# My Soul Proclaims The Greatness Of The Lord

– Luke 1:46

2016-2017

Roman Catholic Diocese of Charlotte

Annual Report

*Dear Brothers and Sisters in Christ,*

*The theme of this year's annual report, "My soul proclaims the greatness of the Lord," is fitting for the Diocese of Charlotte. In making the proclamation the Blessed Mother is acknowledging the gift she is receiving from God: the unborn savior, Jesus.*

*This annual report presents information about the finances of the diocese and, through text and photos, it describes the gifts both given and received from July 1, 2016, through June of this year. I am pleased to report the overall good financial health of the diocese and I thank you for the continued support of your prayers, service and financial contributions.*

*Our diocese with its parishes, schools and social service ministries is the recipient of many gifts from our Lord. This includes the gift of the people we serve, be they old or young, rich or poor, faithful or fallen-away.*

*The Diocese of Charlotte is a grateful recipient of the holy efforts of our priests, deacons and religious. This year I had the privilege of ordaining five men to priestly ministry. Fathers Peter Ascik, Matthew Bean, Brian Becker, Christopher Bond and Christian Cook received the sacrament of holy orders in June and joined their brother priests in service to more than 400,000 Catholics in the western half of North Carolina.*

*Our vocation efforts have also been blessed with the successful completion of the first year of St. Joseph College Seminary. The seminarians attend classes at Belmont Abbey College and are living in two residences near St. Ann Church in Charlotte. Plans for a permanent seminary are underway. In addition to St. Joseph College Seminary, we also have seminarians studying at the Pontifical College Josephinum in Columbus, Ohio and the Pontifical North American College in Rome.*

*Our Catholic schools continue to fulfill their mission of providing a faith-based, Catholic education to students from pre-kindergarten through the 12th grade. First and foremost, our schools are places where our young people grow in their personal faith in God and put this faith into action through a myriad of service projects. As a result of their Catholic education, the 476 graduates from our three high schools – Bishop McGuinness, Charlotte Catholic and Christ the King – are ready to meet with success in the next phase of their lives.*

*Catholic Charities Diocese of Charlotte proclaims the greatness of the Lord through assistance to people in need, regardless of their faith. Last year our food pantries, pregnancy support, refugee resettlement, marriage preparation, respect life, natural family planning and elder assistance ministries brought hope and support to more than 19,000 people. A core of more than 360 volunteers assists with much of the work of Catholic Charities. Catholic Charities also improved its ability for charitable outreach in the Winston-Salem area with the opening of a 10,000-square-foot facility.*

*In 2013 and 2014 the parishes of the diocese engaged in the Forward in Faith, Hope, and Love campaign. The campaign was undertaken to provide financial resources to advance our parishes and diocesan ministries through both capital funds and endowments, to strengthen our local Church for the work of the New Evangelization. That effort resulted in pledges of more than $69 million. Through June 2017, we have received payments of more than $40 million. The payment period goes through June 2019. We are indeed grateful for the commitment made by over 15,000 households to this life-changing endeavor.*

*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 and make western North Carolina a place of proclamation of the greatness of God.*

*Queridos hermanos y hermanas en Cristo,*

*El tema del Reporte Anual de este año, "Mi alma proclama la grandeza del Señor", es apropiado para la Diócesis de Charlotte. Al hacer la proclamación, la Santísima Madre reconoce el don que recibe de Dios: Jesús, el salvador no nacido.*

*Este Reporte Anual presenta información sobre las finanzas de la diócesis y, a través de palabras y fotos, describe los regalos tanto entregados como recibidos desde el 1 de julio de 2016 hasta junio de este año. Me complace informar de la salud financiera general de la diócesis y les agradezco el apoyo continuo con sus oraciones, servicios y contribuciones financieras.*

*Nuestra diócesis con sus parroquias, escuelas y ministerios de servicio social son los recipientes de muchos regalos de nuestro Señor. Esto incluye el don de las personas a las que servimos, ya sean ancianos o jóvenes, ricos o pobres, fieles o caídos.*

*La Diócesis de Charlotte es un agradecido receptor de los santos esfuerzos de nuestros sacerdotes, diáconos y religiosos. Este año tuve el privilegio de ordenar a cinco hombres para el ministerio sacerdotal. Los Padres Peter Ascik, Matthew Bean, Brian Becker, Christopher Bond y Christian Cook recibieron el sacramento de las órdenes sagradas en junio y se unieron a sus hermanos sacerdotes en servicio a más de 400,000 católicos en la parte occidental de Carolina del Norte.*

*Nuestros esfuerzos vocacionales también han sido bendecidos con la exitosa finalización del primer año del Colegio Seminarista St. Joseph. Los seminaristas asisten a clases en el Colegio Belmont Abbey y viven en dos residencias cerca de la iglesia St. Ann en Charlotte. Están en marcha planes para un seminario permanente. En adición al Colegio Seminarista St. Joseph, también tenemos seminaristas estudiando en el Colegio Pontifical Josephinum en Columbus, Ohio y en Colegio Pontifical North América en Roma. Nuestras escuelas católicas continúan cumpliendo su misión de proveer una educación católica basada en la fe a estudiantes desde pre-kínder hasta el 12 grado.*

*Primero y ante todo, nuestras escuelas son lugares donde nuestros jóvenes crecen en su fe en Dios y ponen esta fe en acción a través de una miríada de proyectos de servicio. Como resultado de su educación católica, los 476 graduados de nuestras tres escuelas secundarias - Obispo McGuinness, Charlotte Catholic y el Cristo Rey - están listos para alcanzar el éxito en la siguiente fase de sus vidas.*

*Caridades Católicas de la Diócesis de Charlotte proclama la grandeza del Señor a través de la asistencia a las personas necesitadas, independientemente de su fe. El año pasado, nuestras despensas, el apoyo al embarazo, el reasentamiento de los refugiados, la preparación para el matrimonio, la planificación natural familiar, respecto a la vida y los ministerios de asistencia a los ancianos, trajeron esperanza y apoyo a más de 19,000 personas. Más de 360 voluntarios ayudan con gran parte del trabajo de Caridades. Las Caridades Católicas también mejoraron su capacidad para el alcance caritativo en el área de Winston-Salem con la apertura de una instalación de 10,000 pies cuadrados.*

*En 2013 y 2014 las parroquias de la diócesis participaron en la campaña Adelante en Fe, Esperanza y Amor. La campaña fue emprendida para proveer recursos financieros, para promover nuestras parroquias y ministerios diocesanos a través de fondos de capital y dotaciones, para fortalecer a nuestra iglesia local para el trabajo de la Nueva Evangelización. Ese esfuerzo resultó en promesas de más de $ 67 millones. Hasta junio de 2017, hemos recibido pagos de más de $ 40 millones. El período de pago sigue hasta junio de 2019. Estamos realmente agradecidos por el compromiso de más de 15,000 hogares a este esfuerzo que cambia la vida.*

*Para finalizar, quisiera expresar mi profunda gratitud a todos los fieles que han apoyado los esfuerzos de la diócesis durante el año pasado. Sus oraciones, esfuerzos y regalos generosos ayudan a sostener y hacer crecer nuestra diócesis, y hacer que la parte occidental de Carolina del Norte sea un lugar de proclamación a la grandeza de Dios.*

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

+ Peter J. Jugis

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

*We proclaim the greatness of the Lord*


# Vocations

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

The Diocese of Charlotte is blessed with dedicated, holy men and women whose vocation of service and ministry to others proclaim the greatness of the Lord. And this year, the diocese received a special blessing: a record number of men were ordained to the holy priesthood.

On June 17, 2017, Bishop Jugis conferred the sacrament of holy orders on five men – Fathers Peter Ascik, Matthew Bean, Brian Becker, Christopher Bond and Christian Cook – in the presence of hundreds of family and friends. They join 87 active diocesan priests and 44 religious order priests also celebrating the sacraments and serving the faithful. Among these dedicated servants of the Lord, 22 retired priests continue to proclaim the greatness of the Lord by visiting the sick and the imprisoned, and they also assist at parishes by celebrating Mass as needed. Their prayers magnify the greatness of the Lord throughout the diocese and our broader community.

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

| | 2017 | 2016 |
|---|---|---|
| **REVENUE & OTHER SUPPORT** | | |
| Contributions | | |
| Priests' retirement collection | $ 1,130,727 | $ 1,083,480 |
| FFHL Contributions | 973,171 | 1,224,358 |
| Priests' Continuing Education & Seminarian collection | 258,722 | 263,893 |
| Friends of Seminarian program | 400,268 | 483,315 |
| St. Joseph Seminary building project | 565,514 | 2,434,188 |
| Other | 96,876 | 32,585 |
| Parish assessments | 648,920 | 639,023 |
| Grants & Endowment Distributions | 50,000 | 50,000 |
| Prior year surplus funds | 55,879 | 833,804 |
| DSA funding | 557,489 | 317,299 |
| Supplemental DSA funding | 66,000 | - |
| Other income | 50,129 | 20,309 |
| Administration funding | 957,598 | 706,467 |
| **TOTAL REVENUE & OTHER SUPPORT** | **$5,811,293** | **$8,088,721** |
| **EXPENSES** | | |
| Seminarian formation | $ 1,011,215 | $ 740,481 |
| Duc in Altum | 22,544 | 16,713 |
| Quo Vadis | 32,888 | 31,438 |
| Diaconate formation | 33,643 | 35,071 |
| Care for priests not in ministry | 704,461 | 665,339 |
| St. Joseph Seminary administration | 158,902 | 461,841 |
| Priests' retirement benefits | 2,866,329 | 3,691,929 |
| Other | 399,076 | 417,683 |
| **TOTAL EXPENSES** | **$5,229,058** | **$6,060,495** |
| **St Joseph Seminary Surplus-earmarked for building project** | **$ 582,235** | **$1,972,347** |
| **Operating surplus – carried forward to 2017** | | **$ 55,879** |

The diocese is also blessed with 121 permanent deacons who serve in parishes and also minister in diocesan offices and schools, agencies, hospitals, prisons and at the Charlotte-Douglas International Airport.

There are currently 128 active women religious, representing 23 different religious communities, who proclaim God's greatness through their work of prayer and service in the diocese.

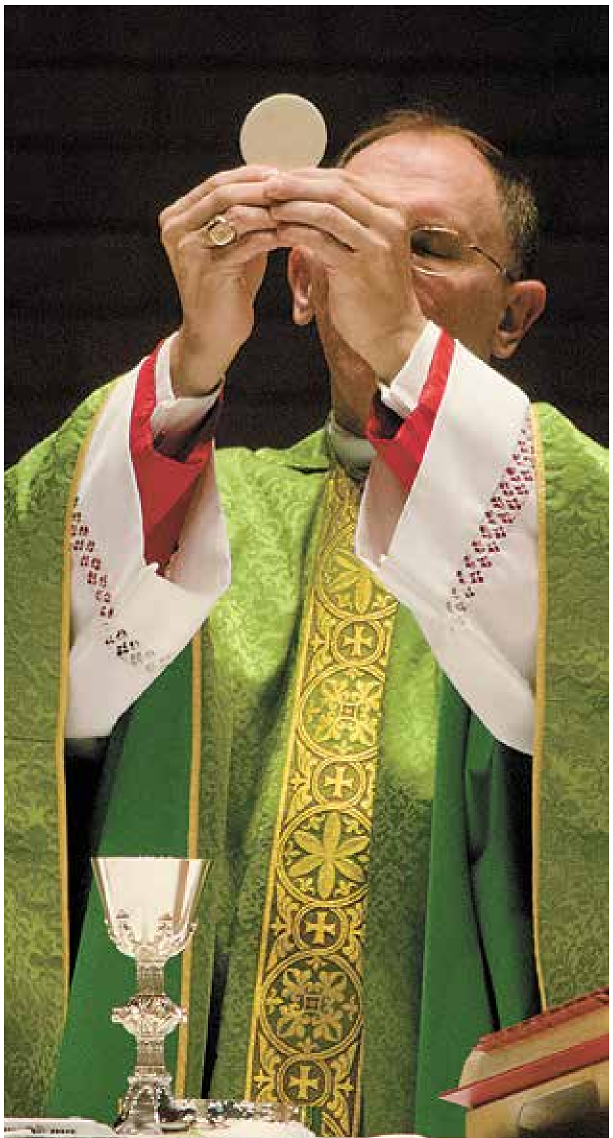
Religious vocations are also growing exponentially, Deo gratias! The diocese currently has 28 seminarians in various stages of study leading to ordination.

To encourage consideration of religious vocations among youth, the diocese again hosted retreats for young men and women. Quo Vadis Days 2017 brought more than 100 young men to Belmont Abbey College in June for a time of prayer and reflection on the direction God may be calling them. The second-annual Duc in Altum discernment retreat for young women, also held in June, drew more than 80 young women to Belmont Abbey College for a similar week of prayer and reflection.

### *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, and now has 16 college seminarians in attendance. The seminary is temporarily located by the campus of St. Ann Church in Charlotte while funds are raised to build a new structure. As of June 30, 2017, the seminary received contributions totaling $4,235,165 earmarked for a permanent home for the seminary.

