachers, faith formation catechists and parents continued to benefit from Basic and Advanced Catechetical Certification programs offered through the Catechetical Formation Office. More than 1,600 catechists have completed the certification process. In November 2022, the office held its sixth annual Diocesan Catechetical Conference, providing ongoing formation for a record number of approximately 700 catechists.

In addition, the Office for Youth Ministry reached as many as 1,250 people directly – in person and online – through the Diocesan Youth Conference and Faithful Servant Leadership Training. Campus Ministry continued to serve approximately 1,700 Catholic students at 22 colleges and universities, thanks to the dedicated service of nine full-time campus ministers who provided spiritual guidance, emotional support, fellowship, faith formation, retreat opportunities and more.

| EDUCATION FORMATION OFFICES OF THE DIOCESE OF CHARLOTTE FINANCIAL HIGHLIGHTS FOR THE YEARS ENDING JUNE 30 | | |
|---|---------------------|---------------------|
| | 2022 | 2021 |
| REVENUE & OTHER SUPPORT | | |
| (includes DSA funding of \$1,896,943 in 2022 and \$1,812,426 in 2021) | \$2,447,283 | \$2,347,684 |
| EXPENSES | \$2,447,283 | \$2,347,684 |
| | | |
| DIOCESAN AND REGIONAL SCHOOLS FINANCIAL HIGHLIGHTS FOR THE YEARS ENDING JUNE 30 | | |
| | 2022 | 2021 |
| Tuition and fees | \$57,048,586 | \$51,254,094 |
| Parish support | 4,564,742 | 4,441,009 |
| Campaign contributions | 515,068 | 2,187,488 |
| Other contributions and gifts | 3,512,618 | 1,838,083 |
| School activity revenue | 1,007,619 | 518,301 |
| Income from rental property | 1,039,973 | 646,188 |
| Other | 1,246,620 | 2,221,936 |
| TOTAL REVENUE & OTHER SUPPORT | \$68,935,226 | \$63,107,099 |
| | | |
| Instructional personnel | 31,880,429 | 29,960,035 |
| Other instructional costs | 3,030,081 | 2,249,117 |
| Facilities | 10,882,937 | 9,578,816 |
| Administrative personnel | 4,459,769 | 3,755,277 |
| Supplementary programs and activities | 4,514,623 | 4,163,157 |
| Other | 4,834,838 | 5,108,779 |
| TOTAL EXPENSES | \$59,602,677 | \$54,815,181 |



Stewardship of Treasure

Despite a flagging economy, the people of our diocese continued to provide generous financial support to ensure the wide-ranging work of our parishes, schools and ministries continues. The diocese's total number of endowments grew to 329 in this past fiscal year, up 7 percent from the prior year. These endowment funds support our parishes, schools, Catholic Charities, priest retirement, seminarian education, and outreach programs.

| THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF CHARLOTTE FINANCIAL HIGHLIGHTS FOR THE YEARS ENDING JUNE 30 | | | | | |
|--|----------------------------|----------------------------|---|----------------------------|----------------------------|
| | 2022 | 2021 | | 2022 | 2021 |
| ASSETS | | | LIABILITIES | | |
| Cash | \$11,280,439 | \$ 799,804 | Payables and unearned income | \$ 33,927 | \$ 34,053 |
| Due from Advancement Corporation and other receivables | 221,499 | 234,257 | Custodial and annuity obligations | 20,831,867 | 22,898,192 |
| Beneficial Interest in Advancement Corporation | 87,503 | 88,590 | TOTAL LIABILITIES | \$20,865,794 | \$22,932,245 |
| Investments | 66,862,094 | 72,207,248 | NET ASSETS | | |
| TOTAL ASSETS | <u>\$78,451,535</u> | <u>\$73,329,899</u> | Net assets without donor restrictions | 18,821,545 | 4,625,494 |
| | | | Net Assets with donor restrictions | 38,764,196 | 45,772,160 |
| | | | TOTAL NET ASSETS | \$57,585,741 | \$50,397,654 |
| | | | TOTAL LIABILITIES AND NET ASSETS | <u>\$78,451,535</u> | <u>\$73,329,899</u> |

Principal additions to new and existing endowments for the year totaled \$7,996,933. Distributions by the diocese's foundation funded a variety of good works, totaling \$1,490,110 for the year – making the total distributions since the foundation began in 1994 more than \$14 million. The foundation also awarded \$56,605 in additional grants to support 13 projects at churches, schools, and ministries. Since 2001, the foundation has given 409 grants totaling \$1,152,509.

| DIOCESAN SUPPORT APPEAL MINISTRY FUNDING FOR THE YEARS ENDING JUNE 30 | | | | | |
|---|-------------------------|-------------------------|---------------------------------|------------------------------|------------------------------|
| | 2022 (from 2021 DSA) | 2021 (from 2020 DSA) | | 2022 (from 2021 DSA) | 2021 (from 2020 DSA) |
| GRANTS TO CATHOLIC CHARITIES | \$1,942,277 | \$2,028,176 | MULTICULTURAL MINISTRIES | \$ 844,201 | \$ 712,909 |
| EDUCATIONAL MINISTRIES | | | VOCATIONS | | |
| Adult Education/Evangelization | 7,211 | 98,025 | Seminarian Education | 626,930 | 555,819 |
| Campus/Young Adult Ministry | 832,130 | 791,969 | Permanent Diaconate | 91,537 | 74,185 |
| Faith Formation Office | 458,219 | 444,109 | TOTAL VOCATIONS | 718,467 | 630,004 |
| Youth Ministry | 129,846 | 106,523 | EUCCHARISTIC CONGRESS | 179,050 | 3,425 |
| Office of Family Life | 77,018 | - | HOUSING MINISTRY | - | 206,128 |
| Catholic Schools Office | 259,159 | 266,946 | DSA CAMPAIGN COSTS | 373,461 | 388,096 |
| Office of the Vicar of Education | 133,360 | 104,854 | TOTALS | <u>\$5,954,399.00</u> | <u>\$5,781,164.00</u> |
| TOTAL EDUCATIONAL MINISTRIES | \$1,896,943 | \$1,812,426 | | | |

Beyond the long-term support provided through the foundation, the annual Diocesan Support Appeal (DSA) enables the diocese to address the needs of our neighbors throughout western North Carolina. Financial gifts to the 2021 appeal totaled \$6.2 million from more than 13,500 donors and 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

| SPECIAL COLLECTIONS AMOUNTS COLLECTED FOR THE YEARS ENDING JUNE 30 | | |
|---|---------------------------|-------------------------|
| | 2022 | 2021 |
| International/National Combined Collection | \$218,941 | \$173,919 |
| Catholic Campaign for Human Development | 107,415 | 81,505 |
| Religious Retirement Collection | 232,453 | 176,019 |
| Combined Mission Collection | 191,505 | 186,985 |
| World Mission Sunday | 155,839 | 82,198 |
| Ukrainian Refugee Relief | 164,916 | - |
| TOTAL | <u>\$1,071,069</u> | <u>\$700,626</u> |

ministries, the housing corporation ministry, and the Eucharistic Congress. Overall, the average gift among contributing households was \$455, up from \$408 in 2020. Fifty-four percent of parishes and missions reached or exceeded their goal for supporting the appeal.

The year also saw people continue to make regular payments toward their pledges in the diocese's unprecedented "Forward in Faith, Hope, and Love" campaign, launched a decade ago. Grants from this

campaign totaling \$303,400 were distributed in fiscal 2021-'22 to schools and to Hispanic Ministry.

Human Capital

This spirit of service – demonstrating love for others in our daily actions – continued to characterize the efforts of the approximately 2,560 full- and part-time employees in our parishes, schools, offices and ministries who provide services and support wherever it is needed in the diocese.

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

| | 2022 | 2021 |
|-----------------------------|----------------------------|----------------------------|
| Long Term Disability | \$176,798 | \$169,993 |
| Health and Life Insurance | 11,075,963 | 10,848,091 |
| Lay Pension Plan | 213,420 | 3,574,365 |
| 403(b) Plan Contributions | 3,987,779 | 3,616,267 |
| FSA/HSA Administration Fees | 21,229 | 15,412 |
| TOTAL | <u>\$15,475,189</u> | <u>\$18,224,128</u> |

Despite the pandemic, employees and volunteers found innovative ways to carry on the work of the Church – using their God-given talents to serve and build up the Church across western North Carolina. The diocese continued its focus on efforts to attract and retain diverse talent to help carry out our mission, with new training and human resources support, and enhanced recruiting, onboarding and technology. We also continued to elevate efforts to tell

the stories of the Church, enhancing communications tools and resources – all with the goal to more broadly proclaim and spread the Kingdom of God.



Looking Forward

Thanks to your prayers, support and love for one another, the Church in western North Carolina continues to grow and flourish – having sprouted from humble roots planted by Benedictine monks and nurtured by those who aspired and did establish a full-fledged diocese, on Jan. 12, 1972. We give thanks and praise to God for all the gifts and blessings He has bestowed upon us.

The following pages detail the diocese’s finances for the fiscal year ending June 30, 2022.

