



I Am The Living Bread

Roman Catholic Diocese of Charlotte
2018 Annual Report

Dear Brothers and Sisters in Christ,

The theme of this year's annual report, "I am the Living Bread," is an apt statement for the Diocese of Charlotte. In uttering these words shortly after the miracle of the loaves and fishes, Jesus is telling us that He is the foundation for spiritual life. Everyone hungers for food to nourish both body and soul. We are eternally grateful that Jesus has mercifully provided us with the Eucharist, His Body and Blood, Soul and Divinity, to feed us.

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, 2017 through June of 2018. I am pleased to report the continued and overall good financial health of the diocese. Thank you for the continued support of your prayers, service and financial contributions.

Our diocese is an ongoing hub of activity in our parishes, schools and social service ministries. The Living Bread that we are privileged to receive at Holy Mass feeds us in the performance of good works and strengthens us to share God's Word. At this year's Eucharistic Congress, the 14th for the diocese, thousands of people gathered at the Charlotte Convention Center for the celebration of Holy Mass and the sharing of the Living Bread. This event has grown from several hundred attendees to more than 15,000.

The Diocese of Charlotte is a grateful recipient of the holy efforts of our priests, deacons and religious. This year three men were ordained to the transitional diaconate. Deacons Britt Taylor, Alfonso Gamez and Michael Carlson are now in final preparation for the ministry of the priesthood. At the same time, St. Joseph College Seminary continues to grow at a rapid rate. Eight college freshmen were admitted to the seminary in August, bringing the total to 21 men who are discerning God's call at this level. On Sept. 15, 2018, ground was broken on land in Mount Holly for the college seminary's permanent location. Please pray for all 37 of our seminarians as they prepare for a life of ministry to the 400,000 Catholics living in western North Carolina.

The 19 Catholic schools throughout the diocese feed the mind, body and spirit of our young people from pre-kindergarten through 12th grade with a sound educational program rooted in Gospel values. Through involvement in prayer, sacraments and service projects, our students learn how to express their Catholic faith and bring Christ to others. Our strong academic program prepares students for success at the next level in their educational paths. Our varied athletic, arts and extracurricular programs help students develop their God-given gifts and talents. During this past year, Christ the King Catholic High School in Huntersville completed a 27,000-square-foot expansion that includes 15 classrooms, cafeteria, band room and shop space.

Catholic Charities Diocese of Charlotte placed daily bread on the tables of more than 13,000 through its food pantries. Catholic Charities demonstrates the good works we are all called to via the Living Bread. In addition to the food pantries, pregnancy support, refugee resettlement, marriage preparation and elder assistance ministries brought hope and support to 22,000 people. A core of more than 370 volunteers assists with much of the work of Catholic Charities.

In closing, I would like to express my deep gratitude to all of the faithful who have supported the efforts of our diocese during the past year. Your prayers, efforts and generous financial gifts are the leaven that allows our diocese to grow, making western North Carolina a place where the Living Bread is joyfully shared.

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

+ Peter J. Jugis

Queridos hermanos y hermanas en Cristo:

El tema del informe anual de este año, "Yo soy el pan vivo", es una declaración adecuada para la Diócesis de Charlotte. Al pronunciar estas palabras poco después del milagro de los panes y los peces, Jesús nos dice que Él es el fundamento de la vida espiritual. Todos tenemos hambre de alimento para nutrir tanto el cuerpo como el alma. Estamos eternamente agradecidos que Jesús nos haya proporcionado misericordiosamente con la Eucaristía, Su Cuerpo y Sangre, Alma y Divinidad, para alimentarnos.

Este informe anual presenta información sobre las finanzas de la diócesis y, a través de texto y fotos, describe los dones dados y recibidos desde el 1 de julio de 2017 hasta junio de 2018. Me complace informarles sobre la continua y buena salud financiera de la diócesis. Gracias por el apoyo a través de sus oraciones, servicio y contribuciones financieras.

Nuestra diócesis es un centro de actividad permanente en nuestras parroquias, escuelas y ministerios de servicio social. El Pan vivo que tenemos el privilegio de recibir en la Santa Misa nos alimenta en la realización de buenas obras y nos fortalece para compartir la Palabra de Dios. En el Congreso Eucarístico de este año, el número catorce para la diócesis, miles de personas se reunieron en el Centro de Convenciones de Charlotte para la celebración de la Santa Misa y compartir el Pan Vivo. Este evento ha crecido de varios cientos de asistentes a más de quince mil.