# And we give thanks



87 active diocesan priests,

44 religious order priests, and

22 retired priests

28 seminarians in various stages of study leading to ordination

128 active women religious representing 23 different religious communities

121 permanent deacons who serve in parishes, diocesan offices, schools, agencies, hospitals, prisons and airports

# Education Vicariate

*Office of the Vicar, Adult Education / Evangelization, Campus / Young Adult Ministry, Catholic Schools Office: preK-12, Faith Formation: preK-12, Youth Ministry, RCIA (Becoming Catholic), and Diocesan and Regional Schools*

"To fulfill the mandate she has received from her divine founder of proclaiming the mystery of salvation to all men and of restoring all things in Christ, Holy Mother the Church must be concerned with the whole of man's life, even the secular part of it insofar as it has a bearing on his heavenly calling...Therefore she has a role in the progress and development of education. " (Declaration on Christian Education, Second Vatican Council, Oct. 28, 1965)

The heart of the mission of the Church is to evangelize by proclaiming the Gospel of Jesus Christ entrusted to the Church. In that mission, the goal is, of course, is to transmit God's Word to invite people to personal faith. The Blessed Mother gave her ascent to the Incarnation with personal faith, accepting the Word of God. As an evangelizer, she then hastens to share the Good News with Elizabeth. There the Mother of the Lord gives evidence of her teaching mission. In the Magnificat (Luke 1: 46–55) Mary shows herself as a mother and teacher to the entire Church. Reflecting on her role in the mystery of salvation, she leads us to understand that our souls, with hers, proclaim the greatness of the Lord as we too accept the Word and assent with personal faith.

The offices and programs of the Education Vicariate assist in the transmission of God's Word, calling all people to personal faith in the heart of the Church. The Diocesan Youth Ministry Conference and retreats, the College Campus and Young Adult retreats and service projects, the Lay Ministry Formation and Evangelization programs, the Catholic Schools activities, the Education Vicariate In-Service Programs, the Faith Formation Office's Catechist certification programs along with direct service to parish Directors of Religious Education through the Regional Coordinators – all these help us to learn to let our souls proclaim the greatness of the Lord. Of particular note this year, the Education Vicariate has added an annual Diocesan Catechetical Conference; Christ the King Catholic High School is building additional classrooms and facilities to address the growth of the school; and the Totus Tuus Summer Formation week for Grades 1–12 has served 21 parishes along with many other activities and services.

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

| | 2017 | 2016 |
|---|---|---|
| **REVENUE & OTHER SUPPORT** (includes DSA funding of $1,479,952 in 2017 and $1,455,306 in 2016) | $ 1,845,534 | $ 1,787,134 |
| **EXPENSES** | $ 1,845,534 | $1,787,134 |

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

| | 2017 | 2016 |
|---|---|---|
| **REVENUE & OTHER SUPPORT** | | |
| Tuition and fees | $ 44,184,545 | $ 42,543,695 |
| Parish support | 3,803,287 | 3,619,500 |
| Contributions and gifts | 4,368,731 | 2,505,474 |
| School activity revenue | 1,135,238 | 1,200,277 |
| Income from rental property | 646,182 | 646,182 |
| Other | 826,856 | 349,089 |
| **TOTAL REVENUE & OTHER SUPPORT** | **$ 54,964,839** | **$ 50,864,217** |
| **EXPENSES** | | |
| Instructional personnel | $ 25,211,034 | $ 24,398,688 |
| Other instructional costs | 2,838,573 | 2,468,409 |
| Facilities | 8,106,005 | 7,909,372 |
| Administrative personnel | 3,370,937 | 3,235,922 |
| Supplementary programs and activities | 4,665,217 | 4,593,750 |
| Other | 4,039,147 | 3,898,825 |
| **TOTAL EXPENSES** | **$ 48,230,913** | **$ 46,504,966** |

*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)*


# *Through our prayers*

# Catholic Charities Diocese Of Charlotte

***Strengthening Families, Building Communities and Reducing Poverty***

*Administrative Office, Charlotte Regional Office, Piedmont Triad Regional Office, Western Regional Office, Refugee Resettlement Office, Social Concerns and Advocacy Office, Family Life Office*

The greatness of the Lord is proclaimed through the efforts of thousands of donors, volunteers and staff who work together under the umbrella of Catholic Charities Diocese of Charlotte 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 we share the mercy of God with the less fortunate. In the Diocese of Charlotte, Catholic Charities contributed to the organized work of charity through a variety of ministries, programs and services that strengthened families, built communities and reduced poverty.

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

| | 2017 | 2016 |
|---|---|---|
| **REVENUE & OTHER SUPPORT** | | |
| Federal and state agency awards | $ 2,533,918 | $ 2,236,812 |
| Other grants, contracts & awards | 647,667 | 526,619 |
| Contributions - Diocese of Charlotte: | | |
| DSA funding | 1,858,505 | 1,809,185 |
| Other support | 16,000 | 16,500 |
| Contributions - Other | 1,542,199 | 1,413,708 |
| Fees | 440,649 | 443,709 |
| Other | 306,911 | (32,813) |
| **TOTAL REVENUE** | **$ 7,345,849** | **$ 6,413,720** |
| **EXPENSES** | | |
| Counseling program | $ 422,073 | $ 404,788 |
| Direct Assistance | 1,367,598 | 1,085,310 |
| Family Life program | 194,262 | 192,235 |
| Natural Family Planning | 90,029 | 87,804 |
| Office of Economic Opportunity | 99,234 | 146,076 |
| Pregnancy Support & Adoption | 91,119 | 149,941 |
| Refugee & Immigration Services | 2,322,879 | 2,087,785 |
| Social Concerns & Advocacy | 193,873 | 173,405 |
| Stay the Course/Teen Parenting Program | 248,927 | 247,650 |
| Translation & Interpretation | 412,238 | 277,220 |
| Youth Counseling program | 240,895 | 289,634 |
| Other programs | 108,927 | 110,420 |
| Administrative expenses | 830,564 | 772,641 |
| Fundraising expenses and direct benefits to donors | 304,518 | 326,466 |
| **TOTAL EXPENSES** | **$ 6,927,136** | **$ 6,351,375** |

***Strengthening Families:*** Catholic Charities provided services to develop healthy children, families and seniors. Pregnancy support, adoption and post-adoption services were provided to 59 families and individuals. The teen parenting program provided an array of services to help 44 birth mothers and 2 teen fathers learn to better parent their babies and helped them achieve greater educational and job goals. The outreach to youth in crisis helped 40 at risk youth deal with personal and family crises through counseling sessions and guidance. Counseling services were also provided to 334 individuals for a total of 2,470 sessions. Programs that promoted healthy marriages served 392 couples through marriage preparation classes. All couples completing a marriage preparation class also received instruction in Natural Family Planning (NFP). An additional 298 individuals attended a NFP course or training. Across the diocese, 1,068 seniors participated in Spring Flings and/or days of prayer and renewal.

***Building Communities:*** Services to build up the larger community were provided by Catholic Charities through the resettlement of 343 refugees and asylees. Parish and community support provided the setup of 54 fully furnished apartments for recently arrived refugees. An additional 466 refugees were provided with employment, case management, transportation, and/or afterschool mentoring. Legal immigration services were provided to 379 individuals. 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 49 educational workshops and informational efforts attended by 2,071 people.

***Reducing Poverty:*** Catholic Charities continued to respond to a large increase in requests for food, financial help, and burial assistance. Regional pantries in Asheville, Charlotte, and Winston-Salem provided 523,385 pounds of much needed food and 12,702 pounds of supplies to 13,067 people. Regional offices in Asheville and Winston-Salem distributed 1,880 bags of clothing. Thanks to help from parishes and other community groups, 501 families received food and other assistance for the holidays. The agency also helped 102 families with direct financial assistance. The Burial Assistance program provided 94 dignified burials, including 27 children, for the especially destitute.

Making this possible were more than 60 full- and part-time employees, 360 volunteers who contributed 26,317 hours of service, over 2,000 donors who gave directly to Catholic Charities, and financial support received through the annual Diocesan Support Appeal.

# *Through our service*

*64 full- and part-time employees,*

*360 volunteers who contributed*

*26,317 hours of service,*

*more than 2,333 donors,*

*in addition to financial support received*

*through the Diocesan Support Appeal.*

# Multicultural Ministries

Pope Francis urges us: "I invite all Christians, everywhere, at this very moment, to a renewed personal encounter with Jesus Christ, or at least an openness to letting Him encounter them; I ask all of you to do this unfailingly each day. No one should think that this invitation is not meant for him or her, since 'no one is excluded from the joy brought by the Lord.'"(Evangelii Gaudium, 3)

Inspired by his words, Catholics from the Diocese of Charlotte joined others from across the United States in Orlando, Fla., for the Convocation of Catholic Leaders in July 2017. This gathering enabled the faithful to celebrate the unity of the Church in the midst of its diversity, and to recommit themselves to God's call to renewal, healing and salvation – reaching across barriers of language, culture and ethnicity in the community of faith.

With greater awareness of the strengths and needs of our diverse population, the Church in western North Carolina reaches out to all of God's people, inviting them to discover or deepen their relationship in Christ through liturgical celebrations, cultural events, formation programs, discussions and symposiums – enabling people to participate more fully and serve better in their local parishes.

Enabling these personal encounters with the Lord provides strength and commitment necessary to put the Good News into faithful, faith-filled action.

# Diocese of Charlotte Housing Corp.

The Catholic Diocese of Charlotte Housing Corp. has been dedicated to developing affordable housing for senior and special needs citizens since it was first established in 2001. During the past fiscal year, three facilities continued operations. Curlin Commons Senior Apartments in Mooresville started operation in 2010. Good Shepherd Gardens Senior Apartments came into service in 2013 in Salisbury. Mother Teresa Villa Apartments, for adults with intellectual and physical disabilities who can live semi-independently, opened in 2015.

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

| | 2017 | 2016 |
|---|---|---|
| Long Term Disability | $ 168,983 | $ 162,891 |
| Health and Life Insurance | 9,066,189 | 8,119,892 |
| Lay Pension Plan | 7,362,131 | 5,916,169 |
| 403(b) Plan Contributions | 721,173 | 734,290 |
| FSA Administration Fees | 7,047 | 7,065 |
| TOTAL | **$17,325,523** | **$14,940,307** |

*1012 full-time lay employees, 1499 part-time employees and more than 13,500 volunteers as of June 30, 2017*

# Human Capital

Throughout the diocese, employees and volunteers go about the work of the Church in western North Carolina, spreading the Gospel message in service to others. Often their work is unheralded, but it is vital to accomplishing that goal.

The diocese has established policies and procedures that ensure compliance with state and federal laws. Various programs are provided to assist and protect employees and volunteers and those they serve. Benefits programs are provided for employees to assist them in caring for themselves and their families. Core benefits for employees include health, dental, vision, life and long-term disability insurance; and a 403(b) retirement savings plan. This year the diocese expanded health insurance plan offerings for employees to give them more coverage choices. Employees may also choose from voluntary benefits such as critical illness and accident coverage that can be customized to meet their family's needs. Wellness programs for employees encourage healthy lifestyles.


# *Through our charity*

# The Foundation of the Roman Catholic Diocese of Charlotte

The words "My soul proclaims the greatness of the Lord" certainly describe the generosity of people throughout the diocese who continue to support the Foundation of the Diocese of Charlotte.

Twelve new endowments were added to the foundation this fiscal year, an increase of 33 percent over the nine new endowments established in fiscal year 2015-2016.

Donors provided a wide range of gifts this year. For example, St. Matthew Catholic Church in Charlotte received a $250,000 gift to establish an endowment to address hunger in our community and beyond, while a $48,000 bequest to St. Peter Church in Charlotte established an endowment to help provide a strong financial future for this parish.

| THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF CHARLOTTE FINANCIAL HIGHLIGHTS FOR THE YEARS ENDING JUNE 30 | 2017 | 2016 |
|---|---|---|
| **ASSETS** | | |
| Cash | $ 651,598 | $ 1,013,956 |
| Due from Advancement Corp. and other receivables | 437,171 | 792,099 |
| Investments | 45,721,305 | 36,521,860 |
| Beneficial Interest in Advancement Corp. | 3,414,590 | 5,685,569 |
| Assets held in trust | 39,203 | 36,341 |
| **TOTAL ASSETS** | **$50,263,867** | **$44,049,825** |
| **LIABILITIES** | | |
| Payables & unearned income | $ 103,524 | $ 25,043 |
| Custodial & annuity obligations | 13,712,902 | 12,233,381 |
| **TOTAL LIABILITIES** | **$13,816,426** | **$12,258,424** |
| **NET ASSETS** | | |
| Net assets without donor restrictions | $ 3,326,412 | $ 3,049,751 |
| Net assets with donor restrictions | 33,121,029 | 28,741,650 |
| **TOTAL NET ASSETS** | **$36,447,441** | **$31,791,401** |
| **TOTAL LIABILITIES AND NET ASSETS** | **$50,263,867** | **$44,049,825** |

The foundation's total number of endowments grew from 238 at June 30, 2016, to 250 as of June 30, 2017. The new endowments will provide additional financial support for parishes, schools, Catholic Charities, priests' retirement, seminarian education and outreach programs.

Principal additions to new and existing endowments for the year totaled $5,146,928, of which $2,530,244 represents distributions from the Forward in Faith, Hope, and Love campaign. Total endowment distributions from all funds for the year were $860,251.