As we conclude one year and look to the next, let us remember to persevere in our work, as proclaimed in 1 Peter 1:7, “so that the genuineness of your faith, more precious than gold that is perishable even though tested by fire, may prove to be for praise, glory, and honor at the revelation of Jesus Christ.”



“Faith More Precious than Gold”

(1 Peter 1:7)

The Diocese of Charlotte has celebrated its golden anniversary in 2022 by focusing on giving thanks to God and renewing our Catholic faith. Celebrations have included a diocese-wide Marian Pilgrimage, the 2022 Eucharistic Congress, family-friendly events, 50 Acts of Charity, and historical highlights of the Church in western North Carolina from missionary times to today’s diverse and growing diocese.

Throughout and beyond this 50th anniversary year, let us continue to recall the past with gratitude, celebrate the present with joy, and look to the future with hope that we might glorify God and strengthen our diocesan family – above all, affirming our faith which is “more precious than gold.”

Report from the Chief Financial Officer

Dear Brothers and Sisters in Christ,

Through the continued generosity of the faithful in Western North Carolina, the Diocese of Charlotte remains in sound financial health. To continue our commitment to accountability and transparency, I present to you the Annual Financial Report for the Diocese of Charlotte. In support of these efforts, I wish to thank the Diocesan Finance Council, which serves in an advisory capacity to Bishop Peter Jugis, and all of you for the support you provide to our parishes, schools and ministries across the diocese.

Operating income for the year ended June 30, 2022 (before considering capital campaign activity), was \$47.4 million, of which \$36.1 million was driven by the one-time sale of property. Of the proceeds, \$15 million is earmarked for an endowment held by the Diocese Foundation for support of seminarian education, with the balance to be re-invested in the long-term stable patrimony of the diocese.

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, \$18.9 million; and grants to parish schools, \$556,000, \$509,000 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 \$5.5 million;
- Parish faith formation and support for our 20 schools by the Catholic Schools Office, \$2.4 million; and
- Pastoral programs for our Catholic immigrant brothers and sisters, approximately \$960,000;
- Grants to support parishes, \$145,000, primarily from the Forward in Faith Hope and Love (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 \$59.9 million,

down slightly from \$60.5 million in fiscal 2021. 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 those of 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, 2022, and 2021 are presented on the following pages for your review.

Results of operating activities for the year ended June 30, 2022

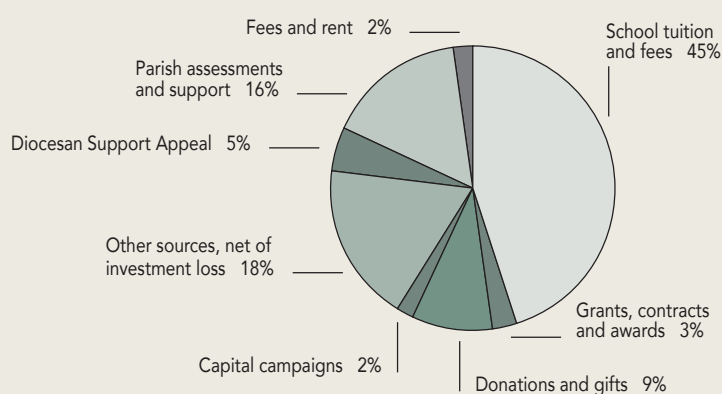
Expenses in support of our various program (ministry) services totaled \$61.3 million, while all other operating expenses (excluding capital campaign expenses) totaled approximately \$33.2 million, for a total of \$94.5 million.

We were blessed to receive \$135.5 million in financial support without donor restrictions (excluding capital campaign income), and reclassified donor-restricted revenue totaling \$11.0 million to unrestricted operating revenue as a result of fulfilling donor restrictions, for a total of \$146.6 million in revenue without donor restrictions (excluding capital campaign revenue).

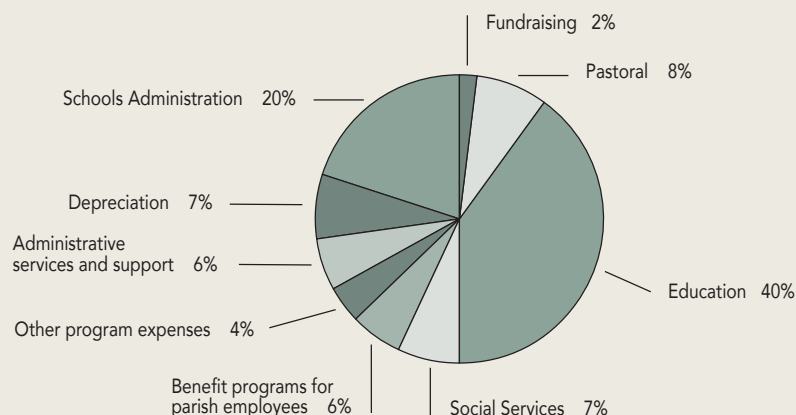
The diocese recorded a net decrease in donor-restricted operating funds (excluding capital campaign activities) of approximately \$4.7 million for the year ended June 30, 2022. This represents the net of \$6.3 million in donor-restricted donations/grants received and \$11.0 million in donor-restricted gifts whose restrictions were fulfilled during the fiscal year.

The pie charts below depict the major sources of revenue and summarize expenditures for the fiscal year just ended. Additional detail about revenue and a breakout of expenses by functional area, along with a comparison to fiscal 2021, are presented within the Statement of Activities on page 15.

SOURCES OF REVENUE



USES OF OUR RESOURCES



Capital campaign activity for the year ended June 30, 2022

There were four capital campaigns with activity during fiscal 2022. The FFHL campaign recorded a gain of approximately \$105,000 as a result of recovery of losses recorded as uncollectible contributions. The campaign for development of St. Joseph College Seminary recorded revenue, net of campaign costs, totaling \$1.7 million during the fiscal year. Mecklenburg Area Catholic Schools (MACS) had two capital campaigns: (1) for the construction of a Fine Arts Center at Charlotte Catholic High School and (2) to expand the gymnasium and add athletic amenities at Christ the King Catholic High School. The MACS campaigns recorded total revenue, net of campaign costs, of approximately \$499,000 during fiscal 2022.

Results of nonoperating activities for the year ended June 30, 2022

Nonoperating activities consist of the return earned on diocesan investments. The diocese reported a loss on investments this past year of approximately \$17.9 million, of which \$8.7 million represents donor restrictions. The decrease in returns relative to prior years was driven by market underperformance across equities and the fixed income market in fiscal 2022.

Net Asset Credit for the year ended June 30, 2022

The diocese recorded a \$12.3 million credit to (increase in) net assets in fiscal 2022 due to our pension and post-retirement benefit plans' most recent actuarial valuations. The primary drivers of this credit are a decrease in the discount rate, and improvement of the mortality rate used to determine benefit obligations.

The cumulative charge against net assets related to our pension and post-retirement benefit plans through June 30, 2022, totals approximately \$16.7 million, leaving a balance in net assets without donor restrictions of approximately \$175.5 million, of which approximately \$102.8 million is designated for certain diocesan activities. Additionally, the accrued liability for the pension and post-retirement benefit plans was approximately \$47.5 million at June 30, 2022. Due to the significant liability and charge to net assets related to the Lay Employee Pension Plan, this plan was amended in 2018 to eliminate future accruals for all participants by January 1, 2022. Although the plan is frozen, employees who were participants in

the plan will retain benefits, based on credited service and eligible earnings, in accordance with the terms of the plan.

Cash flows for the year ended June 30, 2022

Cash generated from operating activities totaled approximately \$18.2 million, which assisted in providing the funds needed for the acquisition of property and equipment, which totaled \$19.9 million.

Liquidity as of June 30, 2022

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 totaled \$234.3 million at June 30, 2022, of which \$64.2 million is invested in donor-restricted endowments, leaving a balance of \$170.1 million. Receivables totaling \$7.3 million are due within the coming year, resulting in liquid assets of \$177.4 million. Of this amount, \$103.7 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 \$74 million. Of this amount, \$45 million represents parish deposits held by DL Catholic, leaving a balance of \$29 million for general operations, including payment of liabilities reported on the Statement of Financial Position at June 30, 2022.

