

Be Merciful, Just As Your Father Is Merciful

2015-2016
Roman Catholic Diocese of Charlotte
Annual Report

Dear Brothers and Sisters in Christ,

During this Year of Mercy, we turn our attention to acts of mercy in our diocese. The theme for this annual report, “Be merciful just as your Father is merciful,” (Luke 6:36) is an important reminder of the central focus that mercy plays in the life of Christ and in His Church.

In declaring this Year of Mercy Pope Francis opened the Doors of Mercy in the Basilica of St. Peter in Rome and allowed for Doors of Mercy to be designated in all of the cathedrals of the world. In the Diocese of Charlotte we are privileged to have Doors of Mercy at the Cathedral of St. Patrick in Charlotte, the Basilica of St. Lawrence in Asheville and at St. Pius X Church in Greensboro. In addition to receiving an indulgence for a pilgrimage to any of the Doors of Mercy, the goal of a passage through them is for each of us to have a true conversion of heart, to be more merciful with others as God has been merciful with us.

This annual report presents information about the finances of the diocese and, through text and photos, it shows many of the acts of mercy that were witnessed from July 1, 2015, through June of this year. I am pleased to report the overall good financial health of the diocese and I thank you for your continued support through your prayers, service and financial contributions.

This has been another busy and blessed year in the Diocese of Charlotte. In June I had the privilege of ordaining two men to the priesthood. Father David McCanless and Father Cory Catron join a dedicated team of diocesan and religious order priests who serve the spiritual needs of more than 400,000 Catholics living in the western half of North Carolina.

“Be merciful just as your Father is merciful,” (Luke 6:36)

**is an important reminder of the central focus that mercy plays
in the life of Christ and in His Church.**

Our support for vocations was further enhanced with the recent opening of St. Joseph College Seminary. For the first time in our diocese college men who are discerning their vocation will be able to live and study close to home. Please pray for the eight men who make up the first seminary class.

I am pleased to report that our 19 Catholic schools, which are entrusted with the education of students in grades PreK-12, have completed another successful school year. Students in our Catholic schools not only engage in daily religion classes and prayer, they put their faith into action by engaging in service projects.

Catholic Charities Diocese of Charlotte continued to carry out its role as the organized work of charity at the diocesan level through services provided to over 20,000 people during the past fiscal year. Critical life supporting services such as Pregnancy Support and Adoption, Counseling, Food Pantry, Refugee Resettlement and Immigration Services, Family Life Education, and Social Advocacy were offered across the Diocese of Charlotte, with clients and program participants residing in 164 communities from Greensboro to Murphy and Boone to south Charlotte.

In closing, I would like to express my deep gratitude to all of the faithful who have supported the efforts of the diocese during the past year. Your prayers, efforts and generous gifts help sustain and grow our diocese. The Diocese of Charlotte is truly a blessed place.

Sincerely yours in Christ,

+ Peter J. Jugis

The Most Reverend Peter J. Jugis

Bishop of Charlotte





We are called to mercy.



Vocations, Clergy and Religious Life

God calls us all to be messengers of mercy, but He calls some in a special way as priests, deacons, and religious brothers and sisters.

Among those called to service this year were Corey Catron and David McCanless, who were ordained to the holy priesthood on June 18, 2016, by Bishop Peter Jugis at St. Mark Church in Huntersville, in the presence of hundreds of family and friends.

Also in 2016, Bishop Jugis installed 15 candidates to the permanent diaconate as lectors during a July 14 Mass at St. Patrick Cathedral in Charlotte. Their installation was the second of three steps in the diaconate formation process.

This year, the diocese hosted its first discernment retreat for young women, “Duc in Altum.” More than 50 young ladies participated in the July 2016 retreat at Belmont Abbey College.

The 2016 diocesan discernment retreat for young men, “Quo Vadis Days,” brought more than 100 young men to Belmont Abbey College for a time of prayer and reflection on the direction God may be calling them.

The diocese currently has 16 seminarians in major seminaries and eight young men who entered the first class at St. Joseph College Seminary.

There are 94 active diocesan priests and 47 religious order priests celebrating the sacraments and sharing the message of God’s mercy with the people of our diocese. Our 21 retired priests continue to extend God’s mercy through prayer and service to others.

We are blessed with 105 permanent deacons who serve in our parishes and also minister in diocesan offices, schools, agencies, hospitals, prisons and airports.

Women religious demonstrate our Father’s merciful love by sharing their time, talent and prayers with us. There are currently 128 active women religious representing 23 different religious communities which serve God through their merciful work in the diocese.

Offices of:

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

St. Joseph College Seminary

94 active

diocesan priests,

47 religious order

priests, and

21

retired priests

24 seminarians in

various stages of study

leading to ordination

128 active

women religious

representing

23

different religious

communities

105

permanent deacons

who serve in parishes,

diocesan offices,

schools, agencies,

hospitals, prisons and

airports

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

	2016	2015		2016	2015
REVENUE & OTHER SUPPORT	\$8,068,412	\$6,983,178	EXPENSES	\$6,041,570	\$5,311,431
Contributions			Seminarian formation	740,481	831,669
Priests' retirement collection	1,083,480	962,747	St. Joseph Seminary	461,841	20,115
FFHL Contributions	1,224,358	1,687,808	Priests' retirement benefits	3,691,929	3,513,670
Priests' Continuing Education			Other	1,147,319	945,977
& Seminarian collection	263,893	267,211			
Friends of Seminarian program	483,315	480,921			
St. Joseph Seminary -					
Building Project	2,434,188	858,700			
Other	32,585	24,367			
Parish assessments	639,023	740,559			
Grants & Endowment Distributions	50,000	0			
Prior year surplus funds	833,804	495,222			
DSA funding	317,299	313,863			
Administration funding	706,467	1,151,780			

St. Joseph College Seminary

St. Joseph College Seminary is a house of formation whose primary mission is to form undergraduate men for the Catholic priesthood, while attending Belmont Abbey College. The seminary began operations in August 2016, with an inaugural class of eight college seminarians. The seminary is temporarily located on the campus of St. Ann Church in Charlotte while funds are raised to build a new structure. As of June 30, 2016, the seminary received contributions totaling \$3,640,168 earmarked for a permanent home for the seminary.



We are merciful in word and action.



**Offices of
Education Vicariate:**

Office of the Vicar

*Adult Education /
Evangelization*

*Campus /
Young Adult Ministry
Catholic Schools Office:
preK-12*

Faith Formation: preK-12

Youth Ministry

Media Resource Center

RCIA

(Becoming Catholic)

**Diocesan and
Regional Schools:**

*Bishop McGuinness
Catholic High School*

*Charlotte Catholic
High School*

*Christ the King
Catholic High School*

*Holy Trinity
Catholic Middle School*

*Our Lady of the
Assumption
Catholic School*

St. Ann Catholic School

*St. Gabriel
Catholic School*

*St. Mark
Catholic School*

*St. Matthew
Catholic School*

*St. Patrick
Catholic School*

*(parish schools not
included here)*

“Education is integral to the mission of the Church to proclaim the Good News. First and foremost every Catholic educational institution is a place to encounter the living God who in Jesus Christ reveals His transforming love and truth (cf. “Spe Salvi,” 4). This relationship elicits a desire to grow in the knowledge and understanding of Christ and His teaching. In this way those who meet Him are drawn by the very power of the Gospel to lead a new life characterized by all that is beautiful, good, and true; a life of Christian witness nurtured and strengthened within the community of our Lord’s disciples, the Church.”

—Pope Benedict XVI to Catholic Educators in U.S., April 17, 2008

Education Vicariate

The Education Vicariate departments offer teacher in-services, catechist certification, youth retreats, college campus projects, media supplies, Catholic school activities, regional catechist formation programs and assistance to parishes and schools to build a culture of mercy. Mercy flows from God through the ministry of the Church in her sacramental and educational ministry. To encounter and learn Sacred Scripture, tradition and the teachings of the Magisterium is to come to know, love and serve God in this life and to be happy with Him in the eternal life.

Knowing, loving and serving God is the way to live mercy. The programs and services of the Education Vicariate assist people with their search for union with God and His Church. The pilgrimage of daily and personal conversion to deeper union affects every soul at every age, and the Education Vicariate departments assist with this journey.

“In this Jubilee Year, may the Church echo the word of God that resounds strong and clear as a message and a sign of pardon, strength, aid, and love. May she never tire of extending mercy, and be ever patient in offering compassion and comfort. May the Church become the voice of every man and woman, and repeat confidently without end: ‘Be mindful of your mercy, O Lord, and your steadfast love, for they have been from of old’ (Ps 25:6).” (“Misericordiae Vultus,” 25)

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

	2016	2015		2016	2015
REVENUE & OTHER SUPPORT	\$1,787,134	\$1,731,036	EXPENSES	\$1,787,134	\$1,731,036
(includes DSA funding of \$1,455,306 in 2016 and \$1,401,102 in 2015)					

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

	2016	2015		2016	2015
REVENUE & OTHER SUPPORT	\$50,864,217	\$51,179,818	EXPENSES	\$46,504,966	\$46,320,619
Tuition and fees	42,543,695	42,254,065	Instructional personnel	24,398,688	24,213,497
Parish support	3,619,500	4,265,297	Other instructional costs	2,468,409	2,670,899
Contributions and gifts	2,505,474	2,261,388	Facilities	7,909,372	7,537,917
School activity revenue	1,200,277	1,304,216	Administrative personnel	3,235,922	3,129,651
Income from rental property	646,182	646,182	Supplementary programs and activities	4,593,750	4,790,395
Other	349,089	448,670	Other	3,898,825	3,978,260



Our love and support for our brothers and sisters



Catholic Charities Diocese Of Charlotte

Catholic Charities draws from thousands of donors, volunteers, and staff to carry out the critical life supporting work of service to our neighbors in need. Through the combined efforts of so many, as a faith community together we share the mercy of God with the less fortunate. In the Diocese of Charlotte, Catholic Charities contributed to this mission through a variety of ministries, programs and services that strengthened families, built communities and reduced poverty.

Strengthening Families:

Catholic Charities provided services to develop healthy children, families and seniors. Pregnancy support, adoption and post-adoption services were provided to 77 families and individuals. The teen parenting program provided services to help 46 birth mothers and four teen fathers learn to better parent their babies and helped them achieve greater educational and job goals. Outreach to youth in crisis helped 55 at-risk youth through counseling sessions and guidance. Counseling services were also provided to 287 people for a total of 2,017 sessions. Programs promoting healthy marriages served 392 couples through marriage preparation classes. All couples completing a marriage prep class also received instruction in Natural Family Planning (NFP). An additional 550 people attended a NFP course or training. Across the diocese, 957 seniors participated in Spring Flings and/or days of prayer and renewal.

Building Communities:

Services to build up the larger community were provided through resettlement of 421 refugees and asylees. Parish and community support provided setup for 94 furnished apartments for new refugees. Another 683 refugees were provided with employment, case management, transportation or afterschool mentoring. Legal immigration services were provided to 553 people. The Social Concerns and Advocacy Office and the Respect Life program, in coordination with parishes and missions, promoted the intrinsic value of all human life through 68 educational workshops and programs attended by 2,807 people.

Reducing Poverty:

Catholic Charities continued to respond to a large number of requests for food, financial help and burial assistance. Regional pantries in Asheville, Charlotte and Winston-Salem provided 438,675 pounds of food and 13,285 pounds of supplies to 13,085 people. Regional offices in Asheville and Winston-Salem distributed 2,403 bags of clothing. Thanks to help from parishes and other community groups, 528 families received food and other assistance for the holidays. The agency also helped 163 families with direct financial assistance. The Burial Assistance program provided 117 dignified burials, including 12 children, for the especially destitute.

Making this possible were more than 60 full- and part-time employees, 415 volunteers who contributed 27,637 hours of service, over 2,000 donors, and financial support received through the Diocesan Support Appeal.

