



DIOCESE OF RALEIGH

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December 2023

Dear Brothers and Sisters in Christ,

In my role as Chief Financial Officer, I am honored to have the responsibility of making this Annual Report on the finances and other relevant data for the Catholic Diocese of Raleigh. The Diocesan finances are audited by the independent accounting firm of Cherry Bekaert LLP. The audited financial statements for the year ended June 2023 are published on the Diocesan website at <https://dioceseofraleigh.org/chief-financial-officer-chief-administrative-officer/audited-financialstatements>. If you need a copy of this document and do not have access to a computer, please contact Anna Aeloiza at (984) 900-3413.

I am pleased to report that our Diocese continues to be financially stable. The Diocese ran a small surplus from its day-to-day operations, and Diocesan unrestricted reserves (undesignated net assets) increased. 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, while it also faces some challenges, and it is making continued progress in key areas, highlighted below:

Growth, Vibrancy, and Challenges

- Growth in the Catholic population in the Diocese of Raleigh continues to drive the design and construction of new facilities. All Saints in Hampstead is constructing a new church and expanding classroom facilities. Holy Name of Jesus Cathedral is completing a parish activity center on the Cathedral property. A new Catholic chapel, Stella Maris, was dedicated on Ocracoke Island. A new church for Holy Family, Hillsborough is in design, while several other parishes are studying future church construction and expansions and engaging in projects to renew their facilities, increase the sacred beauty within their churches, develop new campus Master Plans to prepare for future development, and expand ministry through school expansions and renovations, expanded food pantries, columbaria construction, and undertaking new sustainability initiatives like solar panel installations.
- At the end of this fiscal year, the Diocese had 14 men in formation for the Priesthood, and one were ordained to the Priesthood in June 2023. The annual budget for tuition, room and board, and other expenses for seminarian education and formation is approximately \$1 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.

- In a marked rebound from the past two pandemic years, parish offertory for the year ended June 2023 increased by 6.5% over the prior year. This comes after a 12% increase in the year before that. Offertory is the lifeblood of the financial support for parishes and for the pastoral and charitable ministries performed there. Through a modest assessment, offertory is the second single largest source of income to support the pastoral and charitable ministries and services of the central offices of the Diocese.
- The BAA for 2023, which funds the 2023-24 fiscal year, is expected to receive over \$8.0 million in pledges by the end of 2023. Many parishes will exceed their BAA goals, with expected rebates to parishes of almost \$400,000.

Outreach to Those in Need and to Those Impacted by Economic Challenges, and Support for Maintaining a Catholic Presence Across our Diocese

Amidst 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.

80 parishes and missions (vs. 87 parishes and missions last year) had an increase in offertory for the year ended June 2023 vs. the year ended June 2022. Of those 80 parishes that had an offertory increase, 35 had an annual increase of over 10%. Only 13 parishes (vs. 10 parishes the previous year) had a decrease in offertory. This is continued excellent news for most parishes, but some continue to have financial challenges. In fact, the Diocese financially subsidizes several smaller parishes in rural parts of the state so that a Catholic presence can be maintained there.

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

- The Diocese provided approximately \$540,000 in the Diocesan operating budget in 2022-23 to support parishes and priestly ministry at parishes and at hospitals. A large part of this funding comes from the Bishop's Annual Appeal. 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 4 priests to serve at small parishes and in hospital ministries, it subsidizes operations at 9 small parishes, and it provided one-time grants of \$61,000 to several other small parishes.
- In addition, the Diocese provided \$338,000 in financial support to enable there to be a priestly and religious presence at 6 campus ministry sites at college campuses across the Diocese.
- The Diocese has an Interest Free Home Revolving Loan Fund, which makes over \$5.5 million available for interest-free loans to small and poor parishes from the Interest Free Home

Revolving Fund, which provides an opportunity for parishes to save over \$200,000 per year in interest expenses that can instead be devoted to pastoral ministry and outreach.

- The Diocese provided approximately \$1.7 million in financial support to Catholic Charities from the BAA. Catholic Charities receives more funding from the BAA than any other single ministry, and the BAA is the largest single source 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.
- The Diocese also made available \$29,600 in funding to parishes and other entities for the specific purpose of serving the poor through the Diocesan endowments targeted to serving the poor.
- The Parish Stewardship office of the Diocese continues to offer support to parishes which want to increase offertory so that parish ministries can be adequately funded.

Continued Areas of Progress

I am pleased to report on continued progress in several key areas:

- The Catholic Community Deposit and Loan Fund, Inc. remains vibrant, with just over \$100 million on deposit in almost 500 accounts from parishes and schools across the Diocese. There is also approximately \$16 million on loan in 22 loans to parishes across the Diocese. The loan interest rate, which was 3.0% in July 2022, and which changed again to 3.45% in December 2022, and 4.00% in May 2023 is to our knowledge among the lowest loan interest rates charged by any Diocese in the country to its parishes.
- At the same time, the interest rate on parish deposits, which can be withdrawn upon demand, was 0.2% during 2021-22, which was consistent with the prevailing rates for risk-free short-term deposits in the financial markets. That rate has increased to 0.75% effective July 2022 and increased again to 1.2% in December 2022 and to 2.50% in May 2023. The Diocese continues to invest surplus parish deposits in fully government insured instruments that are not subject to market risk.
- The Diocese continues its commitment to conducting financial audits and internal control reviews at parishes and schools, with the objective of performing audits at parishes and schools every other year, and when there is a transition in pastors.
- The Diocese has a free bookkeeping service for small parishes, missions, and campus ministries without the resources to have a full-time paid staff person producing the financial statements and paying the bills. Currently, the Diocese is assisting 37 parishes, missions, and campus ministries in this manner with various levels of support.