La Diócesis de Charlotte recibe agradecida los santos esfuerzos de nuestros sacerdotes, diáconos y religiosos. Este año tres hombres fueron ordenados al diaconado transicional.

Los diáconos Britt Taylor, Alfonso Gamez y Michael Carlson están ahora en la preparación final para el ministerio del sacerdocio. Al mismo tiempo, el Seminario Universitario San José College continúa creciendo a un ritmo acelerado. Ocho estudiantes de primer año fueron admitidos al seminario en agosto, lo que eleva a un total de 21 el número de hombres que están discerniendo el llamado de Dios en este nivel. El 15 de septiembre de 2018, se iniciaron las obras en Mount Holly para la ubicación permanente del seminario universitario. Por favor, oremos por nuestros 37 seminaristas, mientras se preparan para una vida de ministerio para los 400,000 católicos que viven en el oeste de Carolina del Norte.

Las 19 escuelas católicas de la diócesis alimentan la mente, cuerpo y espíritu de nuestros jóvenes desde el jardín de infantes hasta el grado 12 con un programa educativo sólido enraizado en los valores del Evangelio. A través de la participación en la oración, los sacramentos y los proyectos de servicio, nuestros estudiantes aprenden cómo expresar su fe católica y llevar a Cristo a los demás. Nuestro sólido programa académico prepara a los estudiantes para lograr el éxito en el siguiente nivel en sus trayectorias educativas. Nuestros variados programas atléticos, artísticos y extracurriculares ayudan a los estudiantes a desarrollar sus dones y talentos dados por Dios. Durante el año pasado, la escuela secundaria católica Cristo Rey en Huntersville completó una expansión de 27,000 pies cuadrados que incluye 15 aulas, cafetería, sala de banda y espacio para tiendas.

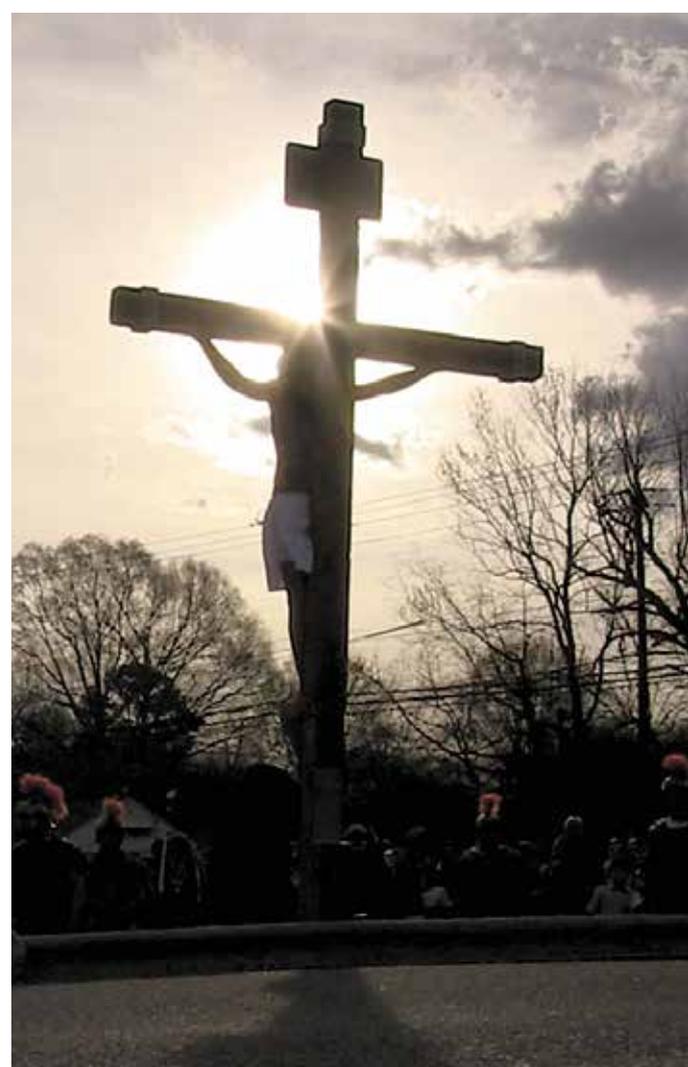
Caridades Católicas de la Diócesis de Charlotte puso el pan de cada día en las mesas de más de trece mil personas a través de sus despensas de alimentos. Caridades Católicas pone en práctica las buenas obras a las que todos estamos llamados a través del Pan Vivo. Además de las despensas de alimentos, apoyo a embarazadas, reasentamiento de refugiados, preparación matrimonial y los ministerios de asistencia a ancianos, brindaron esperanza y apoyo a 22,000 personas. Un equipo de más de 370 voluntarios asiste en gran parte el trabajo de Caridades Católicas.