**Offices of
Catholic Charities:**
*Administrative Office
Charlotte Regional Office
Piedmont Triad
Regional Office
Western Regional Office
Refugee Resettlement
Office
Social Concerns and
Advocacy Office
Family Life Office*

*Strengthening
Families, Building
Communities and
Reducing Poverty
is all made possible
through more than*

60 full- and
part-time employees,

415 volunteers
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27,637
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support received

through the Diocesan
Support Appeal.

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

	2016	2015		2016	2015
REVENUE & OTHER SUPPORT	\$6,413,720	\$6,131,649	EXPENSES	\$6,351,375	\$6,116,134
Federal and state agency awards	2,236,812	1,866,118	Counseling program	404,788	383,205
Other grants, contracts & awards	526,619	515,243	Direct assistance	1,085,310	972,091
Contributions - Diocese of Charlotte:			Family Life program	192,235	202,103
DSA funding	1,809,185	1,761,102	Office of Economic Opportunity	146,076	113,953
Other support	16,500	46,039	Pregnancy Support & Adoption program	149,941	165,371
Contributions - Other	1,413,708	1,539,209	Refugee & Immigration Services	2,365,005	2,208,043
Fees	443,709	449,651	Social Concerns & Advocacy	173,405	132,905
Other	(32,813)	(45,713)	Teen Parenting Program	247,650	215,489
			Youth Counseling Program	289,634	306,140
			Other programs	198,224	185,117
			Administrative expenses	772,641	941,093
			Fundraising expenses and direct benefits to donors	326,466	290,624



reflects the Mercy that comes to us



Multicultural Ministries

The Diocese of Charlotte recognizes the marvelous unity that exists in diversity, a reality of enhanced significance due to shared hopes and dreams of people in a global society. In addition to a rapidly increasing population from many Spanish-speaking countries, the Church in western North Carolina is enriched by African, African American, Burmese, Hmong, Korean and Vietnamese communities. Responding to the needs of this diverse population requires varied resources to teach the faith, promote vocations, advocate for social justice, strengthen families and use the many gifts of immigrants. Fidelity to the mission of Christ requires this commitment.

Ministry in the 21st century calls for a two-fold commitment to this unity in diversity: to welcome and foster the specific cultural identity of the many faces in the Church, while building a profoundly Catholic identity that strengthens the unity of the one Body of Christ.

Among the members of the Hispanic Community, participants in various apostolic movements find pastoral support and engage in social collaboration through Cursillo, Emaús Ministry, Movimiento Juan XXIII, El Camino Neocatecumenal, Talleres de Oración, Charismatic Renewal, Youth for Christ and Movimiento Familiar Cristiano. Because of increased participation in formation programs, many Hispanics are preparing for greater service to the Church as lay ministers, deacons, and priests.

The presence of multicultural communities enriches the life of the local Church with their gifts. Asian and Pacific Islanders, the third largest number of Catholics in the U.S., are now 6 percent of the population. In the diocese, the Vietnamese Community promotes intercultural awareness through educational programs and use festivals, foods, art and music to bring participants into fuller participation in the faith, life and mission of the Church. Burmese and Hmong leaders embrace opportunities to integrate their communities into the life of the local Church. Through relationships with dioceses in Korea, local Korean Catholics receive pastoral services and celebrate sacraments in their native language.

African American Ministry encourages training for black Catholics in evangelizing as directed by the National Black Catholic Pastoral Plan. In a pastoral program on faith in action, Black Catholics in the diocese began preparing for the 2017 National Black Catholic Congress. In addition, this ministry again hosted the winter Board meeting of the National Black Sisters Conference.

Diocese Of Charlotte Housing Corp.

The work of the Catholic Diocese of Charlotte Housing Corp. has been dedicated to developing affordable housing for senior and special needs citizens since it was established in 2001. During fiscal 2016, a third facility was dedicated by Bishop Peter Jugis: Mother Teresa Villa Apartments for adults with intellectual and physical disabilities who can live semi-independently opened in August 2015.

Human Capital

Jesus calls us to be merciful in our relationships with each other. The employees and volunteers of the Diocese of Charlotte embody that spirit in the work they do for the Church in western North Carolina, spreading the Gospel message in service to others.

The diocese has established policies and procedures that ensure compliance with state and federal laws and assist and protect employees. Policies and procedures for volunteers are designed to protect both the volunteers and those in their care. Benefits programs are provided for employees to enable them to care for themselves and their families. Core benefits include health, life and long-term disability insurance; a 403(b) savings plan and a defined benefit pension plan. Employees may also choose from voluntary benefits that can be customized to meet their family's needs. Wellness programs for employees encourage healthy lifestyles.

*The Diocese of
Charlotte has*
2,488
lay employees
and more than
13,500
*volunteers as of
June 30, 2016.*

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

Long Term Disability		
	<u>2016</u>	<u>2015</u>
	162,891	158,552
Health and Life Insurance		
	<u>2016</u>	<u>2015</u>
	8,119,892	7,458,999
Lay Pension Plan		
	<u>2016</u>	<u>2015</u>
	5,916,169	4,033,547
403(b) Plan Contributions		
	<u>2016</u>	<u>2015</u>
	734,290	720,251
FSA Administration Fees		
	<u>2016</u>	<u>2015</u>
	7,065	6,858



from the Father.



The annual Diocesan Support Appeal funds more than 50 ministries and programs in the Diocese of Charlotte – all of which express God’s mercy in many different ways.

Special Collections are a powerful way to participate in the global work of the Church.

Diocesan Support Appeal

The annual Diocesan Support Appeal funds more than 50 ministries and programs in the Diocese of Charlotte – all of which express God’s mercy in many different ways. From education to outreach, multicultural ministries to vocations, funding the DSA demonstrates God’s mercy and love throughout the diocese. Thirty-five percent of the funds raised through the 2015 DSA were distributed to Catholic Charities, 29 percent was given to educational ministries and programs, 14 percent funded multicultural ministry programming, and 6 percent funded vocations programs. Another 8 percent was shared with the Diocese of Charlotte Housing Corp., hospital ministry and the annual Eucharistic Congress.

The 2015 Diocesan Support Appeal raised more than \$5,294,614 through contributions from 16,628 donors. Of that, \$373,263 was distributed to 46 parishes, representing funds collected that exceeded parish goals. Forty-one parishes fell short of their goal and contributed a total of \$203,989 to the appeal from parish funds.

DSA MINISTRY FUNDING FOR THE YEARS ENDING JUNE 30					
	2016	2015		2016	2015
GRANTS TO CATHOLIC CHARITIES	\$1,809,185	\$1,761,102	MULTICULTURAL MINISTRIES	\$713,526	\$718,792
EDUCATIONAL MINISTRIES	\$1,455,306	\$1,401,102	VOCATIONS	\$317,299	\$313,863
Adult Education/Evangelization	94,188	93,137	Seminarian Education	240,151	253,972
Campus/Young Adult Ministry	619,875	562,950	Permanent Diaconate	77,148	59,891
Faith Formation Office	408,271	384,158	OTHER	426,031	382,368
Youth Ministry	106,982	101,814	Eucharistic Congress	209,231	184,864
Catholic Schools Office	91,989	77,191	Housing Ministry	158,442	146,468
Office of the Vicar of Education	79,482	83,300	Hospital Ministry	58,358	51,036
Media Resources	54,519	98,552			
			DSA CAMPAIGN COSTS	\$259,328	\$242,400

Special Collections

Special Collections are a powerful way to participate in the global work of the Church. Contributions to special collections taken up throughout the year in the Diocese of Charlotte provided funds for: Catholic Relief Services, Holy Land, Peter’s Pence, Catholic University of America, Catholic Communications Campaign, the Church in Latin America, the Church in Central and Eastern Europe, the Church in Africa, Propagation of the Faith, Catholic Home Missions, the Catholic Campaign for Human Development, and Retirement Fund for the Religious. These organizations were able to move forward in their missions and show God’s mercy to our brothers and sisters in need, in the United States and all over the world.

SPECIAL COLLECTIONS AMOUNTS COLLECTED FOR THE YEARS ENDING JUNE 30		
	2016	2015
International/National Combined Collection	\$ 269,218	\$ 279,374
Catholic Campaign for Human Development	172,644	159,758
Religious Retirement Collection	327,596	310,075
Combined Mission Collection	283,661	276,822
World Mission Sunday	212,415	196,040
Middle East Victims of Persecution	-	92,658
Nepal Earthquake	-	42,646
TOTAL	\$1,265,534	\$1,357,373

The Foundation of the Roman Catholic Diocese of Charlotte

The people of the diocese continue to embrace Christ’s teaching to “be merciful, just as your Father is merciful” with their generous support through gifts of endowments and bequests to the Diocese of Charlotte Foundation.

Nine new endowment funds were created this year, including two received through bequest gifts for the benefit of parishes in the diocese. One of these bequest gifts came from a Charitable Remainder Unitrust from the estate of Dennis and Mary Kushler to establish an endowment fund for St. Barnabas Parish in Arden. With the addition of these funds, the foundation had a total of 238 endowments at June 30, 2016, benefitting parishes, schools, Catholic Charities, priests’ retirement, seminarian education and outreach programs.

Principal additions to new and existing endowments for the year totaled \$6,469,378, of which \$3,183,331 represent distributions from the “Forward in Faith, Hope, and Love” campaign. At June 30, 2016, endowments totaled \$36.1 million, including \$9.9 million held on behalf of parishes.

Income from an endowment established for the benefit of Mission Churches provided grant funding of \$35,000 to seven missions for a soup kitchen, outreach to the poor, and evangelization programs.

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF CHARLOTTE FINANCIAL HIGHLIGHTS FOR THE YEARS ENDING JUNE 30					
	2016	2015		2016	2015
ASSETS	\$44,049,825	\$42,757,946	LIABILITIES	\$12,258,424	\$12,760,689
Cash	1,013,956	489,806	Payables & unearned income	25,043	25,973
Due from Advancement Corp. and other receivables	792,099	746,802	Custodial & annuity obligations	12,233,381	12,734,716
Beneficial Interest in Advancement Corp.	\$5,685,569	\$9,601,744	NET ASSETS	\$31,791,401	\$29,997,257
Assets held in trust	36,341	38,835	Unrestricted net assets	2,673,288	3,114,462
Investments	36,521,860	31,880,759	Temporarily restricted net assets	1,452,646	2,007,052
			Permanently restricted net assets	27,665,467	24,875,743

MACS Education Foundation

The Mecklenburg Area Catholic Schools (MACS) Education Foundation conducts and administers fundraising activities for the benefit of the nine schools comprising MACS. During the past fiscal year, the MACS Education Foundation received contributions totaling \$462,933 from 984 donors. The Foundation awarded grants totaling \$271,149 to the nine Mecklenburg Area Catholic Schools, recorded losses on uncollectible pledges of \$3,982 and losses on investments with the diocesan foundation of \$50,619, and incurred administrative and fundraising expenses of \$176,817 during fiscal 2016.

Triad Catholic Schools Education Foundation

The Triad Catholic Schools Education Foundation was established to conduct and administer fundraising activities for the benefit of Bishop McGuinness Catholic High School and the five parish-based Catholic elementary schools in the Triad region. During the past year, the Triad Catholic Schools Education Foundation received contributions totaling \$321,291 from 757 donors. In addition, the foundation recorded interest income of \$1,146. The Foundation awarded grants totaling \$273,579 to the six Triad Catholic Schools, recoveries of previous losses on uncollectible pledges of \$1,218, and incurred administrative and fundraising expenses of \$59,445 during fiscal 2016.

The Foundation of the Roman Catholic Diocese of Charlotte had a total of 238 endowments at June 30, 2016, benefitting parishes, schools, Catholic Charities, priests’ retirement, seminarian education and outreach programs.

