

DIOCESE SHARES ANNUAL REPORT

DEAR BROTHERS AND SISTERS IN CHRIST,

As the Chief Financial Officer of the Diocese of Raleigh, I am pleased to make this Annual Report on the finances and other relevant data for the Diocese of Raleigh. Diocesan finances are audited by the independent accounting firm of Cherry Bekaert. The audited financial statements for the year ended June 2020 are published on the Diocesan website at <https://dioceseofraleigh.org/chief-financial-officer-chief-administrative-officer/audited-financial-statements>. If you have trouble accessing the document, please contact Karen Free at (984) 900-3140.

I am pleased to report that our Diocese continues to be financially stable. The Diocesan unrestricted reserves are near the target level previously suggested by the Diocesan Finance Council. Once again, the audit is accompanied by an unmodified opinion, which is the highest level of assurance issued by the auditors, indicating they believe the financial statements fairly represent the financial status of the Diocese. Our Diocese continues to experience signs of vibrancy, it also faces some challenges, and it is making continued progress in key areas, highlighted below:

GROWTH AND VIBRANCY

- The growth in the Catholic population in the Diocese of Raleigh is resulting in the continuing construction of new facilities. A new church has been designed for Holy Infant in Durham and is under construction. An addition and renovation at the Duke Catholic Center is currently underway. A new facility is under architectural design at Mother Teresa Mission in Cary. Architectural plans for new facilities at All Saints in Hampstead are in process. Several other parishes are engaged in various phases of master site plan updates and smaller expansions and renovations.
- Holy Name of Jesus Cathedral has been in operation since late July 2017. An operating subsidy was provided for the first three years of its operation as offertory was growing to fully fund the operating expenses of the Cathedral, but at this point, beginning July 2020, an operating subsidy is no longer planned or deemed to be necessary.
- The Diocese has 20 men in formation for the Priesthood, and two were ordained to the Priesthood during 2020. The budget for tuition, room and board, and other expenses for seminarian education and forma-


tion is over \$1.2 million. While endowments and other gifts help fund these expenses, the Bishop's Annual Appeal (BAA) provides significant funding as well. I am grateful for the faithful who support the Seminarian Partnership Program, who pray for increased vocations to the Priesthood and religious life, and who regularly pray for our seminarians by name.

- With generous support from the Cardinal Gibbons High School Board of Trustees, the Diocese closed on the purchase of land in Durham as a possible site for a Catholic high school at some point in the future.
- Under the leadership of Bishop Luis Rafael Zarama, the Diocese, along with Cardinal Gibbons High School and the parishes in the Triangle area, is continuing to support efforts to establish a Cristo Rey High School in the Raleigh-Durham area. Cristo Rey schools are Catholic schools which provide a Catholic education for those who would not otherwise be able to afford it, with funding coming from local businesses, benefactors, and work-study performed by the students at local businesses.

CHALLENGES

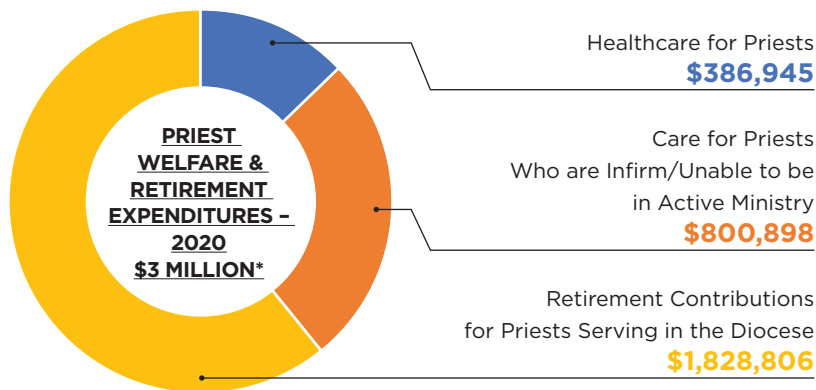
- Due to the impact of the pandemic, parish offertory across the Diocese declined by 5% vs. the previous year. This is unusual, given that the Diocese of Raleigh is one of the fastest growing Dioceses in the country. Offertory is the lifeblood of the financial support

FY20 Diocesan Support for Small Parishes, Priestly Ministries, and Campus Ministries

FY20 Diocesan Support for Small Parishes, Priestly Ministries, and Campus Ministries		FY20 Grants Distributed	
Parish Operating Assistance	\$ 308,189	Deanery Endowment for the Poor	\$ 92,400
Grants for Campus Ministries	\$ 440,405	Diocesan Endowment for the Poor (God's Work-Our Challenge Campaign)	\$ 21,357
Priestly Ministry at Hospitals & Parishes	\$ 440,570	Respect Life Grants	\$ 3,664
Funding for Parish Early Childhood Development Centers	\$ 90,808	Catholic Schools Tuition Assistance	\$ 122,800
		Catholic Campaign for Human Development Grants in the Diocese of Raleigh	\$ 16,575
		Diocesan Endowment for the Poor (Catholic Charities)	\$ 92,400
TOTAL	\$1,279,972	TOTAL	\$349,196

for parishes and the pastoral and charitable ministry performed at parishes. Through a modest assessment, offertory is the second single largest source of income to support the pastoral and charitable ministries of the central offices of the Diocese.