Financial governance and oversight

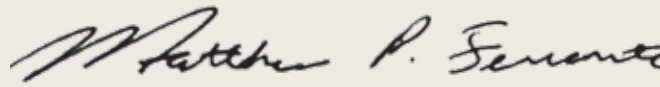
The diocesan Finance Office remains committed to the highest standards of fiscal integrity, accountability and transparency. To this end, the diocese follows guidelines it has developed for strong financial governance, which can be found on the diocesan website. The complete compendium of financial policies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

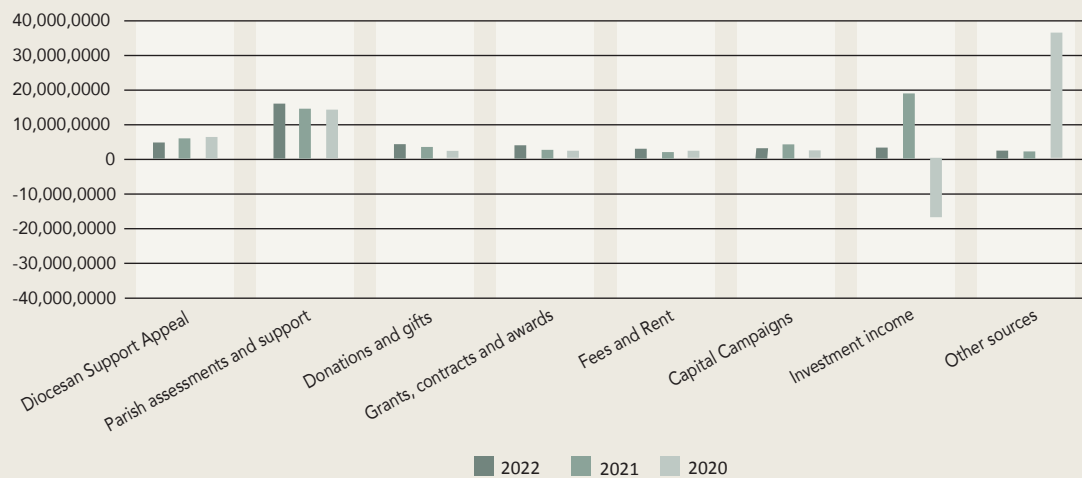
- Systems of internal accounting control;
- Compliance with laws and regulations;
- Compliance with the diocesan code of ethics;
- Financial reporting; and the
- External auditors.

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.

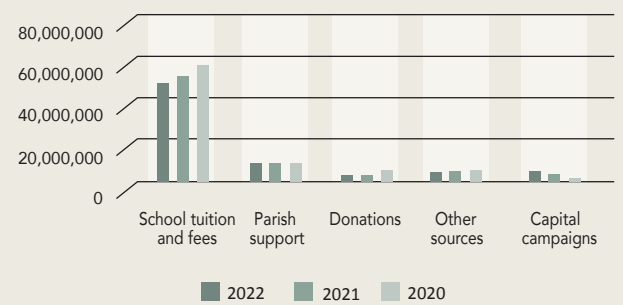


Matthew P. Ferrante
Chief Financial Officer

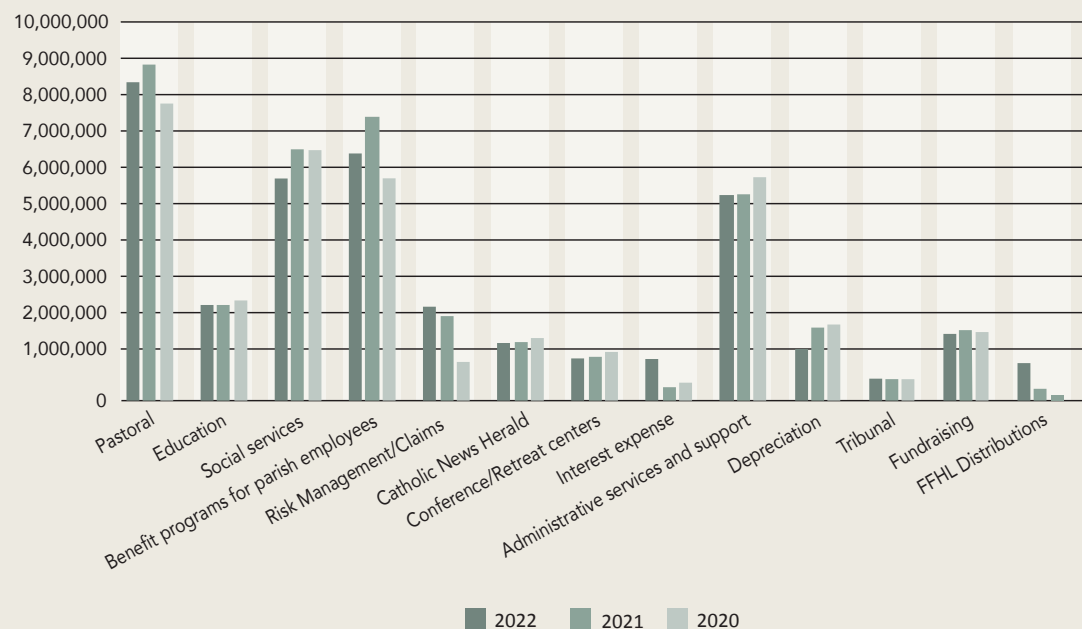
Diocesan Revenues excluding Schools: 2022-2020



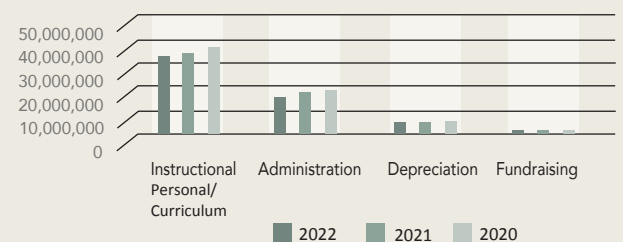
Regional and Diocesan Schools’ Revenues: 2022-2020



Diocesan Expenses excluding Schools: 2022-2020



Regional and Diocesan Schools’ Expenses 2022-2020



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combined financial statements of The Roman Catholic Diocese of Charlotte (the "Diocese"), which comprise the combined statements of financial position as of June 30, 2022 and 2021, 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, 2022 and 2021, 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

November 16, 2022

**THE ROMAN CATHOLIC DIOCESE OF CHARLOTTE
COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2022 AND 2021**

| ASSETS | 2022 | 2021 |
|---|-----------------------------|-----------------------------|
| CASH AND CASH EQUIVALENTS | \$ 69,256,967 | \$ 39,293,884 |
| PLEDGES RECEIVABLE—Net | 6,114,131 | 6,988,703 |
| OTHER ACCOUNTS RECEIVABLE—Net | 3,757,638 | 3,363,089 |
| NOTES RECEIVABLE—Net | 11,817,293 | 9,738,628 |
| ADVANCES TO PARISHES—Net | 3,334,030 | 3,168,793 |
| INVESTMENTS | 165,063,124 | 173,297,903 |
| PROPERTY AND EQUIPMENT—Net | 112,197,504 | 97,060,736 |
| BENEFICIAL INTERESTS IN PERPETUAL TRUSTS | 9,666,350 | 11,699,552 |
| DEFERRED RENT AND RIGHT-OF-USE ASSETS—Operating leases | 1,394,117 | 724,650 |
| OTHER ASSETS | 1,080,186 | 1,363,622 |
| TOTAL | <u>\$383,681,340</u> | <u>\$346,699,560</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES: | | |
| Accounts payable and accrued expenses | \$5,830,623 | \$5,190,869 |
| Accrued salaries, wages, and benefits | 5,022,496 | 5,974,929 |
| Accrued pension and postretirement benefits | 47,471,764 | 60,318,234 |
| Unearned revenue | 14,696,086 | 13,090,036 |
| Lease liabilities | 3,323,636 | 1,076,664 |
| Custodial, annuity, and other obligations | 62,070,719 | 59,821,061 |
| Total liabilities | <u>138,415,324</u> | <u>145,471,793</u> |
| CONTINGENCIES (Note 12) | | |
| NET ASSETS: | | |
| Net assets without donor restrictions: | | |
| Undesignated | 89,427,279 | 90,828,151 |
| Net asset charge—Lay and Priest Retirement Plans and Retired Clergy Health Plan | (16,715,759) | (28,992,265) |
| Total undesignated net assets without donor restrictions | 72,711,520 | 61,835,886 |
| Designated | 102,784,563 | 57,227,785 |
| Total net assets without donor restrictions | 175,496,083 | 119,063,671 |
| Net assets with donor restrictions | 69,769,933 | 82,164,096 |
| Total net assets | <u>245,266,016</u> | <u>201,227,767</u> |
| TOTAL | <u>\$383,681,340</u> | <u>\$346,699,560</u> |

See notes to combined financial statements.