During this past fiscal year, the Foundation of the Diocese of Charlotte awarded $73,211 in grants. These awards directly benefited 10 parishes and missions, six diocesan outreach ministries and six food pantries.

# MACS Education Foundation

The Board of the Mecklenburg Area Catholic Schools Education Foundation voted to dissolve the Foundation as of June 30, 2017, and distribute the assets, liabilities and net assets to Mecklenburg Area Catholic Schools (MACS). Future fundraising will be conducted by MACS through the MACS Education Annual Fund for the purpose of enhancing educational opportunities for MACS students and educators so they can proclaim the greatness of the Lord. During its final year (2016-2017) the MACS Education Foundation received contributions totaling $364,770 from 572 donors. Forty-four grants totaling $270,894 were awarded to the nine Mecklenburg Area Catholic Schools, and administrative and fundraising expenses totaled $169,005 during fiscal 2017.

# Triad Area Catholic Schools Education Foundation

The Triad Area Catholic Schools Education Foundation was established to conduct and administer funds for the benefit of Bishop McGuinness Catholic High School and the five parish-based Catholic elementary schools in the Triad region so that educators can effectively proclaim the greatness of the Lord to our children . During the past year, the Triad Catholic Schools Education Foundation received contributions totaling $291,848 from 635 donors. The Foundation awarded grants totaling $263,043 to the six Triad Catholic Schools, and incurred administrative and fundraising expenses of $51,083 during fiscal 2017.

# Diocesan Support Appeal

The annual Diocesan Support Appeal enables thousands of faithful to give thanks for the greatness of the Lord through financial support of a wide variety of needs throughout western North Carolina. The 2016 annual appeal funded more than 50 ministries and programs in the diocese. Thirty-four percent of those funds were distributed to Catholic Charities Diocese of Charlotte, 29 percent were given to educational ministries and programs, 15 percent to multicultural ministry programming, and 10 percent to vocations support. Another 7 percent was shared with the Diocese of Charlotte Housing Corp. and the annual Eucharistic Congress. Five percent covered campaign costs.

*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.*

The 2016 DSA raised more than $5,750,000 through contributions from 17,386 donors. Of the amount collected, $587,085 was distributed to 53 parishes, representing funds collected that exceeded parish goals. Thirty-five parishes fell short of their goal and contributed a total of $133,691 to the appeal from parish funds.

**DSA MINISTRY FUNDING FOR THE YEARS ENDING JUNE 30**

| | 2017 | 2016 |
|---|---|---|
| **GRANTS TO CATHOLIC CHARITIES** | **$1,858,505** | **$1,809,185** |
| **EDUCATIONAL MINISTRIES** | | |
| Adult Education/Evangelization | $ 96,482 | $ 94,188 |
| Campus/Young Adult Ministry | 657,697 | 619,875 |
| Faith Formation | 388,286 | 408,271 |
| Youth Ministry | 122,165 | 106,982 |
| Catholic Schools Office | 76,179 | 91,989 |
| Education Administration | 139,143 | 79,482 |
| Media Resources | - | 54,519 |
| **TOTAL EDUCATIONAL MINISTRIES** | **$1,479,952** | **$1,455,306** |

| | 2017 | 2016 |
|---|---|---|
| **MULTICULTURAL MINISTRIES** | **$ 769,075** | **$ 713,526** |
| **VOCATIONS** | | |
| Seminarian Education | $ 468,914 | $ 240,151 |
| Permanent Diaconate | 88,575 | 77,148 |
| **TOTAL VOCATIONS** | **$ 557,489** | **$ 317,299** |
| **OTHER** | | |
| Eucharistic Congress | $ 166,725 | $ 209,231 |
| Housing Ministry | 182,504 | 158,442 |
| Hospital Ministry | - | 58,358 |
| **TOTAL OTHER** | **$ 349,229** | **$ 426,031** |
| **DSA CAMPAIGN COSTS** | **$ 276,116** | **$ 259,328** |
| **TOTAL DSA FUNDING** | **$5,290,366** | **$ 4,980,675** |

# 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 provided funds for Catholic Relief Services, Holy Land, Peter's Pence, Catholic University of America, Catholic Communications Campaign, Church in Latin America, Church in Central and Eastern Europe, Church in Africa, Propagation of the Faith, Catholic Home Missions, Catholic Campaign for Human Development, and Retirement Fund for the Religious. These organizations were able to move forward in their missions and proclaim the greatness of the Lord to our brothers and sisters in need, in our country and all over the world. There were also four special one-time collections during fiscal 2017 for victims of two natural disasters, to support clergy in the U.S. military and for the completion of the Trinity Dome in the Basilica of the National Shrine of the Immaculate Conception in Washington D.C.

**SPECIAL COLLECTIONS**
**AMOUNTS COLLECTED FOR THE YEARS ENDING JUNE 30**

| | 2017 | 2016 |
|---|---|---|
| International/National Combined Collection | $ 236,699 | $ 269,218 |
| Catholic Campaign for Human Development | 171,856 | 172,644 |
| Religious Retirement Collection | 287,065 | 327,596 |
| Combined Mission Collection | 272,822 | 283,661 |
| World Mission Sunday | 228,667 | 212,415 |
| Archdiocese for Military Services | 82,373 | - |
| Trinity Dome Collection | 71,802 | - |
| Hurricane Matthew | 40,617 | - |
| Louisiana Floods | 85,376 | - |
| **TOTAL** | **$1,477,277** | **$1,265,534** |

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

# FORWARD IN FAITH HOPE AND LOVE

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

The solicitation phase of the campaign ended in 2015; as such, there were minimal gifts received during the fiscal year ended June 30, 2017. A loss of $970,186 was recorded this past fiscal year as a result of updating the allowance for unfulfilled pledges received in prior years. FFHL pledges from inception of the campaign through June 30, 2017 total $69,942,000, while estimated losses due to uncollectible pledges total $15,359,000 as of June 30, 2017.

All 92 parishes and missions 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 Living Waters Reflection Center, and build up the Priest Retirement Fund. In addition, almost $13 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, 2017 totaled $7,310,000, bringing inception-to-date distributions to $31,774,000, comprised of:

| | |
|---|---|
| PARISH LIFE & MINISTRIES | $13,288,000 |
| BROADER MINISTRIES: | |
| Catholic Education | $ 4,282,000 |
| Pastoral & Temporal Resources | $ 3,546,000 |
| Clergy Support | $ 6,239,000 |
| Catholic Outreach | $ 4,419,000 |
| TOTAL DISTRIBUTED | $31,774,000 |
| DISTRIBUTIONS PENDING for Capital Projects | $ 5,306,000 |
| APPLIED TO COVER CAMPAIGN EXPENSES | $ 3,279,000 |
| TOTAL PAYMENTS RECEIVED ON PLEDGES | $40,359,000 |

During the fiscal year ended June 30, 2017, campaign costs amounted to $229,000, bringing inception-to-date campaign costs to $4,532,000.

Cash payments are expected to approximate $54,583,000 upon conclusion of the redemption phase of the campaign allowing for pledges 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 | $19,407,000 |
| BROADER MINISTRIES SHARE | $30,726,000 |
| CAMPAIGN EXPENSE SHARE | $ 4,450,000 |
| TOTAL | $54,583,000 |

As reflected in the preceding table, distributions directly benefiting parishes totals approximately $19 million, or 35% of total expected cash payments. The total raised for the broader ministries – indirectly benefiting parishes – amounts to approximately 63% 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.

Characterizing this year's performance of the FFHL campaign, Bishop Jugis thanked the faithful of the Catholic Diocese of Charlotte stating, "This campaign continues to transform our parishes and the broader ministries that support our parishes. Growth nurtured by the FFHL campaign is truly a blessing that addresses current needs, and secures a Catholic presence for generations to come. I am humbled and grateful for the extreme generosity of those who have fulfilled their pledges and those who are continuing to fulfill their pledges to the FFHL campaign."

## Report from Chief Financial Officer

Contributing to the many successful programs and ministries of the diocese during the 2016-'17 fiscal year is a healthy financial foundation for the diocese. We are dedicating significant financial resources (donor restricted and general purpose funds) to our new seminary, St. Joseph College Seminary; to a major expansion of one of our MACS schools, Christ the King Catholic High School; to outreach to our Catholic brothers and sisters of various ethnic backgrounds through multi-cultural pastoral ministries; and to outreach to our neighbors in need through Catholic Charities' programs. During the past fiscal year, we supported:

- Our retired priests, our seminarians and other clergy by over $6 million;
- Programs for our immigrant brothers and sisters by approximately $1 million;
- Our neighbors in need by almost $6 million in social service programs; and
- Programs to support our Catholic schools and parish Faith Formation programs by almost $2 million.

Of course, the heart of the diocese is our parishes and schools. And, while this report covers the financial activities of many diocesan ministries and entities, it does not include our parishes (and parish and inter-parochial schools), which report separately to their parishioners. The diocesan financial statements for the years ended June 30, 2017 and 2016 are presented on the following pages for your review.

Results of operating activities for the year ended June 30, 2017

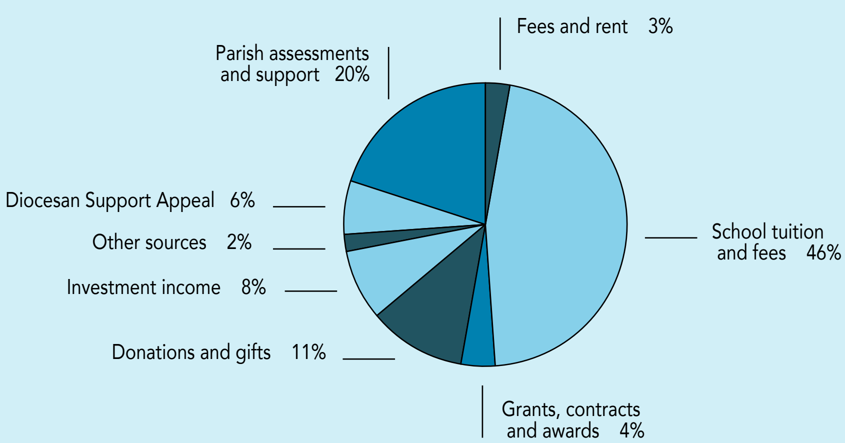
Expenses in support of our various program (ministry) services totaled just under $59 million, while all other operating expenses (excluding the Forward in Faith, Hope and Love campaign) totaled approximately $26 million, for a total of $85 million. We were blessed to receive $83 million in financial support without donor restrictions, and were able to reclassify donor restricted revenue totaling approximately $5 million to unrestricted operating revenue as a result of fulfilling donor restrictions.

The diocese recorded a net surplus from donor-restricted operating activities (excluding FFHL) of $393,535 for the year ended June 30, 2017. This represents the increase in donor-restricted donations and grants received during the fiscal year over the amount of donor-restricted gifts whose restrictions were fulfilled during the fiscal year. Donor restricted activity for the year includes $565,514 representing contributions for the construction of a permanent home for St. Joseph College Seminary.

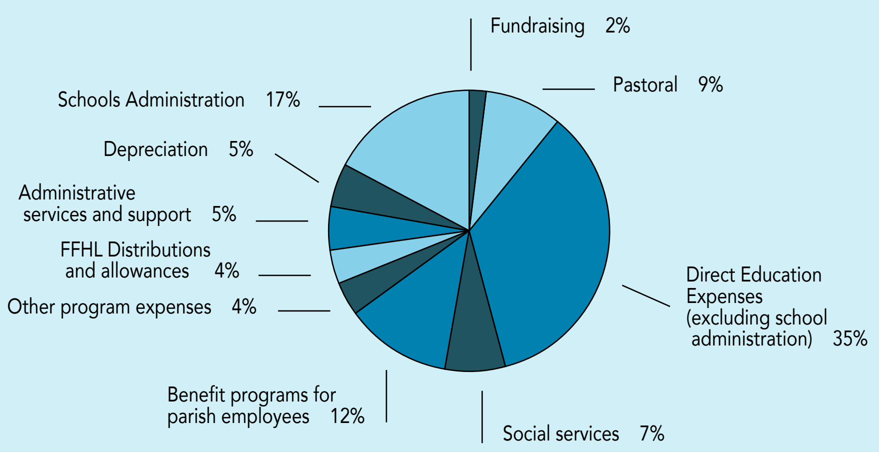
The FFHL campaign recorded a decrease in net assets of approximately $4 million primarily as a result of the distribution of pledge receipts during the fiscal year. Page 15 of this report provides additional information about FFHL activities.

The pie charts below depict the major sources of revenues and summarize expenditures for the 2017 fiscal year. Additional detail about revenues and a break-out of expenses by functional area are presented within the Statement of Activities on page 19.

**SOURCES OF REVENUE**




**USES OF OUR RESOURCES**




Results of nonoperating activities for the year ended June 30, 2017

Nonoperating activities consist primarily of the return earned on diocesan investments. After two years of investment losses, the diocese reported a gain on investments in fiscal 2017 of approximately $7 million, of which almost $4 million is subject to donor restrictions.