- The Diocese has a 90% target funding status for the Priest and Lay Pension Plans. The funded status of the Priest Pension Plan is at 90% as of July 2022 and July 2023. The funded status of the frozen Lay Pension Plan decreased from 105% in January 2022 to 88% in January 2023. The estimated funded status of that plan as of July 2023 was 95%. In addition, the Clergy Long Term Care endowment is currently valued at \$8.3 million, building towards a target of \$10 million. The \$10 million target was actuarially developed to provide earnings for long term, uninsured care needs for Diocesan priests. I am grateful to the Diocesan Investment Committee for its wise counsel in helping us achieve these milestones.
- 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 currently owns land in various parts of eastern North Carolina where potential new parishes may be formed, when the timing is right based upon population growth and the availability of priests to serve a potential new parish. The Diocese uses demographic projection software and data from the US Census and NC Office of State Budget and Management, in conjunction with capacity studies at existing parishes, to aid it in identifying areas where the future sites will be located. In December 2022, the Diocese purchased land in southern Wake County for a potential future parish, and a priest has been assigned to develop a community of parishioners in Holly Springs and the larger central southern Wake County area. A search is underway to identify land in various parts of the Diocese for future parishes and churches. 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.

Strategic Diocesan Issues Addressed at the Priest Assembly

During the 2022-23 fiscal year, Bishop Zarama identified five strategic issues facing the Diocese for which he sought input from all the priests of the Diocese, who convened for a two-day Assembly. Those five strategic issues were:

- What are the best models for starting new parishes, given the continuing growth in population in many parts of the Diocese and the presumed reduction in priests in ministry in future years?
- Given the future growth in many parts of the Diocese, what is the best way for planning and funding for land acquisition for future parishes, so that land can be purchased now when it is still available and presumably less costly than it will be in the future?
- Given the uneven population trends in the Diocese (27 of the 54 counties in the Diocese experienced population growth over the past ten years, while 27 of the 54 counties experienced population declines during that time), what is the base way for serving the needs of Catholics in rural parts of the Diocese?
- The Bishop's Annual Appeal is the largest single source of revenues for the Diocesan operating budget. Given the lack of growth in BAA funding that has come to the Diocese in recent years, what is the best way to structure the BAA in the future?

- How can the Diocese best improve central office (Catholic Center) communications and services?

Input was received from all priests and there is a game plan and timelines for addressing each of the above five bullets. In fact, a funding source was identified for the purchase of land for future parishes referenced in the second bullet, and searches are underway at this time for properties in various areas throughout the Diocese. On the fourth bullet, the rebate structure for the BAA was reset, as were the individual parish goals, in consultation with the Council of Priests, resulting in an increase of funding for Diocesan ministries which ultimately support parishes.

In Conclusion

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 Luis Rafael 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, the Diocesan Investment Committee, and the Diocesan Loan Committee, which 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 and Diocesan services that positively impact so many people each year.

Sincerely,



Russell C. Elmayan, M.B.A., M.P.S., D.Min.
Chief Financial Officer and Chief Administrative Officer

Diocesan Finance Council Members as of June 30, 2023

Mr. Greg Anglum, Chair (greg.anglum@gmail.com) –Chief Financial Officer, restor3D, Inc. | Mr. James T. Boyle, Jr. – Retired, Chief Operating Officer, LabCorp | Very Rev. Michael Burbeck – Vicar General, Diocese of Raleigh and Pastor, St. Michael The Archangel, Cary | Ms. René Corders – Retired, Principal, St. Ann Catholic School | Dr. Russell Elmayan – Chief Financial Officer/Chief Administrative Officer, Diocese of Raleigh | Mr. Thomas Fenn – Certified Financial Planner, T Fenn Financial| Mr. Kevin Green – Sr. Solution Architect and Practice Lead, IBM | Rev. Msgr. Joseph Ntuwa– Pastor, All Saints Catholic Church, Hampstead |Very Rev. Randy Gonzales C.I.C.M., VF– Dean of Newton Grove and Pastor, Transfiguration Church in Wallace and Santa Clara Mission in Magnolia | Mr. Brian Reid – President Triangle Market, TowneBank | Mr. Tim Thronson – Retired Partner, PricewaterhouseCoopers | Ms. Michele Holbrook – Capital Program Manager, Corning Optical Communication | Mr. Jason Sandner – Chief Executive Officer, Curi | Mr. Andrés Forero –Strategic Finance & Digital Finance Analyst, RTI International

Diocesan Investment Committee Members as of June 30, 2023

Mr. Eric Freedman, Chair- Chief Investment Officer, U.S. Bank | Mr. Mark Corigliano- Founder, Corigliano Investment Advisers| Mr. Thomas Fenn – Certified Financial Planner, T Fenn Financial | Dr. Peter Nolan- Co-founder, QMS Capital

Diocesan Loan Committee Members as of June 30, 2023

Mr. Tim Thronson, Chair – Retired Partner, PricewaterhouseCoopers | Mr. Peter Ciulla-Director of Financial Planning & Analysis, Diocese of Raleigh | Dr. Russell Elmayan – Chief Financial Officer/Chief Administrative Officer, Diocese of Raleigh | Mr. Brian Reid – President Triangle Market, TowneBank | Mr. Andrés Forero –Strategic Finance & Digital Finance Analyst, RTI International | Very Rev. Randy Gonzales C.I.C.M., VF– Dean of Newton Grove and Pastor, Transfiguration Church in Wallace and Santa Clara Mission in Magnolia