**THE ROMAN CATHOLIC DIOCESE OF CHARLOTTE
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

| | 2022 | 2021 |
|--|--------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$44,038,249 | \$54,611,675 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Contributions from donor restrictions—property purchases | (1,953,250) | (7,147,194) |
| Contributions from donor restrictions—endowments | (1,207,691) | (716,359) |
| Depreciation and amortization | 6,295,278 | 6,070,173 |
| Contribution of property | (350,000) | |
| Investment realized and unrealized losses/(gains) | 20,214,523 | (18,130,827) |
| Gain on disposition of property | (36,298,784) | (1,088,028) |
| Net asset credit —Lay and Priest Retirement Plans and Retired Clergy Health Plan | (12,276,506) | (24,431,381) |
| Decrease in discounts and allowances on advances, notes, and pledges receivable | (595,012) | (7,526,578) |
| Changes in operating assets and liabilities: | | |
| Other accounts receivable | (415,274) | (460,254) |
| Deferred rent | (45,317) | 458,482 |
| Pledges receivable | 147,142 | 8,585,567 |
| Other assets | 275,043 | (456,663) |
| Accounts payable and accrued expenses | 124,066 | 454,186 |
| Accrued salaries, wages, and benefits | (952,433) | 448,382 |
| Accrued pension and postretirement benefits | (569,964) | 3,545,837 |
| Unearned revenue | 1,606,050 | 2,232,535 |
| Lease liability - financed lease | 162,467 | - |
| Net cash provided by operating activities | <u>18,198,587</u> | <u>16,449,553</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | (19,935,451) | (7,285,863) |
| Proceeds from the sale of property | 37,922,143 | 2,334,543 |
| Purchase of investments | (64,143,761) | (63,596,989) |
| Proceeds from maturity and sales of investments | 52,010,648 | 54,255,183 |
| Issuance of advances and notes | (7,108,280) | (2,100,902) |
| Payments received on advances and notes | 4,856,719 | 4,175,498 |
| Increase in other assets | 8,393 | (30,981) |
| Decrease (increase) in custodial obligations | 4,314,234 | (2,602,264) |
| Net cash provided by (used in) investing activities | <u>7,924,645</u> | <u>(14,851,775)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Distribution of corpus from perpetual trust | \$121,995 | \$136,554 |
| Contributions with donor restrictions—property purchases | 3,245,361 | 7,008,051 |
| Contributions with donor restrictions—endowments | 1,266,406 | 674,711 |
| Net proceeds—PPP loan | | (278,022) |
| Principal payment of finance lease obligations | (793,911) | (778,342) |
| Net cash flows provided by financing activities | <u>3,839,851</u> | <u>6,762,952</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 29,963,083 | 8,360,730 |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of year | 39,293,884 | 30,933,154 |
| End of year | <u>\$69,256,967</u> | <u>\$39,293,884</u> |
| SUPPLEMENTAL DATA: | | |
| Interest paid | \$ 3,913 | \$ 18,279 |
| Non-cash acquisition of property | <u>\$ 2,024,912</u> | <u>\$ 1,509,224</u> |
| Property financed through finance lease | <u>\$ 2,254,266</u> | <u>\$ -</u> |
| Contribution of property | <u>\$ 350,000</u> | <u>\$ -</u> |

(Concluded)

**THE ROMAN CATHOLIC DIOCESE OF CHARLOTTE
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

| | Personnel Costs | Occupancy Costs | Office/ Program Expenses | Professional Services | Travel and Professional Development | Grants and Other Assistance | Other | Total |
|---|----------------------------|----------------------------|---|----------------------------------|--|--|--------------------|---------------------|
| PROGRAMS: | | | | | | | | |
| Pastoral: | | | | | | | | |
| Clergy, vocations and support for retired priests | \$ 4,059,713 | \$ 327,117 | \$109,571 | \$224,095 | \$681,421 | \$7,150 | \$86,662 | \$5,495,729 |
| Multicultural ministries | 724,329 | 111,511 | 31,171 | 6,981 | 82,992 | 486 | 5,660 | 963,130 |
| Contributions, grants and subsidies | - | 424 | - | - | 100 | 1,060,706 | - | 1,061,230 |
| Other | 65,520 | 34,233 | 124,977 | 87,906 | 10,245 | - | - | 322,881 |
| Education: | | | | | | | | |
| Regional and diocesan schools | 31,880,428 | - | 3,600,021 | - | - | - | - | 35,480,449 |
| Other education and faith formation | 1,876,156 | 353,143 | 111,957 | 13,947 | 89,021 | - | 3,059 | 2,447,283 |
| Social service programs | 3,029,710 | 593,338 | 178,399 | 149,781 | 106,640 | 2,352,419 | 324 | 6,410,611 |
| Benefit program for lay parish employees | 5,638,697 | - | - | - | - | - | - | 5,638,697 |
| Risk management services/claims | - | 390,171 | - | 110,264 | - | 25,763 | 185,591 | 711,789 |
| Publication of Catholic News Herald | 617,441 | 54,045 | 469,210 | 126,819 | 4,775 | - | - | 1,272,290 |
| Conference/retreat centers | 557,909 | 243,730 | 133,193 | 1,877 | 2,939 | - | 11,097 | 950,745 |
| Tribunal | 387,563 | 59,125 | 23,074 | 30,359 | 65,575 | 51 | 856 | 566,603 |
| Total program expenses | 48,837,466 | 2,166,837 | 4,781,573 | 752,029 | 1,043,708 | 3,446,575 | 293,249 | 61,321,437 |
| ADMINISTRATIVE: | | | | | | | | |
| Central office administration | 2,640,771 | 322,495 | 421,235 | 411,746 | 181,335 | 62,000 | 20,674 | 4,060,256 |
| Regional and diocesan schools administration | 7,241,771 | 6,728,132 | 3,034,343 | 1,776,487 | 269,271 | - | 9,908 | 19,059,912 |
| Social services administration | 409,896 | 74,154 | 9,051 | 358,572 | 39,462 | - | 67,599 | 958,734 |
| Interest—parish savings and investments | - | - | - | - | - | - | 330,581 | 330,581 |
| Interest—lease obligations | - | - | - | - | - | - | 5,227 | 5,227 |
| Depreciation and amortization | - | 6,295,278 | - | - | - | - | - | 6,295,278 |
| Other | 102,350 | 7,934 | 105,632 | 321,639 | 14,535 | 400 | 272,416 | 824,906 |
| Total administrative expenses | 10,394,788 | 13,427,993 | 3,570,261 | 2,868,444 | 504,603 | 62,400 | 706,405 | 31,534,894 |
| FUNDRAISING | 434,242 | 13,206 | 587,316 | 594,701 | 13,136 | - | 16,052 | 1,658,653 |
| TOTAL EXPENSES BEFORE CAPITAL CAMPAIGN ACTIVITIES IN THE STATEMENT OF ACTIVITIES | 59,666,496 | 15,608,036 | 8,939,150 | 4,215,174 | 1,561,447 | 3,508,975 | 1,015,706 | 94,514,984 |
| CAPITAL CAMPAIGN ACTIVITIES: | | | | | | | | |
| Distributions to parishes—FFHL | - | - | - | - | - | 100,450 | - | 100,450 |
| Fundraising and other expenses—FFHL | - | - | 5,602 | - | - | - | - | 5,602 |
| Total FFHL expenses | - | - | 5,602 | - | - | 100,450 | - | 106,052 |
| MACS campaigns' expenses | - | - | - | 15,781 | - | - | - | 15,781 |
| St Joseph College Seminary campaign expenses | 216,580 | 3,130 | 25,145 | 58,040 | 15,274 | - | 1,669 | 319,838 |
| Total capital campaign expenses | 216,580 | 3,130 | 30,747 | 73,821 | 15,274 | 100,450 | 1,669 | 441,671 |
| TOTAL EXPENSES PER THE STATEMENT OF ACTIVITIES | \$59,883,076 | \$15,611,166 | \$8,969,897 | \$4,288,995 | \$1,576,721 | \$3,609,425 | \$1,017,375 | \$94,956,655 |

See notes to combined financial statements.

**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 and Professional Development | Grants and 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 |

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, 2022 AND 2021**

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; family enrichment services; 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, 2022 and 2021.
- 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.
- 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 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 which 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. Intra-diocesan 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 2022 and 2021.

The major classes of property and equipment represented as of June 30, 2022 and 2021, are as follows:

| | 2021 | 2020 | Life (In Years) |
|--|----------------------|---------------------|--------------------|
| Land* | \$16,562,503 | \$17,671,024 | N/A |
| Land improvements | 23,160,604 | 21,537,007 | 5-15 |
| Buildings and improvements** | 117,916,424 | 98,512,209 | 10-40 |
| Furniture and equipment | 16,310,249 | 12,819,489 | 3-10 |
| Vehicles | 2,930,011 | 2,914,261 | 5 |
| Right-of-use assets (finance leases) | 2,840,705 | 2,776,355 | 3 |
| Interest in St. Matthew Education Center | 5,550,590 | 5,550,590 | Varies |
| Construction in progress | 3,989,112 | 6,106,084 | N/A |
| Property held for sale | 17,500 | 17,500 | N/A |
| | <u>189,277,698</u> | <u>167,904,519</u> | |
| Less accumulated depreciation | <u>(77,080,194)</u> | <u>(70,843,783)</u> | |
| Total | <u>\$112,197,504</u> | <u>\$97,060,736</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, 2022 and 2021.

** The Diocese is the lessor in an operating lease associated with the former All Saints School (see Note 11), 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 \$2,676,910 and \$2,583,994 as of June 30, 2022 and 2021, respectively.

Accumulated depreciation related to right-of-use assets (finance leases) totaled \$2,062,646 and \$1,407,737 at June 30, 2022 and 2021, respectively.

The construction in progress as of June 30, 2022 consists primarily of amounts expended for Christ the King Catholic High School's gymnasium. The construction in progress as of June 30, 2021 consists primarily of amounts expended for Christ the King Catholic High School's gymnasium and the MACS Fine Arts Center.

There were no unexpended contractual commitments as of June 30, 2022. Unexpended contractual commitments as of June 30, 2021 were approximately \$12,406,000 for the construction of the MACS Fine Arts Center. There was approximately \$405,500 related to retainage payable for the MACS Fine Arts Center as of June 30, 2021 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. The depreciation is included in accumulated depreciation shown above.