Para terminar, me gustaría expresar mi profundo agradecimiento a todos los fieles que han apoyado los esfuerzos de nuestra diócesis durante el año pasado. Sus oraciones, esfuerzos y generosos donativos son la levadura que le permite a nuestra diócesis crecer, haciendo del oeste de Carolina del Norte un lugar donde el Pan Viviente se comparte con gozo.

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



"I am the living bread."





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 honors Our Lord's Eucharistic Presence.

In June, the sixth diocesan discernment retreat, Quo Vadis Days 2018, brought almost 80 young men to Belmont Abbey College for a time of prayer and reflection on the direction God may be calling them. Since 2013, more than 400 young men have attended Quo Vadis Days retreats. The diocese currently has 37 seminarians in various stages of study leading to ordination.

There are 81 active diocesan priests and 36 religious order priests celebrating the sacraments and serving the parishioners of the

diocese. Among these dedicated servants of the Lord, 20 retired priests continue to be examples of Christ present among us by visiting the sick and the imprisoned, and assisting our parishes by celebrating Mass as needed.

The diocese is blessed with 127 permanent deacons who serve in parishes and also minister in diocesan offices, schools, agencies, hospitals, prisons and the Charlotte airport.

This year, the diocese hosted the second discernment retreat for young women, Duc in Altum, in June 2018; and more than 70 young ladies participated. Over the past three years, more than 200 young women have participated in Duc in Altum retreats.

There are currently 128 active women religious, representing 23 different religious communities proclaiming God's greatness through their work in the diocese.

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 21 college seminarians in attendance. The seminary is temporarily located by the campus of St. Ann Church in Charlotte while planning is underway to build a permanent facility. During fiscal 2018, the Diocese purchased 86 acres of property in Mount Holly, NC as the site for the seminary

to be built. Bishop Jugis blessed the property during a ground breaking ceremony on September 15, 2018. Site work is now underway, with construction of the facility to follow. St. Joseph College Seminary is conducting a capital campaign to raise funds for this project. As of June 30, 2018, the seminary received contributions totaling \$4,947,540 earmarked for a permanent home for the seminary.

VOCATIONS, CLERGY AND RELIGIOUS LIFE FINANCIAL HIGHLIGHTS FOR THE YEARS ENDING JUNE 30		
	2018	2017
REVENUE & OTHER SUPPORT		
Contributions		
Priests' retirement collection	\$ 1,095,078	\$ 1,130,727
FFHL Contributions	656,081	973,171
Priests' Continuing Education & Seminarian collection	315,569	258,722
Friends of Seminarian program	538,266	400,268
St. Joseph Seminary building project	866,840	565,514
Other	206,856	96,876
Parish assessments	726,858	648,920
Grants & Endowment Distributions		50,000
Prior year surplus funds		55,879
DSA funding	598,877	557,489
Supplemental DSA funding	9,705	66,000
Other income	48,377	50,129
Administration funding	722,888	957,598
TOTAL REVENUE & OTHER SUPPORT	<u>\$5,785,395</u>	<u>\$5,811,293</u>
EXPENSES		
Seminarian formation	\$ 1,121,815	\$ 1,011,215
Duc in Altum	23,057	22,544
Quo Vadis	33,314	32,888
Diaconate formation	76,996	33,643
Care for priests not in ministry	579,226	704,461
St. Joseph Seminary administration	178,879	155,131
St. Joseph Seminary fundraising	236,097	3,771
Priests' retirement benefits	2,568,575	2,866,329
Other	418,958	399,076
TOTAL EXPENSES	<u>\$5,236,917</u>	<u>\$5,229,058</u>
Surplus – St Joseph Seminary - earmarked for building project	\$ 548,478	\$ 582,235