9 new endowment funds were created this year.

During the past fiscal year, the MACS Education Foundation received contributions totaling \$462,933 and the Triad Catholic Schools Education Foundation received

contributions totalling \$321,291.



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

The campaign’s strategic objectives are:

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

The \$65 million goal is allocated as follows:

PARISH LIFE AND MINISTRIES	\$16.25 million
BROADER MINISTRIES (comprised as follows)	
CATHOLIC EDUCATION	\$12.75 million
– Expand Faith Formation Endowment (\$1m)	
– Expand Tuition Assistance Endowment (\$6m)	
– College Campus Ministry (\$1.75m)	
– Renovate Existing Catholic Schools (\$4m)	
PASTORAL AND TEMPORAL RESOURCES	\$11.5 million
– Parish and Mission Support Services Endowment (\$6m)	
– St. Patrick Cathedral Renovations (\$4m)	
– Retreat and Conference Center Renovations (\$1.5m)	
CLERGY SUPPORT	\$13 million
– Expand Priest Retirement Fund (\$10m)	
– Expand Vocation and Seminarian Support Endowment (\$3m)	
CATHOLIC OUTREACH	\$11.5 million
– Expand Catholic Charities Diocese of Charlotte Endowment (\$6m)	
– Expand Multicultural Ministries Endowment (\$3m)	
– Housing Initiatives (\$2.5m)	

In addition, campaign costs, which include educational materials, communications, accounting and fundraising staff, amount to approximately 6.5 percent of the total campaign goal, a total of \$4,225,000.

CAMPAIGN RESULTS

Although the active solicitation phase of the campaign concluded in fiscal 2015, the campaign received new pledges totaling \$695,000 during the fiscal year ending June 30, 2016. The campaign recorded net expenses for additional allowances on unfulfilled pledges and to discount future pledges to present value of \$2,737,000 for the year just ended, resulting in a net loss for the year from the campaign of \$2,042,000. FFHL pledges from inception of the campaign through June 30, 2016, total \$69,679,000; estimated losses on uncollectible pledges totaled \$14,376,000 as of June 30, 2016.

All 92 parishes and mission have received distributions from campaign proceeds. In addition, funds have already been used to renovate the Catholic Conference Center in Hickory, make improvements to several college campus ministry centers, and build up the Priest Retirement Fund. To date, over \$10 million has been added to the seven endowments benefiting seminarian education, faith formation, Catholic schools, college campus ministry, Catholic Charities, multicultural ministries, and parish/mission support services. Distributions for the fiscal year ending June 30, 2016, totaled \$8,220,000, bringing inception-to-date distributions to \$24,464,000, comprised of:

PARISH LIFE & MINISTRIES	\$ 9,559,000
BROADER MINISTRIES:	
Catholic Education	\$ 3,354,000
Pastoral & Temporal Resources	\$ 2,879,000
Clergy Support	\$ 5,013,000
Catholic Outreach	\$ 3,659,000
TOTAL DISTRIBUTED	\$24,464,000
DISTRIBUTIONS PENDING for Capital Projects	\$ 4,915,000
APPLIED TO COVER CAMPAIGN EXPENSES	\$ 2,486,000
TOTAL PAYMENTS RECEIVED ON PLEDGES	\$31,865,000

During the fiscal year ended June 30, 2016, campaign costs amounted to \$223,000, bringing inception-to-date campaign costs to \$4,303,000.

Cash payments are expected to approximate \$55,350,000 upon conclusion of the redemption phase of the campaign, after allowing for pledges made that may not be fully collected. The following table shows the allocation of total expected cash payments for (1) parish life and ministries (including parish challenge campaigns, which are additional parish initiatives conducted in conjunction with the FFHL campaign), (2) broader ministries, and (3) to cover campaign expenses.

PARISH LIFE & MINISTRIES SHARE	\$19,600,000
BROADER MINISTRIES SHARE	\$31,300,000
CAMPAIGN EXPENSE SHARE	\$ 4,450,000
TOTAL	\$55,350,000

As reflected in the preceding table, distributions directly benefiting parishes totals approximately \$20 million, or 35 percent of total expected cash payments. The total raised for the broader ministries – indirectly benefiting parishes – amounted to approximately 64 percent of the \$48.75 million goal for the broader ministries. The actual amounts distributed for each campaign element may vary from the amounts shown in the table above due to changes in the estimate of unfulfilled pledges.

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

Report from Chief Financial Officer

I am pleased to report that the Catholic Diocese of Charlotte remains financially healthy. Your generous support has provided needed resources to fund the many ministries highlighted throughout this report. The financial statements of the diocese for the years ended June 30, 2016 and 2015 are presented on the following pages, and include all significant entities of the diocese except for parishes (and parish and inter-parochial schools), which report separately to their parishioners.

Results of operating activities for the year ended June 30, 2016

The diocese completed the year ended June 30, 2016 with an increase in net assets (surplus) from operating activities of \$2,934,997 consisting of:

- \$2,955,801 in interest and dividend income (other than interest on perpetual trusts).
- \$3,773,697 representing an increase in perpetual trust and endowment funds (excluding FFHL endowments), which are permanent in nature and, thus, are not available for use in operating activities.
- \$1,931,006 representing donations earmarked for the construction of a permanent home for St. Joseph College Seminary.
- \$147,990 representing the amount by which revenues exceeded expenses for all other diocesan activities excluding the diocesan capital campaign, Forward in Faith, Hope and Love (FFHL). Pages 4 through 13 of this report provide information on the significant diocesan programs and activities.
- (\$5,873,497) loss relating to the FFHL campaign, representing the amount of increase in allowances for unfulfilled pledges; and distributions of pledge receipts to parishes exceeding contribution revenue during the fiscal year. Page 14 of this report provides additional information about FFHL activities.

The pie charts depict the major sources of revenues and summarize expenditures for the fiscal year just ended. Additional detail about revenues and a break-out of expenses by functional area, along with a comparison to fiscal 2015, are presented within the Statement of Activities.

Results of nonoperating activities for the year ended June 30, 2016

Nonoperating activities, primarily mark-to-market adjustments on diocesan investments, decreased net assets by \$2,990,671. These losses are primarily due to downturns in the international equity and commodities markets during fiscal 2016.

Net Asset Charge for the year ended June 30, 2016

The diocese recorded a \$13,857,039 charge to (decrease in) net assets in fiscal 2016 related to our pension and post-retirement benefit plans' most recent actuarial valuations. The primary driver of this charge is a decrease in the discount rate used to calculate the present value of future benefits. The cumulative charge against net assets related to our pension and postretirement benefit plans through June 30, 2016 totals approximately \$57 million, leaving a balance in Unrestricted Net Assets of approximately \$33 million, of which approximately \$26 million is designated for certain diocesan activities. Additionally, the accrued liability for these programs is approximately \$77 million at June 30, 2016. In addition to the steps already taken to reduce the gap between retirement plan liabilities and assets, additional changes to the lay employee retirement benefit program are planned to address this deficiency.

Cash flows for the year ended June 30, 2016

Cash generated from operating activities totaled \$22,402,671 (including \$10,914,231 of pledge receivables collected), which provided funds needed for the acquisition of property and equipment totaling \$6,061,197; for the repayment of long-term debt and capital lease obligations totaling \$3,344,530; and for the investment of endowment and parish funds, totaling \$6,051,683.

Liquidity as of June 30, 2016

Although the pension and postretirement benefit liabilities have a significant impact on our unrestricted net assets, they are long-term in nature and do not affect our liquidity in the short-term. As the Statement of Financial Position shows, the total of cash and investments at June 30, 2016 exceeded diocesan liabilities (excluding the accrued pension and priests' postretirement benefit liabilities) by more than \$46 million. Of the \$46 million excess, \$36 million of the cash and investments is donor restricted, leaving a balance of \$10 million in cash and investments available for operations and pension liabilities, which remains unchanged from June 30, 2015. As receivables are collected and other current assets are converted to cash, these funds will also be available for operations and pension liabilities.

Financial governance and oversight

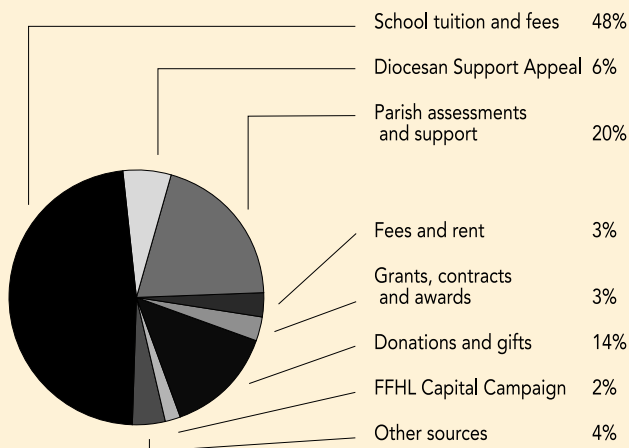
The diocesan Finance Office remains committed to the highest standards of fiscal integrity and accountability. To this end, the diocese has developed guidelines for strong financial governance, which can be found on the diocesan web-site. It is the responsibility of the diocesan Finance Office to ensure that accounting policies and procedures are being adhered to, and internal controls are in place and operating so as to safeguard diocesan assets and ensure that all financial activity is accounted for properly. Financial oversight is provided by routine financial audits and the diocesan Finance Council, which is directly responsible to the Bishop.

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

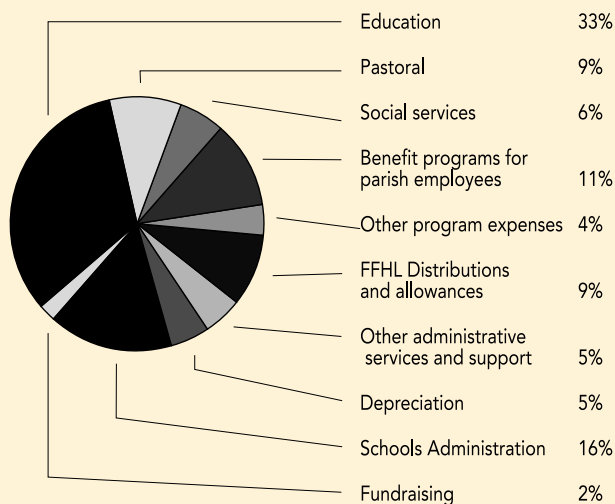


William G. Weldon, CPA
Chief Financial Officer

Sources of Revenue
Year Ended June 30, 2016



Uses of Our Resources
Year Ended June 30, 2016



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, 2016 and 2015, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements. The combined financial statements include the accounts of the affiliated diocesan entities described in Note 1 to the combined financial statements, which operate under the auspices of the Diocese.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Diocese as of June 30, 2016 and 2015, and the combined changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

October 3, 2016

THE ROMAN CATHOLIC DIOCESE OF CHARLOTTE COMBINED STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 13,065,762	\$ 5,249,060
PLEDGES RECEIVABLE—Net	24,579,287	37,109,139
OTHER ACCOUNTS RECEIVABLE—Net	2,607,959	2,344,507
NOTES RECEIVABLE—Net	18,386,953	16,293,202
DEFERRED RENT	1,466,790	1,503,732
ADVANCES TO PARISHES—Net	2,061,184	2,194,464
BENEFICIAL INTERESTS IN PERPETUAL TRUSTS	4,581,359	4,838,509
INVESTMENTS	94,134,446	91,815,074
PROPERTY AND EQUIPMENT—Net	71,795,441	68,308,593
OTHER ASSETS	714,324	512,438
TOTAL	<u>\$233,393,505</u>	<u>\$230,168,718</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 5,377,260	\$ 4,222,741
Accrued salaries, wages, and benefits	3,439,197	3,352,252
Accrued pension and postretirement benefits	76,655,876	60,845,121
Unearned revenue	8,441,933	9,091,432
Bonds payable	540,000	3,090,000
Fair value of interest rate swap agreements	16,419	116,682
Custodial, annuity, and other obligations	43,352,422	39,967,379
Total liabilities	<u>137,823,107</u>	<u>120,685,607</u>
CONTINGENCIES (Note 13)		
NET ASSETS:		
Unrestricted net assets:		
Undesignated	63,933,249	60,018,286
Net asset charge—Lay and Priest Retirement Plans and Retired Clergy Health Plan	(56,880,092)	(43,023,053)
Total undesignated unrestricted net assets	<u>7,053,157</u>	<u>16,995,233</u>
Designated	25,817,783	26,808,597
Total unrestricted net assets	<u>32,870,940</u>	<u>43,803,830</u>
Temporarily restricted net assets	25,265,612	30,993,663
Permanently restricted net assets	37,433,846	34,685,618
Total net assets	<u>95,570,398</u>	<u>109,483,111</u>
TOTAL	<u>\$233,393,505</u>	<u>\$230,168,718</u>

See notes to combined financial statements.