- The implications of the pandemic have greatly impacted Diocesan and parish finances. In the initial weeks after the pandemic-related shutdown, parish offertory declined by 50% vs. the same time in the previous year.
- Due to the financial impact of offertory declines in the weeks and months after the pandemic shutdown, the Diocese implemented several extraordinary financial relief measures for its parishes, including waiving loan interest payments and deferring loan principal payments April through June 2020, waiving Diocesan assessments to parishes during that same period, dropping parish loan interest rates from 3.5% to 2.0%, and subsidizing the rate of increase of parish property and liability bills. The cumulative total of this extraordinary financial relief, which came from liability insurance reserves and deposit and loan fund reserves, amounted to over \$3 million.
- Parishes, schools and the Diocesan central office applied for and received over \$12 million in funding from the Payroll Protection Plan loans, which are expected to be forgiven. Without that funding, especially during the early months of the pandemic, layoffs would have been likely at many of our parishes and schools.
- Offertory trends improved from April through June 2020, with the rate of decline vs. the prior year slowing to 7% by June 2020. However, the offertory declines for the months of July through October 2020 have trended back to a rate of approximately 10% less than prior year.
- 30 parishes in the Diocese sustained \$12.6 million in facility damages from Hurricane Florence. The Diocese partially self-insures for property related insurance claims. Through the Diocesan insurance program, the maximum out of pocket deductible any one parish incurred for damages directly related to the hurricane was \$1,000. However, the unfavorable claims experience that took place because of the hurricane damage will likely result in a sizeable increase in parish property insurance premiums in future years.
- The BAA for 2020, which funds the 2020-21 fiscal year, has received over \$7.6 million in pledges as of early December 2020, which is excellent in this pandemic year. However, because not every parish meets its goal, the BAA is currently \$300,000 short of the original Diocesan goal. Because of that revenue shortfall and because of reduced parish offertory, spending



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

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



20
Seminarians

22
Extern Priests*

120
Active Diocesan and Religious Order Priests

*Priests serving here from other dioceses



80
Number of Parishes

17
Number of Missions

cuts were made in the Diocesan budget for 2020-21 to operate at a balanced budget.

- As of July 2020, the priest pension plan had a benefit security ratio of 85%, slightly below the target rate set by the Diocesan Finance Council of 90%. The Diocese continues to make contributions designed to keep that plan funded at a 90% rate, but the fluctuation of the market value of the assets can impact the funded status at any one point in time. As of July 2020, the lay pension plan (which is frozen in lieu of a defined contribution plan) has a benefit security ratio of 81%, down from 88% in January 2020. The target ratio is 90%. As with the priest pension plan, the fluctuation of the market value of the assets can impact the funded status of the plan at any one point in time. The Diocese continues to make contributions to the plan to keep it actuarially funded. As financial funding dynamics permit, the Diocese makes annual contributions to an endowment which will provide funding for long-term nursing and other care needs not covered by health insurance for Diocesan priests.

OUTREACH TO THOSE IN NEED AND TO THOSE IMPACTED BY ECONOMIC CHALLENGES, AND SUPPORT FOR MAINTAINING A CATHOLIC PRESENCE THROUGHOUT OUR DIOCESE

■ Amidst the historic growth trends in many areas of the Diocese, that growth and prosperity is not uniform across the eastern half of the state. There are parishioners and people in our communities who are facing serious economic challenges, including those challenges resulting from the pandemic.

While 21 parishes and missions had an increase in offer-



3,643
Baptisms



2,296
First
Communions



2,069
Confirmations

tory for the year ended June 2020 vs. the year ended June 2019, 76 parishes had an offertory decline. Five parishes had an offertory increase of over 10%, while 25 parishes had an offertory decline of over 10%. This appears to be a microcosm of the economic challenges facing many today.

In response to these and other similar challenges, the Diocese has responded in part in the following manner:

- The Diocese provided approximately \$750,000 in the Diocesan operating budget in 2019-20 to support parishes and priestly ministry at parishes and at hospitals. A large part of this funding comes from the BAA. This funding is provided so that a Catholic presence and a priestly ministry is maintained in rural parts of eastern North Carolina. This funding enables eight priests to serve at small parishes and in hospital ministries, it subsidizes operations at 15 small parishes, and it provided one-time grants to 14 other small parishes.
- In addition, the Diocese provided \$440,000 in financial support to enable there to be a priestly and religious presence at six campus ministry sites at college campuses throughout the Diocese.

- The Diocese also provided approximately \$3.8 million in interest-free loans to small and poor parishes from the Interest Free Home Revolving Fund, which saves parishes approximately \$130,000 per year in interest expense.
- The Diocese provided approximately \$1.6 million in financial support to Catholic Charities, mostly from the BAA, along with funding from the Endowment for the Poor. Catholic Charities receives more funding from the BAA than any other single ministry, and the BAA is the largest single sources of funding for Catholic Charities. I am grateful for the many volunteers who assist the Catholic Charities staff in its outreach and for the benefactors who provides the resources to make much of this outreach possible. Just as importantly, I also ask for you to join me in offering continued prayers for all those in need.