Net Asset Credit for the year ended June 30, 2017

The diocese recorded a $14.6 million credit to (increase in) net assets in fiscal 2017 related to our pension and post-retirement benefit plans' most recent actuarial valuations. The primary drivers of this credit are favorable investment returns during the past fiscal year, the change in mortality improvement scale and the curtailment of the Lay Employee Pension Plan (as explained below).

The cumulative charge against net assets related to our pension and postretirement benefit plans through June 30, 2017, totals approximately $42 million, leaving a balance in net assets without donor restrictions of approximately $55 million, of which approximately $36 million is designated for certain diocesan activities. Additionally, the accrued liability for the pension and post-retirement benefit plans is approximately $66 million at June 30, 2017, down approximately $10 million from June 30, 2016. Due to the significant liability and charge to net assets related to the Lay Employee Pension Plan, this plan was amended during the past fiscal year to eliminate future accruals for all participants, except for those who are at least age 62 and have at least 12 years of service as of January 1, 2018. The plan will be closed to new entrants as of January 1, 2018. Although the plan will be frozen, employees who are participants in the plan will retain benefits accumulated up to January 1, 2018, based on credited service and eligible earnings, in accordance with the terms of the plan.

Cash flows for the year ended June 30, 2017

Cash generated from operating activities totaled approximately $23 million (which includes $10 million of pledges receivable collected and reflects $3.4 million of FFHL distributions to parishes). These funds provided resources needed for the acquisition of property and equipment totaling $8 million; for the repayment of long-term debt and capital lease obligations totaling $1.3 million; and for the investment of endowment and other funds, totaling approximately $10 million.

Liquidity as of June 30, 2017

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, cash and investments total $133 million at June 30, 2017, of which $44 million is invested in donor-restricted endowments, leaving a balance of $89 million. Receivables totaling $14 million are due within the coming year, resulting in liquid assets of $103 million. Of this amount, $52 million is either restricted as to use by donor stipulations or management designations or is required for FFHL and endowment distributions and grant commitments, further reducing funds available to $51 million. Of this amount, $38 million represents parish deposits held by DL Catholic, leaving a balance of $13 million for general operations, including payment of liabilities reported on the Statement of Financial Position at June 30, 2017.

Financial governance and oversight

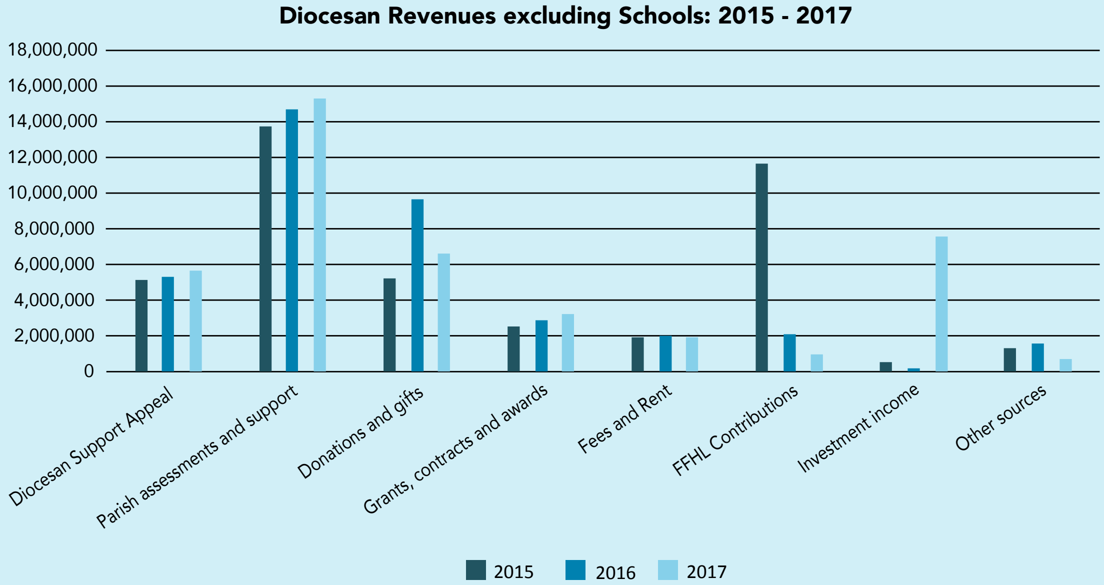
The diocesan Finance Office remains committed to the highest standards of fiscal integrity and accountability. To this end, the diocese has developed guidelines for strong financial governance, which can be found on the diocesan web site. It is the responsibility of the diocesan Finance Office to ensure 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.

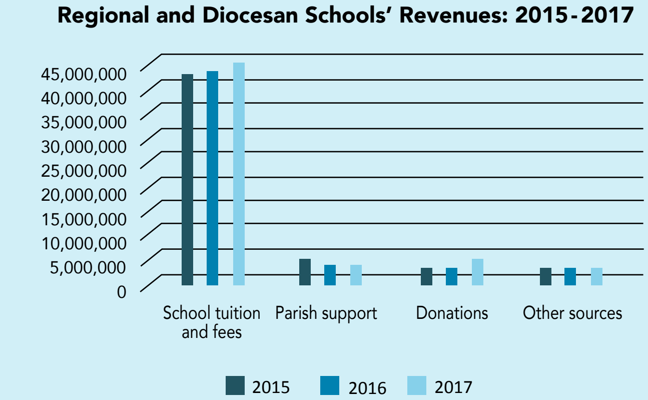
William G. Weldon

William G. Weldon, CPA
Chief Financial Officer

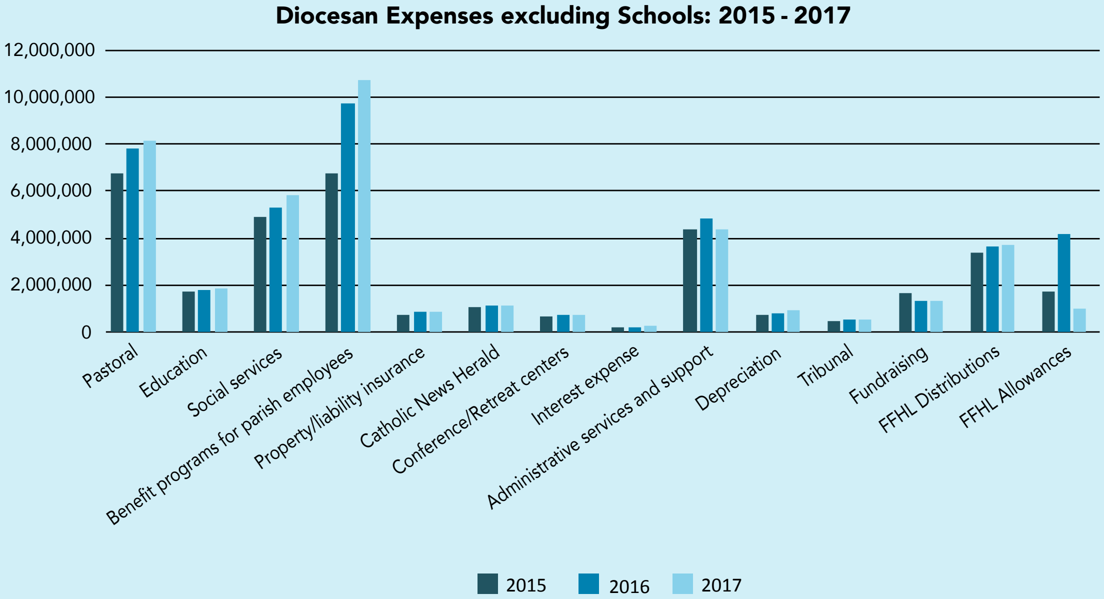
**Diocesan Revenues excluding Schools: 2015 - 2017**



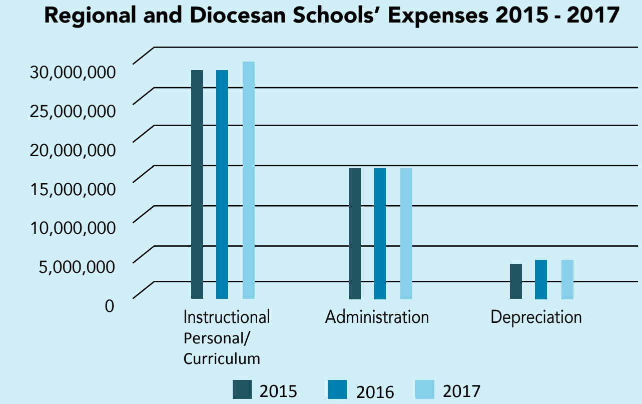

**Regional and Diocesan Schools' Revenues: 2015 - 2017**




**Diocesan Expenses excluding Schools: 2015 - 2017**




**Regional and Diocesan Schools' Expenses 2015 - 2017**



## 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, 2017 and 2016, and the related combined statements of activities and cash flows for the years then ended, the combined statement of functional expenses for the year ended June 30, 2017, 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, 2017 and 2016, the combined changes in their net assets and their cash flows for the years then ended, and their combined functional expenses for the year ended June 30, 2017, in conformity with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**
As discussed in Note 2 to the combined financial statements, the Diocese adopted the amendments in Accounting Standards Update (ASU) No. 2016 14, Not for Profit Entities—Presentation of Financial Statements of Not for Profit Entities, as of and for the year ended June 30, 2017. The amendments have been applied on a retrospective basis with the exception of the omission of certain information as permitted by the ASU.

Deloitte & Touche LLP

October 3, 2017

### THE ROMAN CATHOLIC DIOCESE OF CHARLOTTE
### COMBINED STATEMENTS OF FINANCIAL POSITION
### AS OF JUNE 30, 2017 AND 2016

| | 2017 | 2016 |
|---|---|---|
| **ASSETS** | | |
| CASH AND CASH EQUIVALENTS | $ 16,445,150 | $ 13,065,762 |
| PLEDGES RECEIVABLE—Net | 15,653,408 | 24,579,287 |
| OTHER ACCOUNTS RECEIVABLE—Net | 2,023,982 | 2,607,959 |
| NOTES RECEIVABLE—Net | 17,981,571 | 18,386,953 |
| ADVANCES TO PARISHES—Net | 2,171,381 | 2,061,184 |
| INVESTMENTS | 116,794,574 | 94,134,446 |
| PROPERTY AND EQUIPMENT—Net | 74,255,749 | 71,795,441 |
| BENEFICIAL INTERESTS IN PERPETUAL TRUSTS | 4,690,544 | 4,581,359 |
| DEFERRED RENT | 1,398,475 | 1,466,790 |
| OTHER ASSETS | 923,431 | 714,324 |
| TOTAL | $ 252,338,265 | $ 233,393,505 |
| **LIABILITIES AND NET ASSETS** | | |
| LIABILITIES: | | |
| Accounts payable and accrued expenses | $ 5,037,428 | $ 5,377,260 |
| Accrued salaries, wages, and benefits | 3,515,370 | 3,439,197 |
| Accrued pension and postretirement benefits | 66,454,784 | 76,655,876 |
| Unearned revenue | 9,376,044 | 8,441,933 |
| Bonds payable | | 540,000 |
| Interest rate swap agreements | | 16,419 |
| Custodial, annuity, and other obligations | 50,300,365 | 43,352,422 |
| Total liabilities | 134,683,991 | 137,823,107 |
| CONTINGENCIES (Note 14) | | |
| NET ASSETS: | | |
| Net assets without donor restrictions: | | |
| Undesignated | 61,469,241 | 55,513,453 |
| Net asset charge—Lay and Priest Retirement Plans and Retired Clergy Health Plan | (42,229,018) | (56,880,092) |
| Total undesignated net assets without donor restrictions | 19,240,223 | (1,366,639) |
| Designated | 35,673,133 | 34,614,042 |
| Total net assets without donor restrictions | 54,913,356 | 33,247,403 |
| Net assets with donor restrictions | 62,740,918 | 62,322,995 |
| Total net assets | 117,654,274 | 95,570,398 |
| TOTAL | $ 252,338,265 | $ 233,393,505 |

See notes to combined financial statements.