THE ROMAN CATHOLIC DIOCESE OF CHARLOTTE COMBINED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$(13,912,713)	\$(1,360,241)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	4,278,536	3,900,085
Net realized and unrealized losses on investments	3,090,934	1,933,096
Change in fair value of interest rate swap agreements	(100,263)	(167,977)
Loss on disposition of property	478,929	60,942
Net asset charge—Lay and Priest Retirement Plans and Retired Clergy Health Plan	13,857,039	12,987,611
Increase in discounts and allowances on advances, notes, and pledges receivable	1,542,940	789,802
Changes in operating assets and liabilities:		
Other accounts receivable	(263,452)	(938,397)
Deferred rent	36,942	12,981
Pledges receivable	10,914,231	271,359
Other assets	(201,886)	(19,298)
Accounts payable and accrued expenses	1,290,272	(710,638)
Accrued salaries, wages, and benefits	86,945	47,537
Accrued pension and postretirement benefits	1,953,716	55,741
Unearned revenue	(649,499)	357,249
Net cash provided by operating activities	<u>22,402,671</u>	<u>17,219,852</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(6,061,197)	(11,633,466)
Proceeds from the sale of property	54,703	462,126
Purchase of investments	(47,510,943)	(23,685,590)
Proceeds from maturity and sales of investments	41,459,260	19,354,191
Issuance of advances and notes	(6,462,538)	(9,115,936)
Payments received on advances and notes	4,574,748	6,089,114
Increase in custodial obligations	2,704,528	1,045,938
Net cash used in investing activities	<u>(11,241,439)</u>	<u>(17,483,623)</u>
CASH FLOWS FROM FINANCING ACTIVITIES—Repayment of bonds and capital lease	<u>(3,344,530)</u>	<u>(3,019,502)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>7,816,702</u>	<u>(3,283,273)</u>
CASH AND CASH EQUIVALENTS:		
Beginning of year	5,249,060	8,532,333
End of year	<u>\$ 13,065,762</u>	<u>\$5,249,060</u>
SUPPLEMENTAL DATA:		
Interest paid	<u>\$ 139,964</u>	<u>\$ 234,678</u>
Purchases of property and equipment included in accounts payable	<u>\$ 728,800</u>	<u>\$ 864,553</u>
Purchases of property and equipment financed through capital leases	<u>\$ 2,373,572</u>	<u>\$</u>

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

	JUNE 30, 2016				JUNE 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING:								
Revenues and other support:								
School tuition and fees	\$ 42,543,695	\$ -	\$ -	\$ 42,543,695	\$42,254,065	\$ -	\$ -	\$ 42,254,065
Contributions—Diocesan Support								
Appeal (DSA)	5,304,225			5,304,225	5,119,116			5,119,116
Other support—DSA programs	410,982			410,982	399,194			399,194
Other donations and gifts	4,126,648	4,492,867	3,568,480	12,187,995	3,642,537	3,583,692	275,546	7,501,775
Parish assessments:								
Employee benefit programs	8,059,640			8,059,640	7,324,518			7,324,518
Property liability insurance	1,707,108			1,707,108	1,665,520			1,665,520
Catholic News Herald	926,970			926,970	928,800			928,800
Central office	3,960,740			3,960,740	3,831,589			3,831,589
Parish support of schools	3,619,500			3,619,500	4,265,297			4,265,297
Federal and state agency awards	2,412,510			2,412,510	2,086,226			2,086,226
Other grants and awards	7,480	660,719		668,199	9,160	636,525		645,685
Fees for services rendered	1,389,548			1,389,548	1,299,384			1,299,384
Rental income	1,256,799			1,256,799	1,267,565			1,267,565
Interest and dividend income	2,124,110	831,691	214,454	3,170,255	1,958,750	261,456	114,677	2,334,883
Other income (loss)	2,540,809	(10,422)	(8,071)	2,522,316	2,352,210	(764)	(3,421)	2,348,025
Net assets released from restrictions—satisfaction of program restrictions	5,814,065	(5,812,899)	(1,166)	-	5,779,124	(5,777,855)	(1,269)	-
Total revenues and other support	<u>86,204,829</u>	<u>161,956</u>	<u>3,773,697</u>	<u>90,140,482</u>	<u>84,183,055</u>	<u>(1,296,946)</u>	<u>385,533</u>	<u>83,271,642</u>
EXPENSES:								
Program expenses:								
Pastoral:								
Clergy, vocations, and support for retired priests	5,498,437			5,498,437	4,688,182			4,688,182
Multicultural ministries	906,752			906,752	967,554			967,554
Contributions, grants, and subsidies	938,130			938,130	694,310			694,310
Other	450,063			450,063	429,051			429,051
Education:								
Regional and diocesan schools	28,037,429			28,037,429	28,082,453			28,082,453
Other education and faith formation	1,787,134			1,787,134	1,731,035			1,731,035
Social service programs	5,288,008			5,288,008	4,902,709			4,902,709
Benefit programs for lay parish employees	9,724,694			9,724,694	6,780,600			6,780,600
Property and liability insurance programs for parishes	885,567			885,567	719,328			719,328
Publication of Catholic News Herald	1,114,577			1,114,577	1,073,136			1,073,136
Conference/Retreat Centers	741,124			741,124	692,831			692,831
Tribunal	527,579			527,579	487,592			487,592
Total program expenses	<u>55,899,494</u>	<u>-</u>	<u>-</u>	<u>55,899,494</u>	<u>51,248,781</u>	<u>-</u>	<u>-</u>	<u>51,248,781</u>
Administrative:								
Central office administration	3,100,363			3,100,363	2,804,251	-	-	2,804,251
Regional and diocesan schools administration	14,657,563			14,657,563	14,638,730			14,638,730
Social services administration	730,511			730,511	905,510			905,510
Interest—parish savings and investments	206,972			206,972	204,110			204,110
Interest—long-term debt	133,427			133,427	231,507			231,507
Depreciation and amortization	4,278,536			4,278,536	3,900,085			3,900,085
Other	1,141,663			1,141,663	755,684			755,684
Total administrative expenses	<u>24,249,035</u>	<u>-</u>	<u>-</u>	<u>24,249,035</u>	<u>23,439,877</u>	<u>-</u>	<u>-</u>	<u>23,439,877</u>
Fundraising	1,183,459			1,183,459	1,105,580			1,105,580
Total expenses	<u>81,331,988</u>	<u>-</u>	<u>-</u>	<u>81,331,988</u>	<u>75,794,238</u>	<u>-</u>	<u>-</u>	<u>75,794,238</u>
CHANGE IN NET ASSETS BEFORE CAPITAL CAMPAIGN AND NONOPERATING ACTIVITIES AND NET ASSET CHARGE	4,872,841	161,956	3,773,697	8,808,494	8,388,817	(1,296,946)	385,533	7,477,404
CAPITAL CAMPAIGN ACTIVITIES:								
Contributions—FFHL	43,844	1,320,628	769,975	2,134,447	1,602,774	7,314,940	2,735,698	11,653,412
Losses on uncollectible contributions—FFHL		(2,638,415)	(1,538,294)	(4,176,709)		(1,715,062)		(1,715,062)
Net assets released from restrictions—FFHL	3,608,644	(3,608,644)		-	3,392,645	(3,392,645)		-
Distributions to parishes—FFHL	(3,608,644)			(3,608,644)	(3,392,645)			(3,392,645)
Fundraising and other expenses—FFHL	(222,591)			(222,591)	(630,620)			(630,620)
Change in net assets from operating activities	<u>4,694,094</u>	<u>(4,764,475)</u>	<u>3,005,378</u>	<u>2,934,997</u>	<u>9,360,971</u>	<u>910,287</u>	<u>3,121,231</u>	<u>13,392,489</u>
NONOPERATING:								
Net realized and unrealized losses on investments	(1,870,208)	(963,576)	(257,150)	(3,090,934)	(1,407,611)	(431,676)	(93,809)	(1,933,096)
Change in fair value of interest rate swap agreements	100,263			100,263	167,977			167,977
Change in net assets from nonoperating activities	<u>(1,769,945)</u>	<u>(963,576)</u>	<u>(257,150)</u>	<u>(2,990,671)</u>	<u>(1,239,634)</u>	<u>(431,676)</u>	<u>(93,809)</u>	<u>(1,765,119)</u>
CHANGE IN NET ASSETS BEFORE NET ASSET CHARGE	2,924,149	(5,728,051)	2,748,228	(55,674)	8,121,337	478,611	3,027,422	11,627,370
NET ASSET CHARGE—Lay and Priest Retirement Plans and Retired Clergy Health Plan	(13,857,039)			(13,857,039)	(12,987,611)			(12,987,611)
CHANGE IN NET ASSETS	(10,932,890)	(5,728,051)	2,748,228	(13,912,713)	(4,866,274)	478,611	3,027,422	(1,360,241)
NET ASSETS:								
Beginning of year	43,803,830	30,993,663	34,685,618	109,483,111	48,670,104	30,515,052	31,658,196	110,843,352
End of year	<u>\$ 32,870,940</u>	<u>\$ 25,265,612</u>	<u>\$ 37,433,846</u>	<u>\$ 95,570,398</u>	<u>\$ 43,803,830</u>	<u>\$ 30,993,663</u>	<u>\$ 34,685,618</u>	<u>\$ 109,483,111</u>

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, 2016 AND 2015

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 (including the parish notes discussed in Note 10), or activities of individual parishes and interparochial schools. These excluded activities are operating entities distinct from the offices and organizations included herein, maintain separate accounts, and carry on their own programs.