Gains and losses from the disposal of property are recognized in rental income and other in the accompanying statements of activities. As of June 30, 2022 and 2021, net gains of \$36,298,784 and \$1,088,028, respectively, were recognized related to disposal of property.

Interest expense incurred that relates to the acquisition or construction of property and equipment is capitalized. No interest expense was capitalized in fiscal year 2022 or 2021 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 in the accompanying combined statements of activities. The net asset credit of \$12,276,506 for the year ended June 30, 2022 is attributable to the decrease in the discount rate and improvement of the mortality rate used to determine benefit obligation offset by net asset performance with all plans experiencing significant asset losses during the fiscal year. 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 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 frozen for all participants except for those who are at least age 62 with 12 years of service. Effective January 1, 2022, the plan was frozen for all. Although the plan has been frozen, employees who are participants in the plan will retain benefits accumulated up to the freeze date based on credited service and eligible earnings, in accordance with the terms of the plan.

During fiscal years 2022 and 2021, 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 2022 and 2021. 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 2022 and 2021 of \$1,353,924 and \$1,976,398, respectively, the Diocese contributed \$635,360 and \$182,684 in additional contributions to the Lay Plan during fiscal years 2022 and 2021, 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 2022 and 2021 of \$416,408 and \$396,579, respectively, and \$489,944 and \$357,221 in additional contributions during fiscal years 2022 and 2021, respectively. The Priest Plan received contributions directly from the Advancement Corporation of \$28,641 and \$58,391 during the years ended June 30, 2022 and 2021, 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. The Diocese contributed the actuarially recommended contribution amount to the Retired Clergy Health Plan of \$36,847 and \$35,092 for fiscal years 2022 and 2021, respectively, and also contributed \$43,353 and \$31,608 in additional contributions to the Plan during fiscal years 2022 and 2021, 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% of annual offertory as their goal for this collection for fiscal years 2022 and 2021. 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 totaled \$665,234 and \$622,405 in fiscal years 2022 and 2021, 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 \$1,706,929 and \$1,506,444 in fiscal years 2022 and 2021, 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, 2022 and 2021, funds held on behalf of parishes and combined entities totaled \$1,631,396 and \$1,443,890, 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, 2022 and 2021, as follows:

| | 2022 | 2021 |
|--|------------|------------|
| Future expenditures for: | | |
| Bishop McGuinness High School programs | \$ 893,771 | \$ 657,343 |
| Mecklenburg Area Catholic Schools capital projects | 22,534,660 | 17,590,713 |
| Mecklenburg Area Catholic Schools programs | 3,036,407 | 2,648,312 |
| Catholic Charities Diocese of Charlotte programs | 379,609 | - |
| Capital Campaign and DSA fundraising and administrative costs | 959,353 | 985,747 |
| Diocesan Support Appeal funded programs | 8,982,150 | 9,018,496 |
| Self insurance (property and employee health) and lay employee pension | 17,387,533 | 12,261,691 |

| | 2022 | 2021 |
|---|----------------------|---------------------|
| Facility maintenance | 1,319,190 | 1,369,941 |
| Land acquisition/improvements | 3,501,011 | 2,216,591 |
| St. Joseph the Worker Fund - future capital endeavors | 21,079,035 | - |
| Seminary College programs | 306,601 | 3,014 |
| Other Diocesan programs | 1,773,798 | 509,847 |
| Reserve for potential investment/loan losses by DL Catholic | 987,733 | 4,073,059 |
| Funds held for future Vocations endowment | 10,000,000 | - |
| Management designated endowments established with the Diocesan Foundation | 9,643,712 | 5,893,031 |
| | <u>\$102,784,563</u> | <u>\$57,227,785</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, 2022 and 2021 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 to which they apply. 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—Capital campaign contributions are limited in their use to the specific purposes outlined in the fund-raising materials. Contributions are classified as with donor restrictions, except for contributions allocated and classified as without donor restrictions designated for fund-raising and administrative costs. Proceeds from capital campaigns are released as donor stipulations are satisfied or upon completion of the related donor-specified activities.

Contributed Nonfinancial Assets—The Diocese records certain nonfinancial contributions, which primarily includes in-kind contributions of food, clothing, household and other goods. The contributed food, clothing, household and other goods are utilized for the Diocese's standard business operations. In valuing the food, clothing, household and other goods, the Diocese estimated the fair value based on estimates of wholesale values that would be received for selling similar products in the United States. As of June 30, 2022 and June 30, 2021, Contributions - Non-Financial revenue were \$1,189,982 and \$747,917, respectively.

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, 2022 and 2021. Fiscal year 2019 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 November 16, 2022, the date the combined financial statements were available to be issued.

New Accounting Standards—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-Profit (NFP) entities 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 Diocese adopted, effective July 1, 2021, this accounting standard utilizing a retrospective approach.

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:

| | 2022 | 2021 |
|--|--------------|--------------|
| Cash and cash equivalents | \$69,256,967 | \$39,293,884 |
| Investments, other than endowments | 98,201,030 | 101,090,655 |
| Endowment investments available for general purposes and for distribution in accordance with the Foundation spending rate policy | 2,642,951 | 2,801,637 |
| Total cash, cash equivalents and investments | 170,100,948 | 143,186,176 |
| Pledges receivable, due within one year | 1,105,235 | 1,090,186 |
| Accounts receivable and other assets, due within one year | 3,757,638 | 3,365,514 |
| Notes receivable, due within one year | 2,137,094 | 1,977,208 |
| Advances to parishes, due within one year | 280,653 | 283,689 |
| | 177,381,568 | 149,902,773 |
| Less amounts unavailable for general expenditures: | | |
| Required to satisfy donor restrictions | (11,511,083) | (15,820,528) |
| Required to satisfy management designations | (81,773,510) | (47,261,695) |
| Required for distributions, endowments, and grants | (10,395,683) | (31,639) |
| Financial assets available to meet cash needs for general expenditures and withdrawals of parish funds on deposit | 73,701,292 | 86,788,911 |
| Parish funds on deposit (Note 8) | (44,874,244) | (40,167,468) |
| Financial assets available to meet cash needs for general expenditures within one year, excluding parish funds on deposit | \$28,827,048 | \$46,621,443 |

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, where funds have been held for a minimum of 12 months, are eligible for distributions of up to 5% annually of the most recent 12-quarter trend, 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 the 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, 2022 and 2021:

| | 2022 | FFHL | MACS | Saint Joseph College Seminary | Other | Total |
|--|-------------|-------------|-------------|-------------------------------|-------------|-------|
| Unconditional promises at face value | \$1,605,992 | \$1,799,704 | \$4,027,543 | \$1,218,470 | \$8,651,709 | |
| Less allowance for uncollectible pledges | 1,457,292 | 309,463 | 234,257 | 13,330 | 2,014,342 | |
| Less unamortized discount | 5,583 | 138,405 | 366,068 | 13,180 | 523,236 | |
| Net unconditional promises to give | \$ 143,117 | \$1,351,836 | \$3,427,218 | \$1,191,960 | \$6,114,131 | |
| Amounts due in: | | | | | | |
| Less than one year | \$1,460,810 | \$188,875 | \$1,198,522 | \$1,097,620 | \$3,945,827 | |
| One to five years | 138,925 | 1,410,829 | 1,735,028 | 110,850 | 3,395,632 | |
| More than five years | 6,257 | 200,000 | 1,093,993 | 10,000 | 1,310,250 | |
| Total | \$1,605,992 | \$1,799,704 | \$4,027,543 | \$1,218,470 | \$8,651,709 | |

| | 2021 | FFHL | MACS | Saint Joseph College Seminary | Other | Total |
|--|-------------|-------------|-------------|-------------------------------|--------------|-------|
| 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 | \$ 179,180 | \$2,404,202 | \$3,267,966 | \$1,137,355 | \$6,988,703 | |
| 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 | \$1,852,535 | \$3,203,993 | \$4,260,482 | \$1,168,097 | \$10,485,107 | |

The change in the allowance for uncollectible pledges for the year ended June 30, 2022, related to the FFHL campaign reflects recoveries of prior year allowances of \$141,536 on unconditional promises to give received in previous years and outstanding at June 30, 2022, plus actual write-offs of \$67,030. 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. Pledges receivable due within one year as of June 30, 2022 and June 30, 2021, related to the FFHL campaign include past due accounts totaling approximately \$1,500,000 and \$1,600,000, 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, 2022 and 2021.

As of June 30, 2022, 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 | \$2,238,815 |
| One to five years | 3,987,856 |
| More than five years | 3,804,547 |
| Less allowances | (563,925) |
| Net—term loans | 9,467,293 |
| Lines of credit | 2,350,000 |
| Notes receivable—net | \$11,817,293 |

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, 2022 and 2021, totaled \$4,434,071 and \$4,296,178, respectively. These advances are long-term in nature and are reflected, net of allowances, at their estimated present value of \$3,334,030 and \$3,168,793 in the accompanying combined statements of financial position as of June 30, 2022 and 2021, respectively.