### THE ROMAN CATHOLIC DIOCESE OF CHARLOTTE
### COMBINED STATEMENTS OF CASH FLOWS
### FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

| | 2017 | 2016 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | $ 22,083,876 | $(13,912,713) |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Depreciation and amortization | 4,682,656 | 4,278,536 |
| Investment realized and unrealized (gains) losses | (4,677,261) | 3,090,934 |
| Change in fair value of interest rate swap agreements | (16,419) | (100,263) |
| Loss on disposition of property | 83,146 | 478,929 |
| Net asset (credit) charge—Lay and Priest Retirement Plans and Retired Clergy Health Plan | (14,651,074) | 13,857,039 |
| (Decrease) increase in discounts and allowances on advances, notes, and pledges receivable | (1,396,840) | 1,542,940 |
| Changes in operating assets and liabilities: | | |
| Other accounts receivable | 583,977 | (263,452) |
| Deferred rent | 68,315 | 36,942 |
| Pledges receivable | 10,320,953 | 10,914,231 |
| Other assets | (209,107) | (201,886) |
| Accounts payable and accrued expenses | 346,981 | 1,290,272 |
| Accrued salaries, wages, and benefits | 76,173 | 86,945 |
| Accrued pension and postretirement benefits | 4,449,982 | 1,953,716 |
| Unearned revenue | 934,111 | (649,499) |
| Net cash provided by operating activities | 22,679,469 | 22,402,671 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | (7,919,224) | (6,061,197) |
| Proceeds from the sale of property | 6,300 | 54,703 |
| Purchase of investments | (52,343,777) | (47,510,943) |
| Proceeds from maturity and sales of investments | 35,744,366 | 41,459,260 |
| Issuance of advances and notes | (2,233,963) | (6,462,538) |
| Payments received on advances and notes | 2,530,914 | 4,574,748 |
| Increase in custodial obligations | 6,242,996 | 2,704,528 |
| Net cash used in investing activities | (17,972,388) | (11,241,439) |
| CASH FLOWS FROM FINANCING ACTIVITIES—Repayment of bonds and capital lease | $ (1,327,694) | $ (3,344,530) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 3,379,388 | 7,816,702 |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of year | 13,065,762 | 5,249,060 |
| End of year | $ 16,445,150 | $13,065,762 |
| SUPPLEMENTAL DATA: | | |
| Interest paid | $ 61,268 | $ 139,964 |
| Purchases of property and equipment included in accounts payable | $ 41,987 | $ 728,800 |
| Purchases of property and equipment financed through capital leases | $ - | $ 2,373,572 |

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

| | JUNE 30, 2017 | | | JUNE 30, 2016 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| OPERATING: | | | | | | |
| Revenues and other support: | | | | | | |
| School tuition and fees | $44,234,547 | $ - | $ 44,234,547 | $42,543,695 | $ - | $42,543,695 |
| Contributions—Diocesan Support Appeal (DSA) | 5,670,620 | | 5,670,620 | 5,304,225 | | 5,304,225 |
| Other support—DSA programs | 408,866 | | 408,866 | 410,982 | | 410,982 |
| Other donations and gifts | 5,899,777 | 5,093,629 | 10,993,406 | 4,126,648 | 8,061,347 | 12,187,995 |
| Parish assessments: | | | | | | |
| Employee benefit programs | 8,591,806 | | 8,591,806 | 8,059,640 | | 8,059,640 |
| Property liability insurance | 1,600,367 | | 1,600,367 | 1,707,108 | | 1,707,108 |
| Catholic News Herald | 950,295 | | 950,295 | 926,970 | | 926,970 |
| Central office | 4,143,063 | | 4,143,063 | 3,960,740 | | 3,960,740 |
| Parish support of schools | 3,753,287 | | 3,753,287 | 3,619,500 | | 3,619,500 |
| Federal and state agency awards | 2,721,646 | | 2,721,646 | 2,412,510 | | 2,412,510 |
| Other grants and awards | 18,992 | 695,975 | 714,967 | 7,480 | 660,719 | 668,199 |
| Fees for services rendered | 1,335,599 | | 1,335,599 | 1,389,548 | | 1,389,548 |
| Rental income | 1,268,487 | | 1,268,487 | 1,256,799 | | 1,256,799 |
| Interest income - parish loans | 714,943 | | 714,943 | 614,206 | | 614,206 |
| Other income | 1,793,686 | 12,652 | 1,806,338 | 2,898,426 | (376,110) | 2,522,316 |
| Net assets released from restrictions—satisfaction of program restrictions | 5,408,721 | (5,408,721) | - | 5,814,065 | (5,814,065) | - |
| Total revenues and other support | 88,514,702 | 393,535 | 88,908,237 | 85,052,542 | 2,531,891 | 87,584,433 |
| EXPENSES: | | | | | | |
| Program expenses: | | | | | | |
| Pastoral: | | | | | | |
| Clergy, vocations, and support for retired priests | 6,181,041 | | 6,181,041 | 5,498,437 | | 5,498,437 |
| Multicultural ministries | 999,676 | | 999,676 | 906,752 | | 906,752 |
| Contributions, grants, and subsidies | 560,483 | | 560,483 | 938,130 | | 938,130 |
| Other | 377,242 | | 377,242 | 450,063 | | 450,063 |
| Education: | | | | | | |
| Regional and diocesan schools | 29,179,236 | | 29,179,236 | 28,037,429 | | 28,037,429 |
| Other education and faith formation | 1,845,534 | | 1,845,534 | 1,787,134 | | 1,787,134 |
| Social service programs | 5,795,775 | | 5,795,775 | 5,288,008 | | 5,288,008 |
| Benefit programs for lay parish employees | 10,718,118 | | 10,718,118 | 9,724,694 | | 9,724,694 |
| Property and liability insurance programs for parishes | 837,415 | | 837,415 | 885,567 | | 885,567 |
| Publication of Catholic News Herald | 1,094,504 | | 1,094,504 | 1,114,577 | | 1,114,577 |
| Conference/Retreat Centers | 747,491 | | 747,491 | 741,124 | | 741,124 |
| Tribunal | 522,896 | | 522,896 | 527,579 | | 527,579 |
| Total program expenses | 58,859,411 | - | 58,859,411 | 55,899,494 | - | 55,899,494 |
| Administrative: | | | | | | |
| Central office administration | 3,048,967 | - | 3,048,967 | 3,100,363 | - | 3,100,363 |
| Regional and diocesan schools administration | 15,087,886 | | 15,087,886 | 14,657,563 | | 14,657,563 |
| Social services administration | 785,410 | | 785,410 | 730,511 | | 730,511 |
| Interest—parish savings and investments | 280,339 | | 280,339 | 206,972 | | 206,972 |
| Interest—long-term debt | 24,186 | | 24,186 | 133,427 | | 133,427 |
| Depreciation and amortization | 4,682,656 | | 4,682,656 | 4,278,536 | | 4,278,536 |
| Other | 669,416 | | 669,416 | 1,141,663 | | 1,141,663 |
| Total administrative expenses | 24,578,860 | - | 24,578,860 | 24,249,035 | - | 24,249,035 |
| Fundraising | 1,170,496 | | 1,170,496 | 1,183,459 | | 1,183,459 |
| Total expenses | 84,608,767 | - | 84,608,767 | 81,331,988 | - | 81,331,988 |
| CHANGE IN NET ASSETS BEFORE CAPITAL CAMPAIGN AND NONOPERATING ACTIVITIES AND NET ASSET CREDIT (CHARGE) | 3,905,935 | 393,535 | 4,299,470 | 3,720,554 | 2,531,891 | 6,252,445 |
| CAPITAL CAMPAIGN ACTIVITIES: | | | | | | |
| Contributions—FFHL | | 956,152 | 956,152 | 43,844 | 2,090,603 | 2,134,447 |
| Losses on uncollectible contributions—FFHL | | (970,186) | (970,186) | | (4,176,709) | (4,176,709) |
| Net assets released from restrictions—FFHL | 3,728,649 | (3,728,649) | - | 3,608,644 | (3,608,644) | - |
| Distributions to parishes—FFHL | (3,728,649) | | (3,728,649) | (3,608,644) | | (3,608,644) |
| Fundraising and other expenses—FFHL | (228,587) | | (228,587) | (222,591) | | (222,591) |
| CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES | 3,677,348 | (3,349,148) | 328,200 | 3,541,807 | (3,162,859) | 378,948 |
| NONOPERATING: | | | | | | |
| Net investment return | 3,321,112 | 3,767,071 | 7,088,183 | (360,304) | (174,581) | (534,885) |
| Change in fair value of interest rate swap agreements | 16,419 | | 16,419 | 100,263 | | 100,263 |
| CHANGE IN NET ASSETS FROM NONOPERATING ACTIVITIES | 3,337,531 | 3,767,071 | 7,104,602 | (260,041) | (174,581) | (434,622) |
| CHANGE IN NET ASSETS BEFORE NET ASSET CREDIT (CHARGE) | 7,014,879 | 417,923 | 7,432,802 | 3,281,766 | (3,337,440) | (55,674) |
| NET ASSET CREDIT (CHARGE)—Lay and Priest Retirement Plans and Retired Clergy Health Plan | 14,651,074 | | 14,651,074 | (13,857,039) | | (13,857,039) |
| CHANGE IN NET ASSETS | 21,665,953 | 417,923 | 22,083,876 | (10,575,273) | (3,337,440) | (13,912,713) |
| NET ASSETS: | | | | | | |
| Beginning of year | 33,247,403 | 62,322,995 | 95,570,398 | 43,822,676 | 65,660,435 | 109,483,111 |
| End of year | $54,913,356 | $62,740,918 | $117,654,274 | $33,247,403 | $62,322,995 | $95,570,398 |

See notes to combined financial statements.

THE ROMAN CATHOLIC DIOCESE OF CHARLOTTE
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

| | Personnel Costs | Occupancy Costs | Office/Program Expenses | Professional Services | Travel & Professional Development | Grants & Other Assistance | Other | Total |
|---|---|---|---|---|---|---|---|---|
| PROGRAMS: | | | | | | | | |
| Pastoral: | | | | | | | | |
| Clergy, vocations and support for retired priests | $ 4,995,720 | $ 379,642 | $ 113,583 | $ 77,907 | $ 507,770 | $ 31,212 | $ 75,207 | $ 6,181,041 |
| Multicultural ministries | 623,139 | 63,845 | 38,950 | 16,866 | 241,978 | 6,204 | 8,694 | 999,676 |
| Contributions, grants and subsidies | | | | | | 560,483 | | 560,483 |
| Other | 21,572 | 71,817 | 59,766 | 192,063 | 31,304 | | 720 | 377,242 |
| Education: | | | | | | | | |
| Regional and diocesan schools | 25,211,034 | | 3,968,202 | | | | | 29,179,236 |
| Other education and faith formation | 1,278,019 | 325,106 | 97,367 | 15,193 | 126,527 | | 3,322 | 1,845,534 |
| Social service programs | 3,399,414 | 541,087 | 192,639 | 45,250 | 149,328 | 1,466,516 | 1,541 | 5,795,775 |
| Benefit program for lay parish employees | 10,718,118 | | | | | | | 10,718,118 |
| Property and liability insurance programs for parishes | | 689,219 | | | | 9,540 | 138,656 | 837,415 |
| Publication of Catholic News Herald | 501,813 | 66,770 | 400,936 | 116,606 | 8,053 | | 326 | 1,094,504 |
| Conference/retreat centers | 430,956 | 218,671 | 84,833 | 5,123 | 7,508 | 150 | 250 | 747,491 |
| Tribunal | 355,443 | 48,051 | 30,434 | 49,346 | 38,602 | 100 | 920 | 522,896 |
| Total program expenses | 47,535,228 | 2,404,208 | 4,986,710 | 518,354 | 1,111,070 | 2,074,205 | 229,636 | 58,859,411 |
| ADMINISTRATIVE: | | | | | | | | |
| Central office administration | 2,276,698 | 34,678 | 314,117 | 123,785 | 197,485 | 79,800 | 22,404 | 3,048,967 |
| Regional and diocesan schools administration | 6,626,365 | 5,141,658 | 2,910,249 | 98,100 | 211,162 | | 100,352 | 15,087,886 |
| Social Services Administration | 496,426 | 102,125 | 58,475 | 62,898 | 33,244 | 500 | 31,742 | 785,410 |
| Interest—parish savings and investments | | | | | | | 280,339 | 280,339 |
| Interest—long-term debt | | | | | | | 24,186 | 24,186 |
| Depreciation and amortization | | 4,682,656 | | | | | | 4,682,656 |
| Other | 307,209 | 9,557 | 73,706 | 185,045 | 37,837 | | 56,062 | 669,416 |
| Total administrative expenses | 9,706,698 | 9,970,674 | 3,356,547 | 469,828 | 479,728 | 80,300 | 515,085 | 24,578,860 |
| FUNDRAISING | 601,739 | 13,844 | 501,320 | 26,092 | 21,123 | 107 | 6,271 | 1,170,496 |
| TOTAL EXPENSES BEFORE CAPITAL CAMPAIGN ACTIVITIES IN THE STATEMENT OF ACTIVITIES | $57,843,665 | $12,388,726 | $8,844,577 | $1,014,274 | $1,611,921 | $2,154,612 | $750,992 | $84,608,767 |
| CAPITAL CAMPAIGN ACTIVITIES: | | | | | | | | |
| Distributions to parishes—FFHL | | | | | | 3,728,649 | | 3,728,649 |
| Fundraising and other expenses—FFHL | 72,707 | | 105,576 | 50,304 | | | | 228,587 |
| Total capital campaign expenses | 72,707 | - | 105,576 | 50,304 | - | 3,728,649 | - | 3,957,236 |
| TOTAL EXPENSES PER THE STATEMENT OF ACTIVITIES | $57,916,372 | $12,388,726 | $8,950,153 | $1,064,578 | $1,611,921 | $5,883,261 | $750,992 | $88,566,003 |

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, 2017 AND 2016

## 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 11), 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, 2017 and 2016.
- The Mecklenburg Area Catholic Schools Education Foundation (MACS Foundation), which conducts and administers fund-raising activities for the benefit of MACS. The board of the MACS Foundation voted on June 20, 2017 to dissolve the MACS Foundation as of June 30, 2017, and distribute the assets and liabilities to 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, other accounts receivable, notes receivable, advances to parishes, valuation of beneficial interests in perpetual trusts, investments, 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 non-operating.