The accompanying combined financial statements include the accounts of the following organizations, which operate under the auspices of the Diocese:

- The Central Administration, which provides administrative and other services to parishes, schools, and agencies of the Diocese. Services include coordination and support of educational programs and multicultural ministries; the vocations program; continuing formation of priests and support of retired priests; employee benefit program; property/casualty insurance program; diocesan tribunal; operation of the Catholic Conference Center, Living Waters Reflection Center, and Cathedral Publishing, Inc., the publisher of the *Catholic News Herald*.
- Bishop McGuinness Catholic High School (BMCHS), which provides Catholic secondary education for the Winston-Salem, Greensboro, and High Point areas.
- Mecklenburg Area Catholic Schools (MACS), which operates nine schools throughout Mecklenburg County as of June 30, 2016 and 2015.
- The Mecklenburg Area Catholic Schools Education Foundation, which conducts and administers fund-raising activities for the benefit of MACS.
- The Triad Area Catholic Schools Education Foundation, which conducts and administers fund-raising activities for the benefit of BMCHS and the parish-based Catholic schools in the Winston-Salem, Greensboro, and High Point area.
- Catholic Charities Diocese of Charlotte (CCDOC), a professional human services agency that provides counseling, adoption support, pregnancy support, foster care, crisis intervention, material assistance, burial assistance, immigration services, refugee resettlement, justice and peace advocacy, and education, along with family enrichment services.
- The Foundation of the Roman Catholic Diocese of Charlotte, Inc. (the "Foundation"), which receives, administers, and disburses funds through the creation of endowments for educational, religious, and charitable purposes for the benefit of the Diocese and its various parishes, schools, and agencies.
- The Catholic Diocese of Charlotte Housing Corporation (the "Housing Corporation"), whose mission is to create, maintain, promote, and operate housing facilities and provide accompanying services for seniors, individuals, and families with low incomes, and other vulnerable populations.
- DL Catholic, Inc. ("DL Catholic"), which holds funds on deposit from the Central Administration, parishes, schools, and other Catholic institutions in the Diocese. These amounts generally represent funds in excess of current operating needs that have been set aside to fund future programs and/or facility needs. Interest on deposits is paid based on rates established for the terms of the deposits selected by the depositors. DL Catholic also provides loans to the Central Administration, parishes, schools, and other Catholic institutions in the Diocese, which are primarily for funding the purchase of property and acquisition or construction of facilities.
- The Catholic Diocese of Charlotte Advancement Corporation (the "Advancement Corporation"), which conducts diocesan-wide fundraising campaigns (the Forward in Faith, Hope, and Love (FFHL) capital campaign and the annual Diocesan Support Appeal (DSA)) to support operating, capital, and endowment activities of the Central Administration and other entities of the Diocese of Charlotte.
- Saint Joseph College Seminary, 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. All significant intradiocesan transactions have been eliminated in combination.

2. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

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

Use of Estimates in the Preparation of Financial Statements—The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates and assumptions are used for, but not limited to, valuation of pledges receivable, notes receivable, and advances to parishes; valuation of beneficial interests in perpetual trusts, investments, and interest rate swap instruments; 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 nonoperating.

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

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

Beneficial Interests in Perpetual Trusts—Beneficial interests in perpetual trusts represent irrevocable interests in assets held by third parties under split-interest agreements and are measured at fair value, with the change in fair value reported within net realized and unrealized

gains and losses on investments 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, with the net realized and unrealized gains and losses reported in the accompanying combined statements of activities. 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—Property and equipment is stated 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. Property and equipment are 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 2016 and 2015.

The major classes of property and equipment represented as of June 30, 2016 and 2015, are as follows:

	2016	2015	Life (In Years)
Land	\$ 14,216,270	\$ 14,214,177	N/A
Land improvements	12,059,991	9,110,016	5–15
Buildings	74,669,449	65,149,791	30–40
Furniture and equipment	11,000,014	8,713,014	3–10
Vehicles	2,221,943	2,210,469	5
Interest in St. Matthew Education Center	5,561,331	5,561,331	Varies
Construction in progress	2,238,181	10,063,663	N/A
Property held for sale	17,500		N/A
	<u>121,984,679</u>	<u>115,022,461</u>	
Less accumulated depreciation	<u>(50,189,238)</u>	<u>(46,713,868)</u>	
Total	<u>\$ 71,795,441</u>	<u>\$ 68,308,593</u>	

Capital lease assets included in furniture and equipment and the associated accumulated depreciation totaled \$2,217,428 and \$586,879, respectively, as of June 30, 2016, and \$144,074 and \$111,217, respectively, as of June 30, 2015. The remaining capital lease obligation as of June 30, 2016 was \$1,579,042, and is included in custodial, annuity and other obligations in the accompanying combined statement of financial position. The remaining lease payments of \$795,018 in 2017 and \$795,018 in 2018 include interest of \$10,993 at 0.4%.

The construction in progress as of June 30, 2016, consists primarily of amounts expended by the Central Administration for site improvements on a parcel of land owned by the Diocese, amounts expended by MACS for driveway and stadium improvements at Holy Trinity Catholic Middle School, and amounts expended in the planning phase for Saint Joseph College Seminary. The construction in progress as of June 30, 2015, consists primarily of amounts expended by MACS for the construction of a multi-level parking garage at Charlotte Catholic High School. The project was completed and placed in service during September 2015.

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 amortized over the useful lives of the assets in which MACS has an interest. The amortization is included in accumulated depreciation.

Interest expense incurred that relates to the acquisition or construction of property and equipment is capitalized. No interest expense was capitalized in fiscal years 2016 or 2015.

Custodial Obligations—Custodial funds are managed by the Diocese, as agent, on behalf of the originating organization. These funds are not recorded as contributions or net assets of the Diocese but rather are included as assets and corresponding custodial obligations in the accompanying combined statements of financial position.

Pension and Other Retirement Benefit Plans—The Diocese accounts for its defined benefit pension and other postretirement benefit plans by recording an asset (liability) for the excess (deficit) of plan assets over the actuarially determined projected benefit obligation, with the net periodic benefit cost allocated to program and administrative expenses based on related salaries and wages. Changes in the funded status of the plans, other than net periodic benefit costs, are reported as a net asset charge in the accompanying combined statements of activities. The net asset charge of \$13,857,039 for the year ended June 30, 2016, is primarily attributable to the decrease in the discount rate used to calculate the present value of future benefits. The net asset charge of \$12,987,611 for the year ended June 30, 2015, is primarily attributable to the impact of revised mortality assumptions resulting from longevity improvements of the plan participants. The Diocese's defined benefit pension and other postretirement benefit plans are described below:

Lay Noncontributory Defined Benefit Pension Plan—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. During fiscal years 2016 and 2015, each diocesan entity was assessed 8.2% and 8.0%, respectively, of lay employees' salaries to fund the contribution to the Lay Plan and certain other employee benefits. In addition to contributing the actuarially recommended contribution amount to the Lay Plan for both fiscal years 2016 and 2015, the Central Administration contributed \$329,908 and \$889,261 in additional contributions to the Lay Plan during fiscal years 2016 and 2015, respectively.

Priest Retirement Plan—The Diocese sponsors the Diocese of Charlotte Priest Retirement Plan (the "Priest Plan") to provide pension benefits for diocesan priests. The Priest Plan provides benefits for priests who are fully vested, in a uniform monthly amount that is increased annually based on the change in the Consumer Price Index. The Priest Plan received contributions directly from the Advancement Corporation of \$1,224,358 and \$1,687,808 during the years ended June 30, 2016 and 2015, respectively. In addition, the Central Administration also contributed the actuarially recommended contribution amount to the Priest Plan for both fiscal years 2016 and 2015.

Retired Clergy Health Plan—In addition to providing the Priest Plan discussed above, the Diocese sponsors the Diocese of Charlotte Retired Clergy Health Plan, which provides retired diocesan priests certain health and long-term care benefits. In addition to contributing the actuarially recommended contribution amount to the Retired Clergy Health Plan for both fiscal years 2016 and 2015, the Central Administration contributed \$833,804 and \$495,222 in additional contributions to the Plan during fiscal years 2016 and 2015, respectively.

An annual collection is held at each parish to raise funds for the Priest Retirement Plan, the Retired Clergy Health Plan and other priest benefits. Each parish was assigned 3.5% of annual offertory as their goal for this collection for fiscal years 2016 and 2015. Any shortfall from goal in the amount collected is paid by the parish. Annual collections from the parishes for this purpose are reported as collections in the accompanying combined statements of activities.

The Diocese also sponsors a tax-deferred defined contribution plan under Section 403(b) of the Internal Revenue Code (IRC) for all eligible diocesan employees. Employer-matching contributions to the plan are based on a percentage of employee contributions. Each diocesan entity is responsible for payment of the matching contribution directly to the tax-deferred defined contribution plan. Matching contributions to this plan amounted to \$433,130 and \$422,986 in fiscal years 2016 and 2015, respectively, and are reported within expenses in the accompanying combined statements of activities.

Derivative Instruments—The Diocese uses derivative financial instruments to manage its exposure to movements in interest rates. Interest rate swaps are measured at fair value in the accompanying combined statements of financial position, with the change in fair value reported within nonoperating activities in the accompanying combined statements of activities. The Diocese does not enter into derivative financial instruments for trading purposes.

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:

Unrestricted—Unrestricted net assets consist of all resources of the Diocese that have no donor-imposed restrictions. The Diocese has designated \$25,817,783 and \$26,808,597 of unrestricted net assets as of June 30, 2016 and 2015, respectively, primarily for future expenses relating to Diocesan Support Appeal (DSA) program agencies, the pastoral center, employee benefit programs, self-insured programs, retired clergy benefit programs, debt service, grant awards, endowments, and investments.

Temporarily Restricted—Temporarily restricted net assets consist of contributions received and investment income from permanently restricted endowment funds whose use by the Diocese is limited by donor-imposed stipulations that expire by passage of time or can be fulfilled by actions of the Diocese. When a donor restriction is fulfilled or expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying combined statements of activities as net assets released from restrictions. At June 30, 2016 and 2015, temporarily restricted net assets included \$19,327,707 and \$25,721,245, respectively, related to the Forward in Faith, Hope and Love capital campaign. The remainder of the temporarily restricted net assets primarily relates to spendable income on endowments that are limited as to use by the governing documents and funding from grants for outreach and other ministries.

Permanently Restricted—Permanently restricted net assets consist of contributions received from donors whose use by the Diocese is limited permanently by donor-imposed stipulations. At June 30, 2016 and 2015, permanently restricted net assets consist primarily of endowments held by the Foundation, the Diocese's pro rata interest in perpetual trusts established by third parties, and resources provided by certain bequests which stipulate the funds be held in perpetuity and used to provide advances to small or needy parishes at no interest (see Note 16).

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

Contribution Revenue and Pledges Receivable—Contribution revenue is recognized upon receipt of assets (financial or nonfinancial) or an unconditional promise to give from a donor, and is measured at fair value. The classification of revenue as unrestricted, temporarily, or permanently restricted 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—net of allowances and discounts in the accompanying statements of activities.

Capital Campaign Contributions and Distributions—FFHL contributions are limited in their use to the specific purposes outlined in the fund-raising materials. As such, contributions are classified as temporarily restricted, except for contributions allocated to cover campaign costs, which are classified as unrestricted net assets designated for fund-raising and administrative costs. FFHL distributions to beneficiary entities are recorded based on the capital campaign's distribution policy, which generally provides for distribution to beneficiary entities upon receipt of cash payments by the Advancement Corporation and satisfaction of donor restrictions by the beneficiary entity. Proceeds received for construction activities are not recorded as distributions until commencement of the project. Proceeds received for the Priest Retirement Plan Trust are recorded as a reduction in accrued pension and postretirement benefits at the time of distribution to the Trust.

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

Accounting principles generally accepted in the United States of America prescribe a minimum

recognition threshold 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 financials had no unrecognized tax positions as of and during the years ended June 30, 2016 and 2015. The Diocese does not expect that unrecognized tax benefits will materially increase within the next 12 months. Fiscal year 2013 and thereafter are subject to examination by the federal and state taxing authorities. There are no income tax examinations currently in process.

Interest and penalties related to uncertain tax positions, if any, would be recognized in the combined financial statements as income tax expense.

Risks and Uncertainties—The Diocese's investments consist of various combinations of equity securities, fixed income securities, money market funds, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the Diocese's investment balances reported in the combined statements of financial position.

Subsequent Events—The Diocese has evaluated subsequent events from the end of the most recent fiscal year through October 3, 2016, the date the combined financial statements were available to be issued.