7. INVESTMENTS

The cost and fair value of investments as of June 30, 2022 and 2021, are summarized below:

| | 2022 | | 2021 | |
|--------------------------------|---------------|---------------|---------------|---------------|
| | Cost | Fair Value | Cost | Fair Value |
| Foundation: | | | | |
| Endowment and custodial funds: | | | | |
| Cash and cash equivalents | \$ 4,875,682 | \$ 4,875,682 | \$ 525,799 | \$ 525,915 |
| Equity funds and securities | 37,554,233 | 42,983,584 | 35,286,560 | 52,049,186 |
| Bond mutual funds | 19,992,652 | 17,449,036 | 19,313,102 | 19,301,080 |
| Commodity funds | 1,484,189 | 1,280,079 | - | - |
| Annuity funds: | | | | |
| Money market funds | 10,830 | 10,830 | 5,050 | 5,050 |
| Equity funds and securities | 121,870 | 141,391 | 126,447 | 183,976 |
| Bond mutual funds | 134,905 | 121,492 | 134,905 | 142,041 |
| Total Foundation investments | 64,174,361 | 66,862,094 | 55,391,863 | 72,207,248 |
| Other: | | | | |
| Cash and money market funds | 7,508,542 | 7,508,542 | 500,665 | 500,665 |
| Certificates of deposit | 681,934 | 681,934 | 680,475 | 680,475 |
| Equity funds and securities | 16,202,740 | 18,807,476 | 15,889,886 | 23,644,353 |
| Bonds and fixed income funds | 75,439,759 | 71,203,078 | 75,394,141 | 76,265,162 |
| Total other investments | 99,832,975 | 98,201,030 | 92,465,167 | 101,090,655 |
| Total investments | \$164,007,336 | \$165,063,124 | \$147,857,030 | \$173,297,903 |

The Diocese had no unfunded commitments to purchase investments as of June 30, 2022 or 2021.

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%, with a minimum of 0.5%, during fiscal years 2022 and 2021. Funds on deposit with an 18-month minimum investment period earned interest at the prime rate minus 2.5%, with a minimum of 1.0%, during fiscal years 2022 and 2021. The prime rate was 4.75% and 3.25% at June 30, 2022 and 2021, respectively. Funds on deposit from non-combined entities along with accrued interest totaled \$44,874,244 and \$40,167,468 at June 30, 2022 and 2021, 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, 2022 and 2021 is set forth in the following tables (in thousands):

| | 2022 | | 2021 | |
|---|------------|------------|-------------|------------|
| | Lay | Priest | Lay | Priest |
| Funded status and amounts recognized in the combined statements of financial position: | | | | |
| Projected benefit obligation | \$(83,115) | \$(33,058) | \$(102,587) | \$(41,459) |
| Fair value of plan assets—end of year | 52,729 | 17,776 | 64,830 | 21,276 |
| Funded status | \$(30,386) | \$(15,282) | \$(37,757) | \$(20,183) |
| Accrued pension expense liability—end of year | \$(30,386) | \$(15,282) | \$(37,757) | \$(20,183) |
| 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 |
| Cumulative unrecognized net loss | 13,721 | 4,234 | 19,317 | 9,925 |
| Net asset charge—end of year | \$ 13,721 | \$ 4,234 | \$ 19,317 | \$ 10,030 |
| Amounts recognized in the combined statements of activities—net periodic benefit cost | \$ 213 | \$ 1,831 | \$ 3,574 | \$ 2,404 |
| Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions: | | | | |
| Net gain | (4,213) | (5,382) | (12,743) | (4,181) |
| Amortization of transition obligation | - | - | - | - |
| Amortization of prior service cost | - | (106) | - | (197) |
| Amortization of net loss | (1,383) | (309) | (3,810) | (569) |
| Total net asset credit | (5,596) | (5,797) | (16,553) | (4,947) |
| Total net asset credit and net periodic benefit cost recognized in net assets without donor restrictions | \$(5,383) | \$(3,966) | \$(12,979) | \$(2,543) |
| 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 |
| Amortization of unrecognized net loss | 841 | 50 | 1,383 | 309 |
| | \$ 841 | \$ 50 | \$ 1,383 | \$ 415 |
| Other information: | | | | |
| Actuarially recommended annual contribution | \$ 1,354 | \$ 416 | \$ 1,976 | \$ 397 |
| Additional employer contributions | 635 | 490 | 183 | 357 |
| Contributions from Advancement Corporation | - | 29 | - | 58 |
| Benefits paid | 4,455 | 1,228 | 4,184 | 1,050 |
| Accumulated benefit obligation | 83,115 | 27,193 | 102,576 | 33,444 |
| Assumptions used to determine benefit obligations as of June 30: | | | | |
| Discount rate | 4.78 % | 4.89 % | 2.98 % | 3.31 % |
| Expected return on plan assets | 6.75 % | 6.75 % | 6.75 % | 6.75 % |
| Rate of compensation increase | - | - | 2.50 % | - |
| Assumptions used to determine net benefit cost for the years ended June 30: | | | | |
| Discount rate | 2.98 % | 3.31 % | 2.96 % | 3.25 % |
| Expected return on plan assets | 6.75 % | 6.70 % | 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, 2022 and 2021, is as follows:

| | 2022 | 2021 |
|--|----------------|----------------|
| Funded status and amounts recognized in the combined statements of financial position: | | |
| Projected benefit obligation | \$(13,571,442) | \$(16,816,235) |
| Fair value of plan asset—end of year | 11,767,948 | 14,439,074 |
| Funded status | (1,803,494) | (2,377,161) |
| Accrued pension expense liability—end of year | \$(1,803,494) | \$(2,377,161) |
| Amounts recognized in the combined statements of activities—net periodic benefit cost | \$390,374 | \$605,137 |
| Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions (net asset credit) | (883,841) | (2,930,502) |
| Total net asset credit and net periodic benefit cost recognized in net assets without donor restrictions | \$ (493,467) | \$ (2,325,365) |
| Amounts recognized in net assets without donor restrictions (net asset change) not yet recognized as net periodic benefit cost | \$ 1,239,384 | \$ 355,543 |

| | 2022 | 2021 |
|--|-----------|-----------|
| Other information: | | |
| Benefits paid | \$586,849 | \$525,400 |
| Actuarially recommended annual contribution | 36,847 | 35,092 |
| Additional employer contributions | 43,353 | 31,608 |
| Assumptions used to determine benefit obligations as of June 30: | | |
| Discount rate | 4.90 % | 3.36 % |
| Expected return on plan assets | 6.75 % | 6.75 % |
| Assumptions used to determine net benefit cost for the years ended June 30—discount rate | 3.36 % | 3.30 % |

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, 2022 and 2021, are as follows:

| | 2022 | | 2021 | |
|--|----------------|--------|----------------|--------|
| | Long-Term Care | Health | Long-Term Care | Health |
| Health care cost trend rate | 5 % | 7 % | 5 % | 7 % |
| 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 | 2028 | 2028 | 2028 |

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.

The Plans' investments are maintained in trust accounts that were managed by Wells Fargo Bank, N.A. until February 2022 at which time the maintenance of the plans migrated to Principal Custody Solutions (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, 2022 and 2021, is as follows:

| | 2022 | | | 2021 | | |
|--|-------------|----------------|-----------------------|-------------|----------------|-----------------------|
| | Lay Pension | Priest Pension | Retired Clergy Health | Lay Pension | Priest Pension | Retired Clergy Health |
| Domestic large cap equity securities and funds | 33 % | 32 % | 32 % | 29 % | 29 % | 29 % |
| Domestic small and mid cap equity funds | 6 | 6 | 6 | 7 | 7 | 7 |
| International equity funds | 20 | 20 | 20 | 27 | 26 | 26 |
| Domestic fixed income | 24 | 25 | 24 | 21 | 21 | 21 |
| International fixed income | 1 | 1 | 2 | 3 | 3 | 3 |
| Domestic high-yield fixed income | 3 | 3 | 3 | 2 | 2 | 2 |
| Hedged equities | 10 | 10 | 10 | 10 | 10 | 10 |
| Cash and cash equivalents | 3 | 3 | 3 | 1 | 2 | 2 |
| Total | 100 % | 100 % | 100 % | 100 % | 100 % | 100 % |

The Lay, Priest, and Retired Clergy Health plan investment policies stipulate allowable asset classes for inclusion in the portfolio and minimum and maximum allowable ranges. The following asset classes and corresponding ranges were allowable at June 30, 2022 and 2021:

| | 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 2023 is \$1,148,723; \$437,228; and \$38,689, respectively.

Benefits expected to be paid over the next 10 fiscal years as of June 30, 2022, are as follows:

| Years Ended June 30 | Lay Pension | Priest Pension | Retired Clergy Health |
|---------------------|--------------|----------------|-----------------------|
| 2023 | \$ 5,177,418 | \$ 1,301,645 | \$ 677,603 |
| 2024 | 5,317,265 | 1,356,682 | 710,759 |
| 2025 | 5,432,172 | 1,336,663 | 733,274 |
| 2026 | 5,515,306 | 1,380,284 | 775,388 |
| 2027 | 5,558,774 | 1,381,440 | 807,585 |
| 2028–2032 | 27,790,419 | 7,972,595 | 4,822,093 |
| Total | \$54,791,354 | \$14,729,309 | \$8,526,702 |

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 2022 and 2021, approximately 12.4% and 15.4%, 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 2022 and 2021, and aggregate coverage beginning at 125% of the actuarially projected total individual claims under \$175,000 for fiscal years 2022 and 2021. Total expenditures incurred for employee medical benefits were approximately \$13,497,000 and \$13,617,000 during fiscal years 2022 and 2021, respectively.