CONTINUED AREAS OF PROGRESS

- I am pleased to report on continued progress in several key areas:
 - The funding in the Catholic Community Deposit and Loan program was restructured, with resulting reductions in loan interest rates to parishes from 3.5% to 2.0%. The parish loan interest rate for the Diocese of Raleigh is one of the lowest loan interest rates charged by any Diocese in the country to its parishes. This sizeable decrease in loan interest rates will save our parishes over \$400,000 per year in interest expense. This will allow parishes to devote more financial resources to ministry instead of interest expense on loans for construction related projects.
 - At the same time, the interest rate on parish deposits, which can be withdrawn upon demand, have decreased from 1.25% to 0.5%, and in November 2020 decreased again to 0.2%, consistent with the reduction in prevailing rates for risk-free short term deposits in the financial markets.
 - The Diocese continues its commitment to conducting financial audits and internal control reviews at parishes and schools. Three auditors are in place, with the objective of performing audits at parishes and schools every other year.

National Special Collections 2019-2020

Church in Latin America.....	\$100,934
Church in Central & Eastern Europe.....	\$84,981
Black & Indian Missions.....	\$73,078
Catholic Relief Services.....	\$63,840
Operation Rice Bowl.....	\$27,311
Holy Land Shrines.....	\$33,353
Catholic Home Mission.....	\$40,174
Collection for the Holy Father (Peter's Pence).....	\$103,073
Catholic University of America.....	\$84,859
World Mission Sunday.....	\$101,337
Campaign for Human Development.....	\$98,698
Retirement Fund for Religious.....	\$182,978
Disaster Relief within the Diocese of Raleigh.....	\$18,622
Catholic Communication Campaign.....	\$50,567
Mission Co-op.....	\$145,750
Total Special Collections.....	\$1,209,555

▶ These special collection amounts represent donations from the faithful from all parishes in the Diocese.

CATHOLIC CHARITIES STATISTICS

- Number of People Served: **57,850**
- Number of Volunteers: **2,963**
- Number of Volunteer Hours: **52,181**
- Value of In-kind Gifts Received: **\$4,100,319**
- **28%** of the budget for Catholic Charities comes from the Bishop's Annual Appeal



CATHOLIC SCHOOL ENROLLMENT

- **9,104** students are enrolled in Catholic schools within the Diocese of Raleigh
- During the 2018-2019 enrollment year, **over \$2.7 million** was distributed by the North Carolina Opportunity Scholarship Program, serving 653 students
- The God's Work, Our Challenge Tuition Assistance endowment distributed **\$80,000** amongst **20 schools** (serving **160 students**).

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

PLEASE NOTE:

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

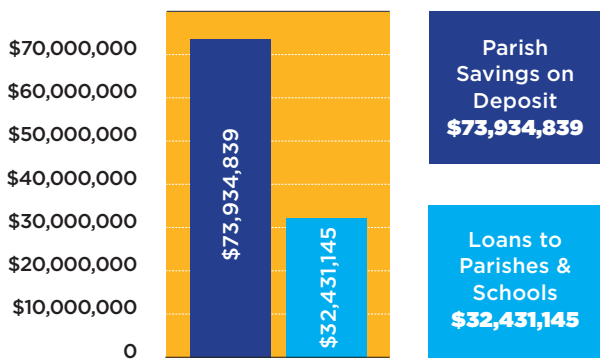
- The Diocese has a free bookkeeping service for small parishes, missions, and campus ministries without the resources or ability to devote towards having a full-time paid staff person producing the financial statements and paying the bills. Currently, the Diocese is assisting 23 parishes, missions, and campus ministries in this manner.
- Once again, the Diocese experienced a zero (0) percent increase in health insurance premiums for its employees while national trends in premiums have been trending upward. In addition, there was another “monthly premium holiday” where health insurance premiums were not charged to our parishes, schools, and employees.
- In this rapidly growing Diocese, it is necessary to be searching for land for future parishes and schools and to be purchasing land now, when the land is available and presumably less expensive than it will be in the future, in areas where future growth is

expected to occur. The Diocese uses demographic projection software, in conjunction with capacity studies at existing parishes, to aid it in identifying areas where the future sites will be located. The Diocese has property under contract in Pittsboro for a possible future parish. The acquisition of additional funding for land purchases, as well as the identification of funding sources for those purchases, is one of the strategic priorities of the Diocese.

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

I invite you to review the report on our Diocesan website at the web address listed at the beginning of this letter. This report visually highlights some key financial, statistical, and pastoral benchmarks, as an accompaniment to the annual financial audit. We take seriously our obligation of exercising proper stewardship over the resources that have been entrusted to us, and I believe that you will find that we have honored that obligation and commitment.

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



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SINCERELY,
RUSSELL C. ELMAYAN, D.MIN., M.B.A., M.P.S.
 CHIEF FINANCIAL OFFICER AND CHIEF ADMINISTRATIVE OFFICER