New Accounting Standards—In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which supersedes existing guidance on revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and most industry specific guidance. The core principle of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The guidance is effective for nonpublic entities with annual periods beginning after December 15, 2018. Management is currently evaluating the provisions of this update and their impact on the combined financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which supersedes existing guidance on accounting for leases in FASB ASC 840, *Leases*, and generally requires all leases to be recognized in the statement of financial position. The liability will be equal to the present value of lease payments and the asset will be based on the liability, subject to adjustment, such as initial direct costs. The guidance is effective for nonpublic entities with annual periods beginning after December 15, 2019. Management is currently evaluating the provisions of this update and their impact on the combined financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for Profit Entities—Presentation of Financial Statements of Not-for-Profit Entities*, which supersedes existing guidance in FASB ASC 958, *Not-for-Profit Entities*, to improve the current net asset classification requirements and the information presented in the financial statements and related notes about a not-for-profit (NFP) entity's liquidity, financial performance, and cash flows. The guidance is effective for NFPs with annual periods beginning after December 15, 2017. Management is currently evaluating the provisions of this update and their impact on the combined financial statements.

3. PLEDGES RECEIVABLE—NET

The following unconditional promises to give are included in pledges receivable in the accompanying statement of financial position as of June 30, 2016:

	FFHL	DSA	Other	Total
Unconditional promises at face value	\$34,825,891	\$1,250,444	\$1,759,155	\$37,835,490
Less allowance for uncollectible pledges	11,432,171		260,744	11,692,915
Less unamortized discount	1,433,912		129,376	1,563,288
Net unconditional promises to give	<u>\$21,959,808</u>	<u>\$1,250,444</u>	<u>\$1,369,035</u>	<u>\$24,579,287</u>
Amounts due in:				
Less than one year	\$16,174,651	\$1,250,444	\$ 580,755	\$18,005,850
One to five years	18,335,926		1,015,025	19,350,951
More than five years	315,314		163,375	478,689
Total	<u>\$34,825,891</u>	<u>\$1,250,444</u>	<u>\$1,759,155</u>	<u>\$37,835,490</u>

The following unconditional promises to give are included in pledges receivable in the accompanying statement of financial position as of June 30, 2015:

	FFHL	DSA	Other	Total
Unconditional promises at face value	\$45,886,382	\$1,536,177	\$1,327,222	\$48,749,781
Less allowance for uncollectible pledges	8,588,696		44,545	8,633,241
Less unamortized discount	3,007,401			3,007,401
Net unconditional promises to give	<u>\$34,290,285</u>	<u>\$1,536,177</u>	<u>\$1,282,677</u>	<u>\$37,109,139</u>
Amounts due in:				
Less than one year	\$14,770,035	\$1,536,177	\$ 775,363	\$17,081,575
One to five years	29,575,120		547,984	30,123,104
More than five years	1,541,227		3,875	1,545,102
Total	<u>\$45,886,382</u>	<u>\$1,536,177</u>	<u>\$1,327,222</u>	<u>\$48,749,781</u>

The change in the allowance for uncollectible pledges for the year ended June 30, 2016, related to the FFHL campaign reflects additions of \$134,409 related to initial measurement of unconditional promises to give received in 2016 and \$4,176,709 related to additional allowances provided on unconditional promises to give received in previous years and outstanding at June 30, 2016, and less actual write-offs of \$1,467,643. The change in the allowance for uncollectible pledges for the

year ended June 30, 2015, related to the FFHL campaign reflects additions of \$1,798,152 related to initial measurement of unconditional promises to give received in 2015 and \$1,715,062 related to additional allowances provided on unconditional promises to give received in previous years and outstanding at June 30, 2015, and less actual write-offs of \$1,248,982. Pledges receivable due within one year as of June 30, 2016 and June 30, 2015, include past due accounts totaling approximately \$5,600,000 and \$3,630,000, respectively. Past due accounts include the portion of pledge receivables not paid when due under the pledge agreements.

4. 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 swap rate for the applicable term of the borrowing as reported on the Federal Reserve Board website, plus an additional percentage, which varies depending on the term of the borrowing. These notes bear interest at rates ranging from 3.0% to 5.61% at June 30, 2016, and 1.95% to 5.67% at June 30, 2015.

Term loans —	
Amounts due in:	
Less than one year	\$ 1,102,108
One to five years	4,388,343
More than five years	5,301,502
Less allowances	(285,026)
Net — term loans	10,506,927
Lines of credit	7,880,026
Notes receivable—net	\$18,386,953

As of June 30, 2016, the future repayment requirements of the loans, assuming the loans mature over their scheduled repayment terms, are as follows:

5. 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, 2016 and 2015, totaled \$3,060,667 and \$3,279,839, respectively. These advances are long-term in nature and are reflected, net of allowances, at their estimated present value of \$2,061,184 and \$2,194,464 in the accompanying combined statements of financial position at June 30, 2016 and 2015, respectively.

6. INVESTMENTS

The cost and fair value of investments as of June 30, 2016 and 2015, are summarized below:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Foundation:				
Endowment funds (including unrestricted and temporarily restricted):				
Money market funds	\$ 1,438,074	\$ 1,438,074	\$ 1,733,309	\$ 1,733,309
Equity funds and securities	24,153,668	23,634,777	18,303,530	20,570,376
Bond mutual funds	11,263,883	11,041,571	9,606,095	9,195,285
Annuity funds:				
Money market funds	25,745	25,745	6,176	6,176
Equity funds and securities	222,236	226,194	222,770	227,233
Bond mutual funds	151,788	155,499	151,807	148,380
Total Foundation investments	37,255,394	36,521,860	30,023,687	31,880,759
Other:				
Cash	249,048	249,048	1,878,772	1,878,772
Money market funds	115,966	115,966	243,477	243,477
Certificates of deposit	1,673,346	1,673,346	1,670,520	1,670,520
Variable rate demand notes	2,791,578	2,791,578	3,020,429	3,020,429
Equity funds and securities	13,220,959	12,963,172	12,134,609	13,734,426
Bonds and bond funds	40,420,695	39,793,857	40,626,362	39,361,072
Other investments	25,619	25,619	25,619	25,619
Total other investments	58,497,211	57,612,586	59,599,788	59,934,315
Total investments	\$95,752,605	\$94,134,446	\$89,623,475	\$91,815,074

The Diocese had no unfunded commitments to purchase investments as of June 30, 2016.

7. SAVINGS PROGRAMS

DL Catholic administers savings and investment programs for the benefit of 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. Demand funds on deposit earned interest at the prime rate minus 3.5%, with a minimum rate of 0.5% during fiscal years 2016 and 2015. Funds on deposit with an 18-month minimum investment period earned interest at the prime rate minus 2.5%, with a minimum rate of 1.0% during fiscal years 2016 and 2015. The prime rate was 3.5% and 3.25% at June 30, 2016 and 2015, respectively. Funds on deposit from non-combined entities along with accrued interest totaled \$31,682,383 and \$29,479,226 at June 30, 2016 and 2015, respectively, and are reflected as custodial obligations in the accompanying combined statements of financial position.

8. PENSION AND RETIREMENT PLANS

The funded status and other information of the Lay and Priest plans as of June 30, 2016 and 2015, is set forth in the following tables (in thousands):

	2016		2015	
	Lay	Priest	Lay	Priest
Funded status and amounts recognized in the combined statements of financial position:				
Projected benefit obligation	\$ (90,094)	\$ (29,633)	\$ (78,238)	\$ (25,729)
Fair value of plan assets—end of year	39,966	9,879	40,315	8,523
Funded status	\$ (50,128)	\$ (19,754)	\$ (37,923)	\$ (17,206)
Accrued pension expense liability—end of year	\$ (50,128)	\$ (19,754)	\$ (37,923)	\$ (17,206)
Amounts recognized in unrestricted net assets (net asset charge) not yet recognized as net periodic benefit cost consist of the following:				
Unrecognized transition obligation	\$ -	\$ 276	\$ -	\$ 345
Unrecognized prior service (credit) cost	(792)	1,092	(1,550)	1,290
Cumulative unrecognized net loss	37,678	12,136	28,505	9,193
Net asset charge—end of year	\$ 36,886	\$ 13,504	\$ 26,955	\$ 10,828
Amounts recognized in the combined statements of activities—net periodic benefit cost	\$ 5,916	\$ 2,250	\$ 4,034	\$ 1,930
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:				
Net loss	12,183	3,306	10,528	2,193
Amortization of transition obligation		(69)		(70)
Amortization of prior service credit (cost)	758	(197)	758	(197)
Amortization of net loss	(3,010)	(364)	(1,998)	(259)
Total net asset charge	9,931	2,676	9,288	1,667
Total net asset charge and net periodic benefit cost recognized in unrestricted net assets	\$ 15,847	\$ 4,926	\$ 13,322	\$ 3,597
Amounts included in unrestricted net assets (net asset charge) that are expected to be recognized as net periodic benefit cost during the next year are as follows:				
Amortization of transition obligation	\$ -	\$ 69	\$ -	\$ 69
Amortization of prior service (credit) cost	(758)	197	(758)	197
Amortization of unrecognized net loss	4,167	518	3,010	364
	\$ 3,409	\$ 784	\$ 2,252	\$ 630
Other information:				
Actuarially recommended annual contribution	\$ 3,312	\$ 1,153	\$ 2,686	\$ 591
Additional employer contribution	330		889	
Contributions from Advancement Corporation		1,224		1,688
Benefits paid	2,687	748	2,623	716
Accumulated benefit obligation	88,588	24,658	77,126	21,704
Assumptions used to determine benefit obligations as of June 30:				
Discount rate	3.93%	4.17%	4.66%	4.83%
Expected return on plan assets	7.00	7.00	7.00	7.00
Rate of compensation increase	2.50		2.50	
Assumptions used to determine net benefit cost for the years ended June 30:				
Discount rate	4.66	4.83	4.49	4.70
Expected return on plan assets	7.00	7.00	7.00	7.50
Rate of compensation increase	2.50		2.50	

The funded status and other information for the Retired Clergy Health Plan as of June 30, 2016 and 2015, is as follows:

	2016	2015
Funded status and amounts recognized in the combined statements of financial position—projected benefit obligation	\$ (14,802,141)	\$ (12,905,479)
Fair value of plan asset—end of year	8,028,018	7,189,185
Funded status	(6,774,123)	(5,716,294)
Accrued pension expense liability—end of year	\$ (6,774,123)	\$ (5,716,294)
Amounts recognized in the combined statements of activities—net periodic benefit cost	\$ 1,087,574	\$ 722,381
Other changes in plan assets and benefit obligations recognized in unrestricted net assets (net asset charge)	1,250,007	2,031,987
Total net asset charge and net periodic benefit cost recognized in unrestricted net assets	\$ 2,337,581	\$ 2,754,368
Amounts recognized in unrestricted net assets (net asset charge) not yet recognized as net periodic benefit cost	\$ 6,489,095	\$ 5,239,088
Other information:		
Benefits paid	\$ 286,152	\$ 262,258
Actuarially recommended annual contribution	445,949	280,906
Additional employer contributions	833,804	495,222
Assumptions used to determine benefit obligations as of June 30:		
Discount rate	4.32%	5.00%
Expected return on plan assets	7.00	7.00
Assumptions used to determine net benefit cost for the years ended June 30:		
Discount rate	5.00	4.76

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, 2016 and 2015, are as follows:

	2016		2015	
	Long-Term Care	Health	Long-Term Care	Health
Health care cost trend rate	5 %	7 %	5 %	8.0 %
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		2021		2021

The assumed long-term rate of return for the Lay, Priest, and Retired Clergy Health plans are based on the respective target asset allocation and is determined using forward-looking assumptions in the context of historical returns for each asset class.