**Functional Expenses**—The costs of program and supporting services activities have been summarized on a functional basis in the combined statements of activities. The combined statement of functional expenses presents the natural classification detail of expenses by function. Certain costs are attributed to more than one program or supporting function and, therefore, require allocation among the programs and supporting services benefited. We believe our allocations are done on a reasonable and consistent basis. Occupancy costs are allocated on a square footage basis. Most personnel costs, office expenses, professional services, travel and professional development costs, and grants and other assistance are identified with a specific program or supporting function at the time they are incurred and are reported accordingly. However, some of these expenses require allocation, which is done on the basis of estimates of time and effort.

**Cash and Cash Equivalents**—The Diocese considers all highly liquid instruments with an original maturity of three months or less at the time of purchase to be cash equivalents. Cash equivalents are stated at cost, which approximates fair value. At various times throughout the year, the Diocese may maintain bank accounts in excess of the 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 investment return (loss) in the accompanying combined statements of activities.

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

**Property and Equipment**—Upon acquisition, property and equipment is recorded at cost when purchased and at estimated fair value when donated. Depreciation expense is determined by using the straight-line method over the estimated useful lives of the assets. 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 2017 and 2016.

The major classes of property and equipment represented as of June 30, 2017 and 2016, are as follows:

| | 2017 | 2016 | Life (In Years) |
|---|---|---|---|
| Land | $14,833,309 | $14,216,270 | N/A |
| Land improvements | 16,414,468 | 12,059,991 | 5–15 |
| Buildings | 76,394,416 | 74,669,449 | 30–40 |
| Furniture and equipment | 11,248,134 | 11,000,014 | 3–10 |
| Vehicles | 2,337,316 | 2,221,943 | 5 |
| Interest in St. Matthew Education Center | 5,561,332 | 5,561,331 | Varies |
| Construction in progress | 888,893 | 2,238,181 | N/A |
| Property held for sale | 17,500 | 17,500 | N/A |
| | 127,695,368 | 121,984,679 | |
| Less accumulated depreciation | (53,439,619) | (50,189,238) | |
| Total | $74,255,749 | $71,795,441 | |

Capital lease assets included in furniture and equipment and the associated accumulated depreciation totaled $2,217,428 and $1,173,758, respectively, as of June 30, 2017, and $2,217,428 and $586,879, respectively, as of June 30, 2016. The remaining capital lease obligation as of June 30, 2017 was $791,348, and is included in custodial, annuity and other obligations in the accompanying combined statement of financial position. The remaining lease payment of $795,018 in 2018 includes interest of $3,670 at 0.4%.

The construction in progress as of June 30, 2017, consists primarily of amounts expended by MACS for expansion of Christ the King Catholic High School, and amounts expended in the design phase for Saint Joseph College Seminary. 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.

Unexpended contractual commitments for MACS school facility improvements at June 30, 2017 was approximately $6.2 million.

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 2017 or 2016.

**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 (credit) in the accompanying combined statements of activities. The net asset credit of $(14,651,074) for the year ended June 30, 2017, is primarily attributable to favorable fund returns, the curtailment of the lay noncontributory defined benefit pension plan and the change in mortality improvement scale. 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 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 2017 and 2016, each diocesan entity was assessed 8.4% and 8.2%, 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 2017 and 2016 of $3,562,267 and $3,312,092 respectively, the Central Administration contributed $455,886 and $329,908 in additional contributions to the Lay Plan during fiscal years 2017 and 2016, respectively.

In fiscal 2017, the Lay Plan was amended to eliminate future accruals for all participants, except for those who are at least age 62 and have at least 12 years of service as of January 1, 2018. The plan will be closed to new entrants as of January 1, 2018. Although the plan will be frozen, employees who are participants in the plan will retain benefits accumulated up to January 1, 2018, based on credited service and eligible earnings, in accordance with the terms of the plan. This change decreased the plan's projected benefit obligation by approximately $1,548,000 and a curtailment gain of $34,204 was recorded in 2017.

***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 $973,171 and $1,224,358 during the years ended June 30, 2017 and 2016, respectively. In addition, the Central Administration also contributed the actuarially recommended contribution amount to the Priest Plan for both fiscal years 2017 and 2016 of $1,040,200 and $1,153,619 respectively.

***Retired Clergy Health Plan***—In addition to providing the Priest Plan discussed above, the Diocese sponsors the Diocese of Charlotte Retired Clergy Health Plan, which provides retired diocesan priests certain health and long-term care benefits. In addition to contributing the actuarially recommended contribution amount to the Retired Clergy Health Plan for both fiscal years 2017 and 2016 of $537,829 and $445,949 respectively, the Central Administration contributed $55,879 and $833,804 in additional contributions to the Plan during fiscal years 2017 and 2016, 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 2017 and 2016. 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 $431,640 and $433,130 in fiscal years 2017 and 2016, respectively, and are reported within expenses in the accompanying combined statements of activities.

**Derivative Instruments**—The Diocese may use 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 non-operating 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:

***Without Donor Restrictions***—Net assets without donor restrictions consist of all resources that have no donor-imposed restrictions. The Diocese has designated unrestricted net assets as of June 30, 2017 and 2016, as follows:

| | 2017 | 2016 |
|---|---|---|
| Future expenditures for: | | |
| Triad Area Catholic Schools Education Foundation grants | $ 175,449 | $ 213,043 |
| Bishop McGuinness HS programs | 21,183 | 30,203 |
| Mecklenburg Area Catholic Schools capital projects | 7,432,632 | 5,435,553 |
| Mecklenburg Area Catholic Schools programs | 2,709,239 | 2,189,460 |
| Capital Campaign and DSA fundraising and administrative costs | 289,778 | 448,876 |
| Diocesan Support Appeal funded programs | 9,347,311 | 9,225,561 |
| Self insurance (property and employee health) and lay employee pension | 5,693,532 | 7,684,895 |
| Facility maintenance | 1,291,553 | 1,291,553 |
| Elderly outreach | 739,649 | 739,649 |
| Other Diocesan programs | 750,973 | 812,346 |
| Reserve for potential investment/loan losses by DL Catholic | 2,951,758 | 2,673,163 |
| Management designated endowments established with the Diocesan Foundation | 4,270,076 | 3,869,740 |
| | $35,673,133 | $34,614,042 |

***With Donor Restrictions***—Net assets subject to donor-imposed restrictions stipulating how, when and/or if the net assets are available for expenditure. Some donor-imposed restrictions are perpetual in nature, whereby the donor stipulates that resources be maintained into perpetuity. Others are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Net assets are released from restriction and reclassified to net assets without donor restrictions when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the (long-lived) assets are placed in service. The composition of net assets with donor restrictions as of June 30, 2017 and 2016 is presented in Note 17.

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

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

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

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

The Diocese and the entities comprising the combined financial statements had no unrecognized tax positions as of and during the years ended June 30, 2017 and 2016. The Diocese does not expect that unrecognized tax benefits will materially increase within the next 12 months. Fiscal year 2014 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 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, 2017, the date the combined financial statements were available to be issued.

**Accounting Standards Updates**—The Diocese adopted Accounting Standard Update (ASU) No. 2016-14, Not-for-Profit Entities—Presentation of Financial Statements of Not-for-Profit Entities issued by the Financial Accounting Standards Board in August 2016, for the fiscal year ended June 30, 2017. The ASU is effective for annual periods beginning after December 15, 2017, but early adoption is permitted. The ASU improves the net asset classification requirements and information presented about a not-for-profit's liquidity, endowments, financial performance and expense reporting. The amendments in the ASU have been applied by the Diocese on a retrospective basis for the fiscal year ended June 30, 2016. However, the Diocese has elected the permitted option to omit the following information for fiscal 2016: (1) analysis of expenses by both natural classification and functional classification, and (2) disclosures about liquidity and availability of resources. As such, the financial statements for the fiscal year ended June 30, 2016 have been restated to reflect the net asset classifications required by ASU 2016-14 and to provide additional information about the Foundation's endowments and financial performance. The restatement resulted in an increase in combined net assets without donor restrictions and a decrease in combined net assets with donor restrictions of $376,463 as of June 30, 2016 resulting from the reclassification of cumulative investment losses in excess of cumulative investment gains on endowments. The restatement did not result in a change to total combined net assets or to the total change in combined net assets as of and for the fiscal year ended June 30, 2016.

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 the impact on the combined financial statements.

## 3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date (June 30, 2017), comprise the following:

| | |
|---|---|
| Cash and cash equivalents | $ 16,445,150 |
| Investments | 71,073,269 |
| Endowment investments available for general purposes and for distribution in accord with the Foundation spending rate policy | 1,643,061 |
| Total cash, cash equivalents and investments | $ 89,161,480 |
| Pledges receivable, due within one year | 11,101,411 |
| Accounts receivable, due within one year | 2,023,891 |
| Notes receivable, due within one year | 636,011 |
| Advances to parishes, due within one year | 205,404 |
| | 103,128,197 |
| Less amounts unavailable for general expenditures: | |
| Required to satisfy donor restrictions | (21,489,688) |
| Required to satisfy management designations | (28,451,299) |
| Required for distributions, endowments, and grants | (1,821,674) |
| Financial assets available to meet cash needs for general expenditures within one year | $ 51,365,536 |

Parish deposits held by DL Catholic's savings and investment programs total approximately $38 million. Management believes that the financial assets available within one year of the statement of financial position (June 30, 2017) are sufficient to meet cash needs to fund general expenditure and withdrawal requests for funds on deposit.

The Diocese's endowment funds consist of donor-restricted endowments and funds designated by management as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of amounts available for general use. Donor-restricted endowment funds are not available for general expenditures and, thus, are not included above.

All endowments are subject to an annual spending rate of 5 percent of the most recent 12-quarter market value average, as prescribed by the Foundation. Only the funds available for distribution in accordance with the Foundation spending rate policy are included above.

The Diocese manages its liquidity by developing and adopting annual operating and capital budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they come due. Actual performance is reported and monitored monthly in comparison to the budgets. Adjustments are made to plan as needed to ensure adequate liquidity. As part of our liquidity management plan, cash balances are invested in short-term investments.

## 4. PLEDGES RECEIVABLE—NET

The following unconditional promises to give are included in pledges receivable in the accompanying combined statement of financial position as of June 30, 2017:

| | FFHL | DSA | Other | Total |
|---|---|---|---|---|
| Unconditional promises at face value | $24,912,321 | $1,291,211 | $1,311,005 | $27,514,537 |
| Less allowance for uncollectible pledges | 10,911,999 | | 192,190 | 11,104,189 |
| Less unamortized discount | 664,957 | | 91,983 | 756,940 |
| Net unconditional promises to give | $13,335,365 | $1,291,211 | $1,026,832 | $15,653,408 |
| Amounts due in: | | | | |
| Less than one year | $17,202,107 | $1,291,211 | $335,880 | $18,829,198 |
| One to five years | 7,616,317 | | 851,050 | 8,467,367 |
| More than five years | 93,897 | | 124,075 | 217,972 |
| Total | $24,912,321 | $1,291,211 | $1,311,005 | $27,514,537 |

The following unconditional promises to give are included in pledges receivable in the accompanying combined 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 | $21,959,808 | $1,250,444 | $1,369,035 | $24,579,287 |
| 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 | $34,825,891 | $1,250,444 | $1,759,155 | $37,835,490 |

The change in the allowance for uncollectible pledges for the year ended June 30, 2017, related to the FFHL campaign reflects additions of $12,962 related to initial measurement of unconditional promises to give received in 2017 and $970,186 related to additional allowances provided on unconditional promises to give received in previous years and outstanding at June 30, 2017, less write-offs of $1,503,320. 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 fiscal year 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, less write-offs of $1,467,643. Pledges receivable due within one year as of June 30, 2017 and June 30, 2016, related to the FFHL campaign include past due accounts totaling approximately $8,200,000 and $5,600,000, respectively. Past due accounts include the portion of pledge receivables not paid when due under the pledge agreements.

## 5. NOTES RECEIVABLE—NET

Notes receivable consists primarily of term loans and lines of credit from DL Catholic to parishes and schools. Loans structured as lines of credit typically finance construction and facility improvement projects and do not have specific maturity dates, rather are converted to term loans upon completion of the related project. Term loans are typically structured to have terms up to 15 years. Line of credit loans generally bear interest at the prime rate, minus 0.5%. The interest rate for term loans is generally based on the published swap rate for the applicable term of the borrowing, plus an additional percentage, which varies depending on the term of the borrowing. These notes bear interest at rates ranging from 2.6% to 5.61% at June 30, 2017, and 3.0% to 5.61% at June 30, 2016.

As of June 30, 2017, the future repayment requirements of the loans, assuming the loans mature over their scheduled repayment terms, are as follows:

| | |
|---|---|
| Term loans: | |
| Amounts due in: | |
| Less than one year | $1,574,537 |
| One to five years | 5,959,221 |
| More than five years | 7,823,425 |
| Less allowances | (273,112) |
| Net—term loans | 15,084,071 |
| Lines of credit | 2,897,500 |
| Notes receivable—net | $17,981,571 |

## 6. ADVANCES TO PARISHES

The Diocese maintains a revolving loan fund that was established primarily from resources provided by bequests stipulated for advances to small or needy parishes at no interest. Advances outstanding at June 30, 2017 and 2016, totaled $3,155,828 and $3,060,667, respectively. These advances are long-term in nature and are reflected, net of allowances, at their estimated present value of $2,171,381 and $2,061,184 in the accompanying combined statements of financial position at June 30, 2017 and 2016, respectively.