11. LEASES AND FACILITIES USAGE AGREEMENTS

Operating Leases in which the Diocese is the Lessee—The Diocese is the lessee in various operating leases for office equipment and for office space. These leases have fixed lease payments and do not contain options to extend or terminate early. Operating lease costs for the Diocese totaled \$162,875 and \$79,632 for the years ended June 30, 2022 and 2021, respectively. Right-of-use assets related to these leases is \$716,690 and \$92,540 as of June 30, 2022 and 2021, 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 \$498,194 and \$532,941 as of June 30, 2022 and 2021, 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 \$581,973 and \$622,576 as of June 30, 2022 and 2021, 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 \$47,378 and \$44,491 for the years ended June 30, 2022 and 2021, respectively.

The Diocese is a lessor in a ground lease with Guardian Angel Villa, LLC. CDCHC Manager, Inc., a wholly owned subsidiary of the Housing Corporation, had a 51% ownership interest in GAV MM LLC, the managing member of Guardian Angel Villa, LLC through January 2022 when the Housing Corporation divested itself of its interest in GAV MM LLC. During fiscal year 2020, a payment of \$450,000 representing the entire lease term was received. Unearned revenue related to the ground lease of \$432,597 and \$438,564 as of June 30, 2022 and 2021 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 for the each of the years ended June 30, 2022 and 2021.

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 \$477,276 and \$440,775 for the years ended June 30, 2022 and 2021, respectively. Undiscounted cash flows to be received on an annual basis for the remainder of these leases are \$455,265 for fiscal year 2023, \$425,110 for fiscal year 2024, \$322,639 each year for fiscal years 2025, 2026, 2027, and \$1,586,307 thereafter.

The Diocese entered into an agreement to lease the former All Saints School to a third party for a 10-year period. The initial lease commenced on September 1, 2011 and expired on August 31, 2021. The lease term was automatically extended for a 5-year period, through August 31, 2026. Rental revenue is recognized on a straight-line basis over the term of the lease agreement which totaled \$1,039,973 and \$646,188 for fiscal years 2022 and 2021, respectively. As revenue recognized since inception has exceeded rental payments received since inception, a deferred rent asset of \$139,240 and \$48,844 is recorded in the statements of financial position as of June 30, 2022 and 2021, respectively. Undiscounted cash flows to be received on an annual basis for the remainder of this lease are \$1,017,220 for fiscal year 2023, \$1,098,932 for fiscal year 2024, \$1,186,732 for fiscal year 2025, \$1,281,548 for fiscal year 2026, and \$216,258 for fiscal year 2027.

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 \$2,804,705 and \$2,776,355 as of June 30, 2022 and 2021, respectively, is reported within property and equipment—net in the accompanying combined statements of financial position. The lease obligation was \$2,606,946 and \$984,124 as of June 30, 2022 and 2021, respectively. Total lease costs related to these leases was \$781,132 and \$774,195 for the years ended June 30, 2022 and 2021, respectively, of which \$779,856 and \$764,147 is amortization of the right-of-use assets and \$1,276 and \$10,048 is interest expense on lease liabilities for the years ended June 30, 2022 and 2021, 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. 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 \$90,875 and \$88,755 for the years ended June 30, 2022 and 2021, 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 \$91,737 and \$93,553 for the years ended June 30, 2022 and 2021, respectively, and is reflected in rental income in the accompanying combined statements of activities.

Future Minimum Lease Payments—Future minimum rental commitments under non-cancelable operating and finance leases as of June 30, 2022, are as follows:

| Years Ended June 30 | Operating Leases | Finance Leases | Total Leases |
|---|---------------------|-------------------|-----------------|
| 2023 | \$ 144,782 | \$ 1,429,034 | \$1,573,816 |
| 2024 | 141,228 | 618,525 | 759,753 |
| 2025 | 135,395 | 608,967 | 744,362 |
| 2026 | 133,238 | - | 133,238 |
| 2027 | 132,667 | - | 132,667 |
| Thereafter | 75,649 | - | 75,649 |
| Total | 762,959 | 2,656,526 | 3,419,485 |
| Less amount representing interest on lease liabilities | (46,269) | (49,580) | (95,849) |
| Lease liability as of June 30, 2022 | \$ 716,690 | \$ 2,606,946 | \$3,323,636 |
| Lease liability as of June 30, 2021 | \$ 92,540 | \$ 984,124 | \$1,076,664 |

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 \$649,730 and \$606,411 for fiscal years 2022 and 2021, 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. The Diocese is a defendant in a number of asserted claims alleging personal injury damages arising out of alleged sexual misconduct by former employees of the Diocese. The Plaintiffs are seeking compensatory remuneration from the Diocese in connection with these asserted claims. Management is of the opinion, based upon information presently available, that it is not probable 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, and 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, 2022; 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 money market funds, debt and equity securities, investments in commodity and bond funds, and beneficial interests in perpetual trusts. Other than Custodial Obligations held by the Foundation, the Diocese has no liabilities measured at fair value on a recurring basis. 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, 2022 and 2021, based on the three levels of inputs within the fair value hierarchy, are summarized as follows:

| | Fair Value Measurement as of June 30, 2022 | | | |
|--|--|--------------|--------------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| Investments: | | | | |
| Money market funds | \$ 5,260,865 | \$ - | \$ 5,260,865 | \$ - |
| Investments in certificates of deposit | 681,934 | - | 681,934 | - |
| Domestic large cap equity securities | 4,662,767 | 4,662,767 | - | - |
| Domestic large cap equity funds | - | - | - | - |
| Domestic bonds | 35,054,652 | - | 35,054,652 | - |
| International bonds | 2,336,665 | - | 2,336,665 | - |
| Mutual funds: | | | | |
| Domestic small and mid cap equities | 5,469,197 | 5,469,197 | - | - |
| Domestic large cap equities | 24,057,529 | 24,057,529 | - | - |
| Hedged equities | 9,295,993 | 9,295,993 | - | - |
| International equities | 18,446,965 | 18,446,965 | - | - |
| Domestic bonds | 21,582,416 | 21,582,416 | - | - |
| International bonds | 1,385,634 | 1,385,634 | - | - |
| Domestic high-yield bonds | 2,707,575 | 2,707,575 | - | - |
| Commodity funds | 1,280,079 | 1,280,079 | - | - |
| United States treasury notes | 18,389,403 | - | 18,389,403 | - |
| Agency securities | 550,784 | - | 550,784 | - |
| Mortgage backed securities | 487,660 | - | 487,660 | - |
| Municipal bonds | 6,278,817 | - | 6,278,817 | - |
| Total investments | 157,928,935 | 88,888,155 | 69,040,780 | - |
| Beneficial interest in perpetual trust | 9,666,350 | - | 9,666,350 | - |
| Total | \$167,595,285 | \$88,888,155 | \$78,707,130 | \$ - |

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 | \$ - |

The Diocese is responsible for determining fair value of its investments. Fair values are determined using pricing and inputs that are current as of the measurement date and obtained through a third-party custodian using independent pricing services.

The fair value of the investments classified within Level 1 of the fair value hierarchy are based on unadjusted quoted market prices for identical securities available as of the measurement date. The fair value of the money market funds, certificates of deposit, and other investments classified within Level 2 of the fair value hierarchy are measured using standard valuation techniques, such as the income or market approach, based on inputs that are observable for the assets, including the stated interest rate, maturity, and credit risk. The fair value of the domestic large-cap equity funds classified within Level 2 of the fair value hierarchy during the year ended June 30, 2021 are measured using 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, 2022 and 2021.