As of June 30, 2016 and 2015, the plan investments are maintained in trust accounts managed by Wells Fargo Bank, N.A. (the "Trustee"). The Trustee has full discretionary authority, subject to the plans' investment policies. The percentage of total investments by asset class for each plan as of June 30, 2016 and 2015, is as follows:

	2016			2015		
	Lay Pension	Priest Pension	Retired Clergy Health	Lay Pension	Priest Pension	Retired Clergy Health
Domestic large cap equity securities	31 %	31 %	31 %	28 %	26 %	27 %
Domestic small and mid cap equity funds	10	10	10	10	10	10
International equity funds	22	22	21	22	22	22
Domestic fixed income	22	21	21	20	18	20
International fixed income	4	4	4	8	8	8
Domestic high yield fixed income	4	4	3	0	0	0
Alternative investments	4	4	4	8	9	7
Cash and cash equivalents	3	4	6	4	7	6
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

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, 2016 and 2015:

	2016			2015		
	Lay Pension	Priest Pension	Retired Clergy Health	Lay Pension	Priest Pension	Retired Clergy Health
Domestic large cap equity securities	30–60%	30–60%	30–60%	30–60%	30–60%	30–60%
Domestic small and mid cap equity funds	0–20	0–20	0–20	0–20	0–20	0–20
International equity funds	0-30	0-30	0-30	0-30	0-30	0-30
Domestic fixed income	20-60	20-60	20-60	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	0-10	0-10	0-10
Alternative investments	0-15	0-15	0-15	0-15	0-15	0-15
Cash and cash equivalents	0-20	0-20	0-20	0-20	0-20	0-20

During fiscal years 2016, the investment policies were updated to allow domestic high yield fixed income investments between 0% and 10% of total invested assets. The policies also 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 2017 is \$3,562,267, \$1,040,193, and \$537,830, respectively.

Benefits expected to be paid over the next 10 fiscal years as of June 30, 2016, are as follows:

Years Ending June 30	Lay Pension	Priest Pension	Retired Clergy Health
2017	\$ 3,462,003	\$ 906,330	\$ 372,998
2018	3,670,223	934,855	401,553
2019	3,909,648	986,042	430,837
2020	4,162,987	1,039,166	461,163
2021	4,422,046	1,159,475	515,044
2022–2026	25,763,453	6,439,983	3,112,217
Total	<u>\$45,390,360</u>	<u>\$11,465,851</u>	<u>\$5,293,812</u>

9. EMPLOYEE HEALTH BENEFITS

The Central Administration administers medical and dental insurance coverage for eligible employees of the Diocese. The Central Administration 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 Central Administration has an arrangement with a third party to administer the medical and dental plans. During fiscal years 2016 and 2015, approximately 12% and 13%, 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 in fiscal years 2016 and 2015. The remaining portion of the premiums is designated by the Central Administration to pay claims, which are processed by the third-party administrator. The Central Administration has specific stop-loss coverage at \$175,000 and \$150,000 per claimant in fiscal years 2016 and 2015, respectively, and aggregate coverage beginning at 125% of the actuarially projected total individual claims under \$175,000 and

\$150,000 for fiscal years 2016 and 2015, respectively. Total expenditures incurred for employee health benefits were approximately \$12,540,000 and \$11,420,000 during fiscal years 2016 and 2015, respectively.

10. NOTES PAYABLE

The Diocese has certain bank notes and bonds outstanding ("Parish and Affiliated School Debt"). The proceeds from the Parish and Affiliated School Debt are being used to finance various parish and school construction and capital improvement projects, as well as the purchase of equipment. Principal and interest payments on the Parish and Affiliated School Debt are currently being paid to the bank directly by the specific parishes and affiliates benefiting from the use of the proceeds. As of June 30, 2016 and 2015, all principal and interest payments were current. However, if any parishes or affiliates default on payments of principal and interest in the future, it is likely that the Diocese would look to the Central Administration for funding. The outstanding amount under these notes was \$2,192,974 and \$3,674,305 at June 30, 2016 and 2015, respectively. In addition, the Diocese has entered into certain interest rate swap agreements related to the Parish and Affiliated School Debt with notional amounts totaling \$2,192,974 and \$3,674,305 as of June 30, 2016 and 2015, respectively. All of the interest rate swap agreements were in a liability position as of June 30, 2016 and 2015. The fair value of these interest rate swap agreements was \$(85,784) and \$(156,757) as of June 30, 2016 and 2015, respectively. The Diocese did not recognize any liabilities related to Parish and Affiliated School Debt or the related interest rate swaps in the accompanying combined financial statements as of June 30, 2016 and 2015.

11. BONDS PAYABLE

Series 2000 Bonds—In June 2000, the North Carolina Educational Facilities Financial Agency issued \$19,700,000 of variable rate educational facilities revenue bonds (the "Series 2000 Bonds") with final maturity, subject to prior redemption, on June 1, 2017. The proceeds therefrom have been loaned to the Bishop of the Diocese, and are administered by the Central Administration. Such proceeds have been used to finance the acquisition, construction, installation, and equipping of the current campus of BMCHS, and to refinance the construction and equipping of a MACS entity, as well as to pay a portion of the interest on the bonds and to pay bond issue costs. The Central Administration has allocated a pro rata portion of the Series 2000 Bonds to BMCHS and MACS. These affiliated entities have recorded their pro rata interest expense and resulting payable to the Central Administration within their respective financial statements.

At June 30, 2016 and 2015, the amount of Series 2000 Bonds outstanding totaled \$540,000 and \$3,090,000, respectively. Principal and interest payments on the Series 2000 Bonds are supported by an irrevocable, direct pay letter of credit by a bank. The letter of credit, which expires on June 5, 2017 (subject to earlier termination in accordance with the letter-of-credit agreement), supports the entire loan amount. The annual fee associated with this letter of credit is 0.32% through August 4, 2010, and 0.85% from August 5, 2010 to June 5, 2017.

The mandatory redemption of the Series 2000 Bond is being provided by sinking fund payments, beginning June 2002 and ending June 2017. The final repayment requirement of the Series 2000 Bond is scheduled for the fiscal year ending June 30, 2017, in the amount of \$540,000, plus accrued interest. Interest accrues at a variable rate and is due quarterly. The interest rate is adjusted weekly as the bonds are remarketed and was 0.43% and 0.11% at June 30, 2016 and 2015, respectively.

In June 2004, the Central Administration entered into an 11-year interest rate swap agreement for a portion of the Series 2000 Bonds, with an effective date of June 1, 2006. The notional amount of the agreement as of June 30, 2016 and 2015 was \$405,000 and \$2,317,000, respectively. The agreement requires the Diocese to pay the counterparty a 4.50% fixed rate of interest on the notional amount. In return, the counterparty will pay the Diocese interest at a variable rate based on the published BMA ("Bond Market Association") index in accordance with the swap agreement. The fair value of this interest rate swap agreement was \$(16,419) and \$(116,682) at June 30, 2016 and 2015, respectively. Changes in the fair value are reflected as the change in fair value of interest rate swap agreements in the accompanying combined statements of activities. Interest expense amounted to \$139,865 and \$224,952 during fiscal years 2016 and 2015, respectively.

12. FACILITIES USAGE AND LEASE AGREEMENTS

MACS has agreements with participating parishes for their use 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 \$550,944 and \$555,100 for fiscal years 2016 and 2015, respectively, and are reported within regional and diocesan schools administration expense in the accompanying combined statements of activities.

MACS entered into an agreement to lease the former All Saints School to a third party for a 10-year period. The lease commenced on September 1, 2011. Rental revenue is recognized on a straight-line basis over the term of the lease agreement. As revenue recognized as of June 30, 2016 and 2015, exceeded rental payments received, a deferred rent asset of \$760,250 and \$762,250 is recorded in the statements of financial position as of June 30, 2016 and 2015, respectively.

The Diocese is the lessor in a ground lease agreement and the lessee in a space lease agreement with the same third party. In fiscal year 2003, the third party paid to the Diocese the net amount due for the entire terms of these lease agreements of \$290,128. The Diocese is also responsible for monthly payments relating to the operating costs associated with the space lease agreement. Prepaid rent relating to the space lease of \$706,725 and \$741,482 at June 30, 2016 and 2015, respectively, is included in deferred rent in the accompanying combined statements of financial position. Unearned revenue relating to the ground lease of \$825,589 and \$866,192 at June 30, 2016 and 2015, respectively, is reflected 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.

13. CONTINGENCIES

From time to time, the Diocese is subject to various disputes and legal proceedings arising in the ordinary course of business. Management is of the opinion, based upon information presently available, that it is unlikely that any liability to the extent not provided for through insurance or otherwise, would be material in relation to the Diocese's financial position, results of operations, or cash flows.

The Housing Corporation has guaranteed various contingent payment obligations of its equity

method investee, Curlin Commons Housing of Mooresville, Inc. (CCHM), related to an affordable housing project located in Mooresville, North Carolina. The maximum amount of the Housing Corporation's guarantee obligation was approximately \$4,000,000 as of June 30, 2016; however, management believes the likelihood that the Housing Corporation will have to make any such payments is remote.

14. FAIR VALUE MEASUREMENTS

In accordance with accounting principles generally accepted in the United States of America, certain assets and liabilities are required to be measured at fair value on a recurring basis. For the Diocese, the assets and liabilities that are adjusted to fair value on a recurring basis are investments in debt and equity securities, investments in funds, beneficial interests in perpetual trusts, and interest rate swap agreements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1—Valuations based on unadjusted quoted prices for identical instruments in active markets that are available as of the measurement date

Level 2—Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement

The assets and liabilities measured at fair value on a recurring basis as of June 30, 2016 and 2015, based on the three levels of inputs within the fair value hierarchy, are summarized as follows:

Fair Value Measurement as of June 30, 2016				
	Total	Level 1	Level 2	Level 3
Investments:				
Money market funds	\$ 1,579,785	\$ -	\$ 1,579,785	\$ -
Investments in certificates of deposit	1,673,346		1,673,346	
Variable rate demand notes	2,791,578		2,791,578	
Domestic large cap equity securities	5,084,678	5,084,678		
Domestic large cap equity funds	11,848,033		11,848,033	
Domestic bonds	13,473,171		13,473,171	
International bonds	3,645,696		3,645,696	
Mutual funds:				
Domestic small and mid cap equities	5,530,167	5,530,167		
International equities	12,104,256	12,104,256		
Domestic bonds	14,269,163	14,269,163		
International bonds	2,146,135	2,146,135		
Domestic high yield bonds	710,355	710,355		
Commodities	2,257,009	2,257,009		
United States treasury notes	5,078,854		5,078,854	
Municipal bonds	230,501		230,501	
Agency securities	7,813,615		7,813,615	
Mortgage backed securities	3,623,437		3,623,437	
Other investments	25,619		25,619	
Total investments	93,885,398	42,101,763	51,783,635	-
Beneficial interest in perpetual trust	4,581,359		4,581,359	
Interest rate swap agreement	(16,419)		(16,419)	
Total	\$98,450,338	\$42,101,763	\$56,348,575	\$ -

Fair Value Measurement as of June 30, 2015				
	Total	Level 1	Level 2	Level 3
Investments:				
Money market funds	\$ 1,982,962	\$ -	\$ 1,982,962	\$ -
Investments in certificates of deposit	1,670,520		1,670,520	
Variable rate demand notes	3,020,429		3,020,429	
Domestic large cap equity securities	13,656,609	13,656,609		
Domestic bonds	13,738,267		13,738,267	
International bonds	3,690,451		3,690,451	
Mutual funds:				
Domestic small and mid cap equities	5,301,190	5,301,190		
International equities	11,610,425	11,610,425		
Domestic bonds	10,636,300	10,636,300		
International bonds	4,421,824	4,421,824		
Commodities	3,088,605	3,088,605		
United States treasury notes	3,804,856		3,804,856	
Municipal bonds	228,981		228,981	
Agency securities	8,948,743		8,948,743	
Mortgage backed securities	3,235,315		3,235,315	
Other investments	900,824		900,824	
Total investments	89,936,301	48,714,953	41,221,348	-
Beneficial interest in perpetual trust	4,838,509		4,838,509	
Interest rate swap agreement	(116,682)		(116,682)	
Total	\$94,658,128	\$48,714,953	\$45,943,175	\$ -

The fair value of investments classified within Level 2 of the fair value hierarchy are measured using standard valuation techniques, based on inputs that are observable, including the stated interest rate, maturity, and credit risk. The measurement of the money market funds and domestic large cap equity securities classified within Level 2 of the fair value hierarchy are based on published net asset values reported on a daily basis. The money market funds offer daily liquidity for redemption purposes. Proceeds from the redemption of the domestic large cap equity securities are generally available within seven (7) days after receipt of a valid redemption request. Redemption requests for significant amounts may take longer to process.