## 7. INVESTMENTS

The cost and fair value of investments as of June 30, 2017 and 2016, are summarized below:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Cost | Fair Value | Cost | Fair Value |
| Foundation: | | | | |
| Endowment and custodial funds: | | | | |
| Money market funds | $ 415,455 | $ 415,455 | $ 1,438,074 | $ 1,438,074 |
| Equity funds and securities | 25,715,751 | 30,499,591 | 24,153,668 | 23,634,777 |
| Fixed income mutual funds | 14,586,054 | 14,389,560 | 11,263,883 | 11,041,571 |
| Annuity funds: | | | | |
| Money market funds | 18,956 | 18,956 | 25,745 | 25,745 |
| Equity funds and securities | 216,133 | 230,106 | 222,236 | 226,194 |
| Fixed income mutual funds | 167,064 | 167,637 | 151,788 | 155,499 |
| Total Foundation investments | 41,119,413 | 45,721,305 | 37,255,394 | 36,521,860 |
| Other: | | | | |
| Cash | 1,136,419 | 1,136,419 | 249,048 | 249,048 |
| Money market funds | 75,385 | 75,385 | 115,966 | 115,966 |
| Certificates of deposit | 1,687,859 | 1,687,859 | 1,673,346 | 1,673,346 |
| Variable rate demand notes | 2,496,358 | 2,496,358 | 2,791,578 | 2,791,578 |
| Equity funds and securities | 12,277,769 | 14,667,990 | 13,220,959 | 12,963,172 |
| Bonds and fixed income funds | 51,931,972 | 51,009,258 | 40,420,695 | 39,793,857 |
| Other investments | | | 25,619 | 25,619 |
| Total other investments | 69,605,762 | 71,073,269 | 58,497,211 | 57,612,586 |
| Total investments | $110,725,175 | $116,794,574 | $95,752,605 | $94,134,446 |

The Diocese had no unfunded commitments to purchase investments as of June 30, 2017.

## 8. 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 2017 and 2016. 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 2017 and 2016. The prime rate was 4.25% and 3.5% at June 30, 2017 and 2016, respectively. Funds on deposit from non-combined entities along with accrued interest totaled $38,182,100 and $31,682,383 at June 30, 2017 and 2016, respectively, and are reflected as custodial obligations in the accompanying combined statements of financial position.

## 9. PENSION AND RETIREMENT PLANS

The funded status and other information of the Lay and Priest plans as of June 30, 2017 and 2016, is set forth in the following tables ($, in thousands):

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Lay | Priest | Lay | Priest |
| Funded status and amounts recognized in the combined statements of financial position: | | | | |
| Projected benefit obligation | $(89,864) | $(30,841) | $(90,094) | $(29,633) |
| Fair value of plan assets—end of year | 46,517 | 12,541 | 39,966 | 9,879 |
| Funded status | $(43,347) | $(18,300) | $(50,128) | $(19,754) |
| Accrued pension expense liability—end of year | $(43,347) | $(18,300) | $(50,128) | $(19,754) |
| Amounts recognized in net assets without donor restrictions (net asset charge) not yet recognized as net periodic benefit cost consist of the following: | | | | |
| Unrecognized transition obligation | $ - | $207 | $ - | $ 276 |
| Unrecognized prior service cost (credit) | | 895 | (792) | 1,092 |
| Cumulative unrecognized net loss | 26,762 | 10,442 | 37,678 | 12,136 |
| Net asset charge—end of year | $ 26,762 | $11,544 | $ 36,886 | $ 13,504 |
| Amounts recognized in the combined statements of activities—net periodic benefit cost | $7,362 | $2,521 | $ 5,916 | $ 2,250 |
| Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions: | | | | |
| Net (gain) loss | (5,202) | (1,177) | 12,183 | 3,306 |
| Curtailment plan benefit obligation adjustment | (1,548) | | | |
| Adjustment of service cost for curtailment | 34 | | | |
| Amortization of transition obligation | | (69) | | (69) |
| Amortization of prior service credit (cost) | 758 | (197) | 758 | (197) |
| Amortization of net loss | (4,167) | (518) | (3,010) | (364) |
| Total net asset (credit) charge | (10,125) | (1,961) | 9,931 | 2,676 |
| Total net asset (credit) charge and net periodic benefit cost recognized in net assets without donor restrictions | $ (2,763) | $560 | $ 15,847 | $ 4,926 |
| Amounts included in net assets without donor restrictions (net asset charge) that are expected to be recognized as net periodic benefit cost during the next year are as follows: | | | | |
| Amortization of transition obligation | $ - | $ 69 | $ - | $69 |
| Amortization of prior service cost (credit) | | 197 | (758) | 197 |
| Amortization of unrecognized net loss | 2,558 | 392 | 4,167 | 518 |
| | $ 2,558 | $ 658 | $ 3,409 | $784 |
| Other information: | | | | |
| Actuarially recommended annual contribution | $ 3,562 | $ 1,040 | $ 3,312 | $ 1,153 |
| Additional employer contributions | 456 | | 330 | |
| Contributions from Advancement Corporation | | 973 | | 1,224 |
| Benefits paid | 3,153 | 782 | 2,687 | 748 |
| Accumulated benefit obligation | 89,774 | 25,435 | 88,588 | 24,658 |
| Assumptions used to determine benefit obligations as of June 30: | | | | |
| Discount rate | 4.01 % | 4.19 % | 3.93 % | 4.17 % |
| 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 | 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 | |

The funded status and other information for the Retired Clergy Health Plan as of June 30, 2017 and 2016, is as follows:

| | 2017 | 2016 |
|---|---|---|
| Funded status and amounts recognized in the combined statements of financial position—projected benefit obligation | $(14,285,654) | $(14,802,141) |
| Fair value of plan asset—end of year | 9,478,164 | 8,028,018 |
| Funded status | (4,807,490) | (6,774,123) |
| Accrued pension expense liability—end of year | $(4,807,490) | $(6,774,123) |
| Amounts recognized in the combined statements of activities—net periodic benefit cost | $1,192,388 | $1,087,574 |
| Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions (net asset charge) | (2,565,313) | 1,250,007 |
| Total net asset (credit) charge and net periodic benefit cost recognized in net assets without donor restrictions | $(1,372,925) | $2,337,581 |
| Amounts recognized in net assets without donor restrictions (net asset charge) not yet recognized as net periodic benefit cost | $3,923,782 | $6,489,095 |
| Other information: | | |
| Benefits paid | $297,187 | $286,152 |
| Actuarially recommended annual contribution | 537,829 | 445,949 |
| Additional employer contributions | 55,879 | 833,804 |
| Assumptions used to determine benefit obligations as of June 30: | | |
| Discount rate | 4.28 % | 4.32 % |
| Expected return on plan assets | 7.00 | 7.00 |
| Assumptions used to determine net benefit cost for the years ended June 30: | | |
| Discount rate | 4.32 % | 5.00 % |

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, 2017 and 2016, are as follows:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Long-Term Care | Health | Long-Term Care | Health |
| Health care cost trend rate | 5 % | 9 % | 5 % | 7 % |
| The ultimate trend rate to which the cost trend rate is assumed to decline | 5 % | 5 % | 5 % | 5 % |
| Fiscal year that the rate reaches the ultimate trend rate | | 2026 | | 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, 2017 and 2016, 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, 2017 and 2016, is as follows:

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Lay Pension | Priest Pension | Retired Clergy Health | Lay Pension | Priest Pension | Retired Clergy Health |
| Domestic large cap equity securities and funds | 32 % | 32 % | 32 % | 31 % | 31 % | 31 % |
| Domestic small and mid cap equity funds | 10 | 10 | 10 | 10 | 10 | 10 |
| International equity funds | 25 | 25 | 25 | 22 | 22 | 21 |
| Domestic fixed income | 21 | 21 | 21 | 22 | 21 | 21 |
| International fixed income | 3 | 3 | 3 | 4 | 4 | 4 |
| Domestic high yield fixed income | 6 | 6 | 6 | 4 | 4 | 3 |
| Alternative investments | | | | 4 | 4 | 4 |
| Cash and cash equivalents | 3 | 3 | 3 | 3 | 4 | 6 |
| Total | 100 % | 100 % | 100 % | 100 % | 100 % | 100 % |

The Lay, Priest, and Retired Clergy Health plan investment policies stipulate allowable asset classes for inclusion in the portfolio and minimum and maximum allowable ranges. The following asset classes and corresponding ranges were allowable at June 30, 2017 and 2016:

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Lay Pension | Priest Pension | Retired Clergy Health | Lay Pension | Priest Pension | Retired Clergy Health |
| Domestic large cap equity securities and funds | 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 | 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 |

The investment policies stipulate socially responsible investment guidelines, investment return objectives, both in the aggregate and relative to applicable investment benchmarks, minimum standards for investment holdings, and other guidelines for the investment of plan assets.

The estimated contribution to the Lay, Priest, and Retired Clergy Health plans for fiscal year 2018 is $3,572,750, $735,179, and $286,496, respectively.

Benefits expected to be paid over the next 10 fiscal years as of June 30, 2017, are as follows:

| Years Ending June 30 | Lay Pension | Priest Pension | Retired Clergy Health |
|---|---|---|---|
| 2018 | $ 3,642,200 | $ 863,060 | $ 372,931 |
| 2019 | 3,884,764 | 952,230 | 404,728 |
| 2020 | 4,122,292 | 1,000,944 | 438,124 |
| 2021 | 4,353,163 | 1,132,866 | 487,253 |
| 2022 | 4,586,067 | 1,166,216 | 524,288 |
| 2023–2027 | 25,383,271 | 6,574,335 | 3,098,658 |
| Total | $45,971,757 | $11,689,651 | $5,325,982 |

## 10. 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 2017 and 2016, approximately 13.3% and 12%, 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 2017 and 2016. 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 per claimant in fiscal years 2017 and 2016, and aggregate coverage beginning at 125% of the actuarially projected total individual claims under $175,000 for fiscal years 2017 and 2016. Total expenditures incurred for employee health benefits were approximately $12,830,000 and $12,540,000 during fiscal years 2017 and 2016, respectively.

## 11. NOTES PAYABLE

Parishes of the Diocese have certain bank notes and bonds outstanding (Parish Bank Debt). The proceeds from the Parish Bank 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 Bank Debt are currently being paid to the bank directly by the specific parishes benefiting from the use of the proceeds. As of June 30, 2017 and 2016, all principal and interest payments were current. However, if any parishes 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 $1,037,885 and $2,192,974 at June 30, 2017 and 2016, respectively. In addition, the Diocese has entered into certain interest rate swap agreements related to the Parish Bank Debt with notional amounts totaling $1,037,885 and $2,192,974 as of June 30, 2017 and 2016, respectively. All of the interest rate swap agreements were in a liability position as of June 30, 2017 and 2016. The fair value of these interest rate swap agreements was $(24,873) and $(85,784) as of June 30, 2017 and 2016, respectively. The Diocese did not recognize any liabilities related to Parish Bank Debt or the related interest rate swaps in the accompanying combined financial statements as of June 30, 2017 and 2016.

## 12. 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.

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 expired on June 6, 2017 (bond payoff date), supported the entire loan amount. The annual fee associated with this letter of credit was 0.32% through August 4, 2010, and 0.85% from August 5, 2010, to June 6, 2017.

The balance outstanding at June 30, 2016 was $540,000, and was paid in full during fiscal 2017. The Series 2000 Bonds accrued interest at a variable rate of 0.78% and 0.43% at June 6, 2017 and June 30, 2016, 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 agreement requires the Diocese to pay the counterparty a 4.5% 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 interest rate swap matured during fiscal 2017. The notional amount and fair value of the swap agreement as of June 30, 2016 was $405,000 and $(16,419), 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 $22,199 and $139,865 during fiscal years 2017 and 2016, respectively.

## 13. 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 $585,376 and $550,944 for fiscal years 2017 and 2016, 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, 2017 and 2016, exceeded rental payments received, a deferred rent asset of $726,507 and $760,250 is recorded in the statements of financial position as of June 30, 2017 and 2016, 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 $671,968 and $706,725 at June 30, 2017 and 2016, respectively, is included in deferred rent in the accompanying combined statements of financial position. Unearned revenue relating to the ground lease of $784,987 and $825,589 at June 30, 2017 and 2016, 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.

## 14. CONTINGENCIES

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

The Housing Corporation has guaranteed various contingent payment obligations of its equity method investee, Curlin Commons Housing of Mooresville, Inc. (CCHM), related to an affordable housing project located in Mooresville, North Carolina. The maximum amount of the Housing Corporation's guarantee obligation was approximately $4,000,000 as of June 30, 2017; however, management believes the likelihood that the Housing Corporation will have to make any such payments is remote.