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, 2022 and 2021, respectively, is summarized as follows:

Fair Value Measurement as of June 30, 2022 for the Lay Plan

| | Total | Level 1 | Level 2 | Level 3 |
|--------------------------------------|---------------------|---------------------|-------------|-------------|
| Domestic large cap equity securities | \$ 3,033,744 | \$ 3,033,744 | \$ - | \$ - |
| Mutual funds: | | | | |
| Domestic small and mid cap equities | 3,175,808 | 3,175,808 | - | - |
| Domestic large cap equities | 14,488,196 | 14,488,196 | - | - |
| Hedged equities | 5,123,786 | 5,123,786 | - | - |
| International equities | 10,541,026 | 10,541,026 | - | - |
| Domestic bonds | 12,737,524 | 12,737,524 | - | - |
| International bonds | 790,253 | 790,253 | - | - |
| Domestic high-yield bonds | 1,480,363 | 1,480,363 | - | - |
| Total | \$51,370,700 | \$51,370,700 | \$ - | \$ - |

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, 2022 for the Priest Plan

| | Total | Level 1 | Level 2 | Level 3 |
|--------------------------------------|---------------------|---------------------|-------------|-------------|
| Domestic large cap equity securities | \$ 1,009,465 | \$ 1,009,465 | \$ - | \$ - |
| Mutual funds: | | | | |
| Domestic small and mid cap equities | 1,054,630 | 1,054,630 | - | - |
| Domestic large cap equities | 4,777,831 | 4,777,831 | - | - |
| Hedged equities | 1,701,541 | 1,701,541 | - | - |
| International equities | 3,588,738 | 3,588,738 | - | - |
| Domestic bonds | 4,375,235 | 4,375,235 | - | - |
| International bonds | 262,927 | 262,927 | - | - |
| Domestic high-yield bonds | 484,485 | 484,485 | - | - |
| Total | \$17,254,852 | \$17,254,852 | \$ - | \$ - |

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, 2022 for the Retired Clergy Health Plan

| | Total | Level 1 | Level 2 | Level 3 |
|--------------------------------------|---------------------|---------------------|------------------|-------------|
| Money market funds | \$ 376,049 | \$ - | \$376,049 | \$ - |
| Domestic large cap equity securities | 666,820 | 666,820 | - | - |
| Mutual funds: | | | | |
| Domestic small and mid cap equities | 698,259 | 698,259 | - | - |
| Domestic large cap equities | 3,139,447 | 3,139,447 | - | - |
| Hedged equities | 1,130,967 | 1,130,967 | - | - |
| International equities | 2,410,049 | 2,410,049 | - | - |
| Domestic bonds | 2,800,888 | 2,800,888 | - | - |
| International bonds | 174,806 | 174,806 | - | - |
| Domestic high-yield bonds | 370,663 | 370,663 | - | - |
| Total | \$11,767,948 | \$11,391,899 | \$376,049 | \$ - |

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 | \$ - |

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 71 and 1 donor restricted endowments in which cumulative investment losses exceed cumulative investment gains ("underwater" endowments) as of June 30, 2022 and 2021, respectively. The aggregate original gift amount of the "underwater" endowment funds totals \$4,021,906 and \$3,000 as of June 30, 2022 and 2021, respectively. The aggregate fair value of the "underwater" endowment funds totals \$3,721,892 and \$2,578 as of June 30, 2022 and 2021, respectively, resulting in aggregate losses of "underwater" funds totaling \$300,014 and \$422 as of June 30, 2022 and 2021, 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, 2022, a distribution of \$5,000 was made from one endowment 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, 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.

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, 2022 and 2021, is as follows:

| 2022 | Without Donor Restrictions | With Donor Restrictions | Total |
|--|----------------------------|-------------------------|---------------------|
| Designated Donor restricted: | \$10,516,371 | \$ - | \$ 10,516,371 |
| Purpose restrictions | - | 39,156,696 | 39,156,696 |
| No purpose restriction—time restriction only | - | 113,156 | 113,156 |
| Total funds | <u>\$10,516,371</u> | <u>\$39,269,852</u> | <u>\$49,786,223</u> |

| 2022 | Without Donor Restrictions | With Donor Restrictions | Total |
|--|----------------------------|-------------------------|---------------------|
| Designated Donor restricted: | \$ 5,973,116 | \$ - | \$ 5,973,116 |
| Purpose restrictions | - | 46,233,706 | 46,233,706 |
| No purpose restriction—time restriction only | - | 172,926 | 172,926 |
| Total funds | <u>\$ 5,973,116</u> | <u>\$46,406,632</u> | <u>\$52,379,748</u> |

Changes in endowment assets for the year ended June 30, 2022, consisted of the following:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|----------------------------|-------------------------|---------------------|
| Endowment net assets—beginning of year | \$ 5,973,116 | \$46,406,632 | \$52,379,748 |
| Investment losses | (1,257,591) | (6,859,981) | (8,117,572) |
| Additions | 6,013,800 | 1,246,577 | 7,260,377 |
| Distributions | (25,333) | (946,659) | (971,992) |
| Other changes: | | | |
| Grants awarded | (116,860) | (96,349) | (213,209) |
| Administrative fees | (56,607) | (385,721) | (442,328) |
| Management fees | (14,154) | (94,647) | (108,801) |
| Endowment net assets—end of year | <u>\$10,516,371</u> | <u>\$39,269,852</u> | <u>\$49,786,223</u> |

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 | <u>\$5,973,116</u> | <u>\$46,406,632</u> | <u>\$52,379,748</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, 2022 and 2021, and the corresponding purposes for which the income is expendable are as follows:

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Bishop McGuinness High School programs | \$ 315,411 | \$ 617,147 |
| Mecklenburg Area Catholic Schools capital projects | 3,775,003 | 7,881,520 |
| Mecklenburg Area Catholic Schools programs | 897,847 | 510,846 |
| Catholic Charities Diocese of Charlotte programs | 648,411 | 831,277 |
| Elderly Outreach | 487,331 | 487,331 |
| FFHL gifts for parishes | 45,024 | 57,904 |
| FFHL gifts for Priest Retirement Plan | 74,305 | 99,709 |
| FFHL gifts for facility construction and improvements | 4,093,652 | 4,085,001 |
| St. Joseph Seminary construction | 3,691,119 | 3,461,445 |
| Other programs | 539,835 | 476,645 |
| Amounts in excess of endowment corpus and annuities subject to expenditure for donor specified purposes: | | |
| Parishes | 990,047 | 2,897,093 |
| Education | 1,156,730 | 3,285,706 |
| Clergy/vocations | 1,418,317 | 2,375,370 |
| Outreach programs and services | 2,873,585 | 5,414,374 |
| Diocesan programs | 492,511 | 696,182 |
| Nondiocesan programs | 110,731 | 215,962 |
| | <u>21,609,859</u> | <u>33,393,512</u> |

To be held in perpetuity to generate income for donor specified purposes:

| | 2022 | 2021 |
|---|-------------------|-------------------|
| Endowments (including endowment cash, pledges and other receivables for future investment): | | |
| Parishes | 11,044,437 | 10,834,413 |
| Education | 9,120,459 | 8,637,914 |
| Clergy/vocations | 3,876,110 | 3,712,393 |
| Outreach programs and services | 7,067,381 | 6,764,238 |
| Other diocesan purposes | 903,525 | 803,397 |
| Nondiocesan | 437,535 | 436,400 |
| | <u>32,449,447</u> | <u>31,188,755</u> |

| | 2022 | 2021 |
|--|---------------------|---------------------|
| FFHL gifts restricted for endowments: | | |
| Education | 26,924 | 27,258 |
| Clergy/vocations | 10,097 | 10,222 |
| Outreach programs and services | 30,289 | 30,666 |
| Other diocesan purposes | 20,193 | 20,444 |
| | <u>87,503</u> | <u>88,590</u> |
| Beneficial interest in perpetual trust—parishes | \$ 4,375,836 | \$ 5,332,371 |
| Beneficial interest in perpetual trust—education | 5,290,514 | 6,367,181 |
| Permanent loan fund—parishes | 5,915,359 | 5,736,408 |
| Annuity funds - Parishes | 41,415 | 57,279 |
| Total net assets with donor restrictions | <u>\$69,769,933</u> | <u>\$82,164,096</u> |
| | | (Concluded) |

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, \$2,841,945, of the proceeds of the loans were expended for expenses that qualify for forgiveness under the provisions of the PPP. For the fiscal year ended June 30, 2021 \$278,022 is recorded in federal and state agency awards in the accompanying combined statements of activities. As of June 30, 2021, the PPP loans have been forgiven.

Protecting God's Children 2021-'22

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

The Diocese of Charlotte takes the Charter's mandate very seriously and continues its efforts to protect all children and the vulnerable. The cornerstones of our Safe Environment program are our comprehensive policies, continuing education programs and mandatory background screening processes. The diocese has promulgated its own Safe Environment policies, including the Code of Ethics and the Policy of the Diocese of Charlotte Regarding Sexual Misconduct by Church Personnel, which conform to the standards of the Charter. All clergy, religious, lay employees and volunteers must adhere to the provisions in these policies. During the past fiscal year, 2,752 diocesan personnel completed the Protecting God's Children educational awareness program and 3,994 criminal background checks were completed.

Each year, the diocese participates in an audit to determine compliance with the Charter. The audit for the period of July 2021 through June 2022 will be conducted in December 2022. Stonebridge Business Partners has been contracted by the U.S. Conference of Catholic Bishops to conduct the audit.

The diocese maintains a list of clergy who have been credibly accused of sexual abuse of children since the diocese was established in 1972. That information is available to the public and updated as necessary online at www.accountability.charlottediocese.org.

The diocese also funds an independent hotline for the reporting of sexual abuse and misconduct. Reports can be made anonymously anytime by phone or online through a web portal, in many different languages. The hotline is the latest among the diocese's longstanding 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 \$114,633 during the fiscal year ended June 30, 2022. The diocese also provided financial assistance to victims and their families. During the past year, \$6,800 was provided for medical and counseling services for historical victims. Additionally, the diocese incurred costs in connection with sexual misconduct lawsuits totaling \$224,068 during fiscal 2021-22. As in the past, none of these funds came from the Diocesan Support Appeal or from parish funds.

In the 20 years since the Charter was issued, the diocese has continuously increased its efforts to engage everyone in providing a safe environment. Our commitment to the protection of those in our care from the dangers of sexual abuse will never waver.