Transfers Between Levels—The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in the availability of observable market data may require the transfer of financial instruments from one fair value level to another. In such instances, transfers are reported at the end of the reporting period. There were no transfers between levels during 2016 and 2015.

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, 2016 and 2015.

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, 2016 and 2015, respectively, is summarized as follows:

Fair Value Measurement as of June 30, 2016 for the Lay Plan				
	Total	Level 1	Level 2	Level 3
Money market funds	\$ 1,521,420	\$ -	\$ 1,521,420	\$ -
Domestic large cap equity securities	3,562,560	3,562,560		
Domestic large cap equity funds	8,665,732		8,665,732	
Mutual funds:				
Domestic small and mid cap equities	4,013,618	4,013,618		
International equities	8,807,214	8,807,214		
Domestic bonds	8,783,974	8,783,974		
International bonds	1,511,845	1,511,845		
Domestic high yield bonds	1,479,407	1,479,407		
Commodities	1,618,439	1,618,439		
Total	\$39,964,209	\$29,777,057	\$10,187,152	\$ -

Fair Value Measurement as of June 30, 2015 for the Lay Plan				
	Total	Level 1	Level 2	Level 3
Money market funds	\$ 1,896,756	\$ -	\$ 1,896,756	\$ -
Domestic large cap equity securities	11,061,630	11,061,630		
Mutual funds:				
Domestic small and mid cap equities	4,240,769	4,240,769		
International equities	8,672,100	8,672,100		
Domestic bonds	8,020,580	8,020,580		
International bonds	3,245,744	3,245,744		
Commodities	1,394,517	1,394,517		
Other	1,779,922	1,779,922		
Total	\$40,312,018	\$38,415,262	\$1,896,756	\$ -

Fair Value Measurement as of June 30, 2016 for the Priest Plan				
	Total	Level 1	Level 2	Level 3
Money market funds	\$ 455,008	\$ -	\$ 455,008	\$ -
Domestic large cap equity securities	863,471	863,471		
Domestic large cap equity funds	2,140,412		2,140,412	
Mutual funds:				
Domestic small and mid cap equities	990,953	990,953		
International equities	2,173,009	2,173,009		
Domestic bonds	2,119,193	2,119,193		
International bonds	372,523	372,523		
Domestic high yield bonds	365,842	365,842		
Commodities	398,861	398,861		
Total	\$9,879,272	\$ 7,283,852	\$ 2,595,420	\$ -

Fair Value Measurement as of June 30, 2015 for the Priest Plan				
	Total	Level 1	Level 2	Level 3
Money market funds	\$ 656,883	\$ -	\$ 656,883	\$ -
Domestic large cap equity securities	2,170,334	2,170,334		
Domestic small and mid cap equity funds	834,980	834,980		
International equity funds	1,900,698	1,900,698		
Domestic bond funds	1,561,539	1,561,539		
International bond funds	673,542	673,542		
Commodity/natural resource funds	391,298	391,298		
Other	333,048	333,048		
Total	\$ 8,522,322	\$7,865,439	\$ 656,883	\$ -

Fair Value Measurement as of June 30, 2016 for the Retired Clergy Health Plan				
	Total	Level 1	Level 2	Level 3
Money market funds	\$ 552,146	\$ -	\$ 552,146	\$ -
Domestic large cap equity securities	685,252	685,252		
Domestic large cap equity funds	1,698,246		1,698,246	
Mutual funds:				
Domestic small and mid cap equities	784,824	784,824		
International equities	1,724,484	1,724,484		
Domestic bonds	1,700,302	1,700,302		
International bonds	295,920	295,920		
Domestic high yield bonds	270,623	270,623		
Commodities	316,221	316,221		
Total	\$ 8,028,018	\$5,777,626	\$2,250,392	\$ -

Fair Value Measurement as of June 30, 2015 for the Retired Clergy Health Plan

	Total	Level 1	Level 2	Level 3
Money market funds	\$ 507,936	\$ -	\$ 507,936	\$ -
Domestic large cap equity securities	1,879,151	1,879,151		
Domestic small and mid cap equity funds	712,131	712,131		
International equity funds	1,578,802	1,578,802		
Domestic bond funds	1,422,840	1,422,840		
International bond funds	554,302	554,302		
Commodity/natural resource funds	239,756	239,756		
Other	288,676	288,676		
Total	\$7,183,594	\$6,675,658	\$ 507,936	\$ -

15. ENDOWMENT FUNDS

The Diocese's endowment funds consist of donor-restricted funds and internally designated funds established for a variety of purposes, as well as custodial funds established by organizations affiliated with the Diocese, all of which are held and managed by the Foundation. Custodial endowments are not recorded as contributions and, therefore, are not reflected as net assets of the Diocese.

Management has interpreted the State of North Carolina's enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Diocese to appropriate for expenditure or accumulate so much of an endowment fund as the Diocese 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 Diocese classifies as permanently restricted net assets (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. The remaining portion of donor restricted endowment funds that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Diocese consistent with the donor's wishes. Losses on the investments of donor-restricted endowment funds are recorded as a reduction of temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining losses reduce unrestricted net assets. Cumulative investment losses on donor-restricted endowment funds totaling \$376,463 and \$18,847 as of June 30, 2016 and 2015, respectively, have been recorded as a reduction in unrestricted net assets.

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, 2016 and 2015, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2016				
Designated	\$3,869,526	\$ -	\$ -	\$ 3,869,526
Donor restricted:				
Purpose restrictions	(376,463)	1,513,838	21,097,682	22,235,057
No purpose restriction—time restriction only		67,621		67,621
Total funds	\$3,493,063	\$1,581,459	\$21,097,682	\$26,172,204
2015				
Designated	\$4,148,032	\$ -	\$ -	\$ 4,148,032
Donor restricted:				
Purpose restrictions	(18,847)	2,103,242	14,875,806	16,960,201
No purpose restriction—time restriction only	(696)	75,667		74,971
Total funds	\$4,128,489	\$2,178,909	\$14,875,806	\$21,183,204

Changes in endowment assets for the year ended June 30, 2016, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets—beginning of year	\$4,128,489	\$2,178,909	\$14,875,806	\$21,183,204
Investment loss	(137,098)	(479,126)		(616,224)
Additions			6,221,876	6,221,876
Distributions	(82,500)	(170,702)		(253,202)
Other changes:				
Grants awarded		(35,000)		(35,000)
Administrative fees	(47,310)	(216,799)		(264,109)
Management fees	(11,597)	(52,744)		(64,341)
Other	696	(696)		-
Transfer of income on donor-restricted assets below amount required to be held in perpetuity at beginning of year	(357,617)	357,617		-
Endowment net assets—end of year	\$3,493,063	\$1,581,459	\$21,097,682	\$26,172,204

Changes in endowment assets for the year ended June 30, 2015, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets—beginning of year	\$4,281,026	\$2,892,898	\$10,165,207	\$17,339,131
Investment loss	(69,883)	(177,809)		(247,692)
Additions	184,747		4,710,599	4,895,346
Distributions	(182,993)	(286,335)		(469,328)
Other changes:				
Grants awarded		(47,323)		(47,323)
Administrative fees	(48,956)	(164,698)		(213,654)
Management fees	(16,763)	(56,513)		(73,276)
Transfer of income on donor-restricted assets below amount required to be held in perpetuity at beginning of year	(18,689)	18,689		-
Endowment net assets—end of year	\$4,128,489	\$2,178,909	\$14,875,806	\$21,183,204

16. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of contributions received from donors whose use by the Diocese is limited permanently by donor-imposed stipulations. The permanently restricted amounts as of June 30, 2016 and 2015, and the corresponding purposes for which the income is expendable are as follows:

	2016	2015
Endowments (including endowment cash, pledges and other receivables for future investment):		
Parishes	\$ 7,442,404	\$ 3,901,214
Education	6,491,930	4,985,865
Clergy/vocations	2,709,724	2,197,301
Outreach programs and services	4,327,749	3,184,319
Other diocesan purposes	962,524	970,709
Nondiocesan	380,632	380,175
	<u>22,314,963</u>	<u>15,619,583</u>
FFHL gifts restricted for endowments:		
Education	1,749,407	2,954,382
Clergy/vocations	656,027	1,107,894
Outreach programs and services	1,969,281	3,323,681
Other diocesan purposes	1,312,054	2,215,787
	<u>5,686,769</u>	<u>9,601,744</u>
Beneficial interest in perpetual trust—parishes	<u>4,581,359</u>	<u>4,838,509</u>
Permanent loan fund—parishes	<u>4,688,297</u>	<u>4,473,843</u>
Annuity funds:		
Parishes	83,077	67,398
Clergy/vocations	21,520	22,853
Outreach programs	21,520	22,853
	<u>126,117</u>	<u>113,104</u>
Assets held in trust	<u>36,341</u>	<u>38,835</u>
Total permanently restricted net assets	<u>\$37,433,846</u>	<u>\$34,685,618</u>



Protecting God's Children 2016

In June 2016, Pope Francis published his apostolic letter, "Like a Loving Mother." In the document, the Holy Father states that Church leadership must be held accountable for protecting children and vulnerable adults. He also reminds us that the protection of the smallest and the weakest among us must be integrated into the mission of the Church as a whole.

The Diocese of Charlotte fully embraces the Holy Father's words. The diocesan safe environment program establishes policies and procedures to protect children and the vulnerable. All clergy, religious, lay employees and volunteers must comply with these requirements. The educational program "Protecting God's Children" helps adults learn to recognize the warning signs of abuse and the many ways that sexual abuse harms victims, families, parishes and communities. During the past fiscal year, 3,711 diocesan personnel attended sessions, and to date more than 45,000 adults in the diocese have been trained. In addition, criminal background checks are required for all diocesan employees and volunteers on an ongoing basis. During the past year, 5,339 criminal background checks were processed by the diocese.

In August 2016, the Diocese of Charlotte participated in a compliance audit conducted by Stonebridge Business Partners, an agency contracted by the U.S. Conference of Catholic Bishops to ascertain and document the progress made by dioceses in the United States in the implementation of the Bishops' Charter. The audit included the period July 2015 through June 2016. At the conclusion of the audit, the diocese was found to be in compliance with the reporting requirements of the Charter.

The diocese also provides resources to support victims of abuse. The diocesan Victim Assistance Coordinator is a professional counselor who can assist those who have been harmed by abuse. The diocesan Review Board serves as a confidential consultative body to the bishop. The board reviews cases of sexual abuse that are reported to the diocese. Information regarding the reporting of abuse is available on the diocesan website and is disseminated in the diocesan newspaper and in parish bulletins.

These activities represent a significant financial commitment on the part of the diocese. The cost of the various programs and measures outlined herein totaled \$103,944 during the fiscal year ended June 30, 2016. The diocese also provided financial assistance to victims and their families. During the past year, \$17,408 was provided for medical and counseling services. Additionally, the diocese incurred costs in connection with sexual misconduct lawsuits totaling \$10,323 during fiscal 2016. As in the past, none of these funds came from the Diocesan Support Appeal or from parish savings.

Through these safe environment programs, the Diocese of Charlotte remains dedicated to protecting the young and the vulnerable, and responding compassionately to those victimized by sexual abuse.