## 15. 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, 2017 and 2016, based on the three levels of inputs within the fair value hierarchy, are summarized as follows:

| | Fair Value Measurement as of June 30, 2017 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Investments: | | | | |
| Money market funds | $ 509,796 | $ - | $ 509,796 | $ - |
| Investments in certificates of deposit | 1,687,859 | | 1,687,859 | |
| Variable rate demand notes | 2,496,358 | | 2,496,358 | |
| Domestic large cap equity securities | 6,694,596 | 6,694,596 | | |
| Domestic large cap equity funds | 14,707,224 | | 14,707,224 | |
| Domestic bonds | 24,214,263 | | 24,214,263 | |
| International bonds | 4,395,274 | | 4,395,274 | |
| Mutual funds: | | | | |
| Domestic small and mid cap equities | 6,750,923 | 6,750,923 | | |
| International equities | 17,208,027 | 17,208,027 | | |
| Domestic bonds | 15,021,217 | 15,021,217 | | |
| International bonds | 2,417,717 | 2,417,717 | | |
| Domestic high yield bonds | 4,145,831 | 4,145,831 | | |
| United States treasury notes | 5,082,258 | | 5,082,258 | |
| Municipal bonds | 1,836,901 | | 1,836,901 | |
| Agency securities | 5,744,271 | | 5,744,271 | |
| Mortgage backed securities | 2,708,723 | | 2,708,723 | |
| Other funds | 36,917 | 36,917 | | |
| Total investments | 115,658,155 | 52,275,228 | 63,382,927 | - |
| Beneficial interest in perpetual trust | 4,690,544 | | 4,690,544 | |
| Total | $120,348,699 | $52,275,228 | $68,073,471 | $ - |

| | 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 | $ - |

The fair value of investments classified within Level 2 of the fair value hierarchy are measured using standard valuation techniques, based on inputs that are observable, including the stated interest rate, maturity, and credit risk. The measurement of investments classified within Level 2 of the fair value hierarchy are based on published net asset values determined by the fund manager and reported on a daily basis. These investments, however, are not registered with the Securities and Exchange Commission (unlike mutual funds, which are registered). In certain instances, net asset values may require adjustments to more appropriately reflect fair value. No adjustments to net asset values were required. Proceeds from the redemption of the domestic large cap equity funds are generally available within seven (7) days after receipt of a valid redemption request. Redemption requests for significant amounts may take longer to process.

**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 2017 and 2016.

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, 2017 and 2016.

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, 2017 and 2016, respectively, is summarized as follows:

| | Fair Value Measurement as of June 30, 2017 for the Lay Plan | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Money market funds | $ 1,328,277 | $ - | $ 1,328,277 | $ - |
| Domestic large cap equity securities | 4,617,683 | 4,617,683 | | |
| Domestic large cap equity funds | 10,052,258 | | 10,052,258 | |
| Mutual funds: | | | | |
| Domestic small and mid cap equities | 4,571,127 | 4,571,127 | | |
| International equities | 11,721,699 | 11,721,699 | | |
| Domestic bonds | 9,787,644 | 9,787,644 | | |
| International bonds | 1,602,512 | 1,602,512 | | |
| Domestic high yield bonds | 2,833,809 | 2,833,809 | | |
| Total | $46,515,009 | $ 35,134,474 | $11,380,535 | $ - |

| | 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, 2017 for the Priest Plan | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Money market funds | $ 468,392 | $ - | $ 468,392 | $ - |
| Domestic large cap equity securities | 1,199,760 | 1,199,760 | | |
| Domestic large cap equity funds | 2,707,813 | | 2,707,813 | |
| Mutual funds: | | | | |
| Domestic small and mid cap equities | 1,232,560 | 1,232,560 | | |
| International equities | 3,161,528 | 3,161,528 | | |
| Domestic bonds | 2,606,046 | 2,606,046 | | |
| International bonds | 400,652 | 400,652 | | |
| Domestic high yield bonds | 763,641 | 763,641 | | |
| Total | $12,540,392 | $ 9,364,187 | $ 3,176,205 | $ - |

| | 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, 2017 for the Retired Clergy Health Plan | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Money market funds | $ 359,558 | $ - | $ 359,558 | $ - |
| Domestic large cap equity securities | 896,988 | 896,988 | | |
| Domestic large cap equity funds | 2,047,009 | | 2,047,009 | |
| Mutual funds: | | | | |
| Domestic small and mid cap equities | 931,153 | 931,153 | | |
| International equities | 2,391,135 | 2,391,135 | | |
| Domestic bonds | 1,970,898 | 1,970,898 | | |
| International bonds | 303,647 | 303,647 | | |
| Domestic high yield bonds | 577,776 | 577,776 | | |
| Total | $ 9,478,164 | $ 7,071,597 | $ 2,406,567 | $ - |

| | 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 | $ - |

## 16. ENDOWMENT FUNDS

The Diocese's endowment funds are managed by the Foundation and consist of donor-restricted funds and management designated funds established for the purposes as shown in Note 17, as well as custodial endowments established by organizations affiliated with the Diocese. Custodial endowments are not recorded as contributions and, therefore, are not reflected as net assets of the Foundation.

Management has interpreted the state of North Carolina's enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Foundation to appropriate for expenditure or accumulate so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. As a result, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent contributions to the permanent endowment, and (c) other accumulations to the permanent endowment as required by donor gift instruments. Gains (losses) on the investments of donor-restricted endowment funds are recorded as additions to (reductions of) net assets with donor restrictions, until those amounts are appropriated for expenditure by the Foundation consistent with the donor's wishes, at which time they are reclassified to net assets without donor restrictions.

There were 7 and 44 donor restricted endowments in which cumulative investment losses exceed cumulative investment gains ("underwater" endowments) as of June 30, 2017 and 2016, respectively. The aggregate original gift amount of the "underwater" endowment funds totals $109,245 and $11,646,055 as of June 30, 2017 and 2016, respectively. The aggregate fair value of the "underwater" endowment funds totals $106,097 and $11,269,592 as of June 30, 2017 and 2016, respectively, resulting in aggregate losses of "underwater" funds totaling $3,148 and $376,463 at June 30, 2017 and 2016, respectively. Although UPMIFA allows appropriations for expenditure from "underwater" endowments in an amount determined to be prudent given the specific circumstances, the Foundation's policy precludes spending from "underwater" endowments, unless specifically approved by the donor, the donor's representative or the Foundation's Board of Directors. During the fiscal years ended June 30, 2017 and 2016, $4,242 and $0, respectively, were distributed from endowments with a fair value that was less than the cumulative original gift amount at the time of distribution.

The Foundation has developed an investment policy for all its investable assets whose general purpose is to preserve the capital and purchasing power of the endowments and to produce sufficient investment earnings for current and future spending needs. The Foundation has adopted a total return strategy whose asset allocation is designed to give balance to the overall structure of the Foundation's investment program over a long-term period. The Foundation has adopted a spending policy that limits the amount of funds available for distribution each year to 5% of the endowment funds' average fair value over the prior 12 quarters, determined on a quarterly basis. In establishing this policy, the Foundation considered the long-term expected return on its investments and the objective to preserve purchasing power.

The endowment net asset composition by fund type as of June 30, 2017 and 2016, is as follows:

| **2017** | **Without Donor Restrictions** | **With Donor Restrictions** | **Total** |
|---|---|---|---|
| Designated | $4,316,205 | $ - | $ 4,316,205 |
| Donor restricted: | | | |
| Purpose restrictions | | 29,739,267 | 29,739,267 |
| No purpose restriction—time restriction only | | 88,645 | 88,645 |
| Total funds | $4,316,205 | $29,827,912 | $34,144,117 |

| **2016** | **Without Donor Restrictions** | **With Donor Restrictions** | **Total** |
|---|---|---|---|
| Designated | $3,869,526 | $ - | $ 3,869,526 |
| Donor restricted: | | | |
| Purpose restrictions | | 22,235,057 | 22,235,057 |
| No purpose restriction—time restriction only | | 67,621 | 67,621 |
| Total funds | $3,869,526 | $22,302,678 | $26,172,204 |

Changes in endowment assets for the year ended June 30, 2017, consisted of the following:

| | **Without Donor Restrictions** | **With Donor Restrictions** | **Total** |
|---|---|---|---|
| Endowment net assets—beginning of year | $3,869,526 | $22,302,678 | $26,172,204 |
| Investment income | 546,484 | 3,448,532 | 3,995,016 |
| Additions | | 4,773,309 | 4,773,309 |
| Distributions | (54,976) | (412,654) | (467,630) |
| Other changes: | | | |
| Grants awarded | | | - |
| Administrative fees | (25,539) | (208,848) | (234,387) |
| Management fees | (19,290) | (75,105) | (94,395) |
| Endowment net assets—end of year | $4,316,205 | $29,827,912 | $34,144,117 |

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

| | **Without Donor Restrictions** | **With Donor Restrictions** | **Total** |
|---|---|---|---|
| Endowment net assets—beginning of year | $4,147,335 | $17,035,869 | $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) | - |
| Endowment net assets—end of year | $3,869,526 | $22,302,678 | $26,172,204 |

## 17. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of contributions received from donors whose use by the Diocese is limited by donor-imposed stipulations. The restricted amounts as of June 30, 2017 and 2016, and the corresponding purposes for which the income is expendable are as follows:

| | **2017** | **2016** |
|---|---|---|
| TRIAD Area Catholic Schools Education Foundation grants | $ 50,300 | $ 50,300 |
| Bishop McGuinness High School Programs | 168,273 | 130,264 |
| Mecklenburg Area Catholic Schools Capital Projects | 126,437 | 87,892 |
| Mecklenburg Area Catholic Schools Programs | 370,290 | 545,052 |
| Catholic Charities' Programs | 750,797 | 745,885 |
| Elderly Outreach | 497,331 | 507,331 |
| FFHL gifts for Parishes | 5,809,673 | 9,411,276 |
| FFHL gifts for Priest Retirement Plan | 1,426,078 | 2,252,109 |
| FFHL gifts for facility construction and improvements | 6,980,266 | 7,427,830 |
| St. Joseph Seminary future residence building | 2,773,557 | 2,190,001 |
| Other programs | 260,643 | 163,137 |
| Amounts in excess of endowment corpus and annuities subject to expenditure for donor specified purposes: | | |
| Parishes | 889,839 | 318,046 |
| Education | 986,021 | 379,875 |
| Clergy/vocations | 723,229 | 279,570 |
| Outreach programs and services | 972,117 | 60,296 |
| Diocesan programs | 440,063 | 330,414 |
| Nondiocesan programs | 36,379 | 9,871 |
| | 23,261,293 | 24,889,149 |
| To be held in perpetuity to generate income for donor specified purposes: | | |
| Endowments (including endowment cash, pledges and other receivables for future investment): | | |
| Parishes | 9,447,573 | 7,442,404 |
| Education | 7,219,942 | 6,491,930 |
| Clergy/vocations | 3,013,260 | 2,709,724 |
| Outreach programs and services | 5,360,613 | 4,328,949 |
| Other diocesan purposes | 885,320 | 962,524 |
| Nondiocesan | 381,316 | 380,632 |
| | 26,308,024 | 22,316,163 |
| FFHL gifts restricted for endowments: | | |
| Education | 1,050,643 | 1,749,407 |
| Clergy/vocations | 393,991 | 656,027 |
| Outreach programs and services | 1,181,973 | 1,968,081 |
| Other diocesan purposes | 787,983 | 1,312,054 |
| | 3,414,590 | 5,685,569 |
| Beneficial interest in perpetual trust—parishes | 4,690,544 | 4,581,359 |
| Permanent loan fund—parishes | 4,897,235 | 4,688,297 |
| Annuity funds: | | |
| Parishes | 85,741 | 83,077 |
| Clergy/vocations | 22,144 | 21,520 |
| Outreach programs | 22,144 | 21,520 |
| | 130,029 | 126,117 |
| Assets held in trust | 39,203 | 36,341 |
| Total net assets with donor restrictions | $62,740,918 | $62,322,995 |

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*We proclaim the greatness of the Lord*

*And we give thanks*

*Through our prayers*

*Through our service*

*Through our charity*

# *Protecting God's Children 2017*

The Diocese of Charlotte continues its commitment to protect children and the vulnerable from the dangers of sexual abuse. To further that goal, all clergy, religious, lay employees and volunteers must comply with diocesan safe environment policies and procedures. 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, 3517 diocesan personnel attended sessions, and to date more than 48,900 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, 4,068 criminal background checks were processed by the diocese.

In August 2017, the Diocese of Charlotte participated in an onsite 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 for the Protection of Children and Young People. The results of these external audits are published by the Secretariat of Child and Youth Protection every year. This year's audit included the period July 2016 through June 2017. At the conclusion of the audit, the diocese was found to be in compliance with the 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 $112,774 during the fiscal year ended June 30, 2017. The diocese also provided financial assistance to victims and their families. During the past year, $9,540 was provided for medical and counseling services. Additionally, the diocese incurred costs in connection with sexual misconduct lawsuits totaling $34,801 during fiscal 2017. As in the past, none of these funds came from the Diocesan Support Appeal or from parish savings.

In 2002 the USCCB enacted the Charter for the Protection of Children and Young People. During the past 15 years the Church has made progress in the prevention of the sexual abuse of children, but the work is not finished. In Pope Francis's words, "Let us find the courage needed to take all necessary measures and to protect in every way the lives of our children, so that such crimes may never be repeated. In this area, let us adhere, clearly and faithfully, to 'zero tolerance.'"