Given to us by the grace of God



- 87* active diocesan priests,
- 36* religious order priests, and
- 20* retired priests
- 37* seminarians in various stages of study leading to ordination
- 128* active women religious representing
- 23* different religious communities
- 127* permanent deacons who serve in parishes, diocesan offices, schools, agencies, hospitals, prisons and airports



Education Vicariate

Office of the Vicar, Evangelization/Lay Ecclesial Ministry Formation, Campus (College)/Young Adult Ministry, Catholic Schools Office: pre K-12, Faith Formation: pre K-12 / Media Resource Center, RCIA (Becoming Catholic), Youth Ministry, Eucharistic Congress

The theme of the 2018 Eucharistic Congress was taken from the “Bread of Life” Discourse: “I Am The Living Bread” (Jn 6:51). It is Jesus who is the Living Bread for us come down from heaven to feed and nourish us for the journey of life. We call the Holy Eucharist “Viaticum” because Jesus travels with us, feeding us with His Divine Graces as we make our pilgrimage to heaven.

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

	2018	2017
REVENUE & OTHER SUPPORT (includes DSA funding of \$1,366,216 in 2018 and \$1,479,952 in 2017)	\$ 1,955,470	\$ 1,845,534
EXPENSES	\$ 1,955,470	\$ 1,845,534

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

	2018	2017
REVENUE & OTHER SUPPORT		
Tuition and fees	\$ 44,700,424	\$ 44,184,545
Parish support	4,669,132	3,803,287
Contributions and gifts	2,381,459	4,368,731
School activity revenue	1,139,802	1,135,238
Income from rental property	646,182	646,182
Other	1,125,004	826,856
TOTAL REVENUE & OTHER SUPPORT	\$ 54,662,003	\$ 54,964,839
Instructional personnel	\$ 26,760,001	\$ 25,211,034
Other instructional costs	2,830,692	2,838,573
Facilities	8,699,435	8,106,005
Administrative personnel	3,342,352	3,370,937
Supplementary programs and activities	4,586,912	4,665,217
Other	4,513,054	4,039,147
TOTAL EXPENSES	\$ 50,732,446	\$ 48,230,913

The Catechism of the Catholic Church reminds us of the central place of the Holy Eucharist – “the source and summit of the Christian life.” “The other sacraments, and indeed all ecclesiastical ministries and works of the apostolate, are bound up with the Eucharist and are oriented toward it. For in the blessed Eucharist is contained the whole spiritual good of the Church, namely Christ Himself, our Pasch.” (CCC 1324)

“The Eucharist is the efficacious sign and sublime cause of that communion in the divine life and that unity of the People of God by which the Church is kept in being. It is the culmination both of God’s action sanctifying the world in Christ and of the worship men offer to Christ and through Him to the Father in the Holy Spirit.” (CCC 1325)

Accordingly, all Christian education is founded in, fortified by and directed toward union with God and His holy people. We learn to put God’s will into action in our own lives and open ourselves to His grace so that we can be in “communion.” “...the definitive aim of catechesis is to put people not only in touch but in communion, in intimacy, with Jesus Christ: only He can lead us to the love of the Father in the Spirit and make us share in the life of the Holy Trinity.” (“Catechesi Tradendae,” 5)

The educational mission of the Diocese of Charlotte is to assist people to be “in communion, in intimacy, with Jesus Christ.” Holy Communion is the source and summit of this “intimacy” with Christ and all education is geared to helping people to experience this union with Christ.

The Offices and Programs of the Education Vicariate assist in leading people to “communion” with Christ. The Diocesan Youth Ministry Conferences and retreats, the College Campus and Young Adult retreats and service projects, the Lay Ministry Formation and Evangelization programs, the Catholic schools’ “faith, tradition and academic excellence” programs, the Education Vicariate In-Service Programs, the Faith Formation Office’s programs along with direct service to parish Directors of Religious Education through the Regional Coordinators – all these help us to that “communion, intimacy” Christ desires for us.

Of particular note this past year, Christ the King High School has undergone a capital expansion project, the Education Vicariate continues the annual Diocesan Catechetical Conference and the Faith Formation Office has expanded its Catechist Certification Programs.

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

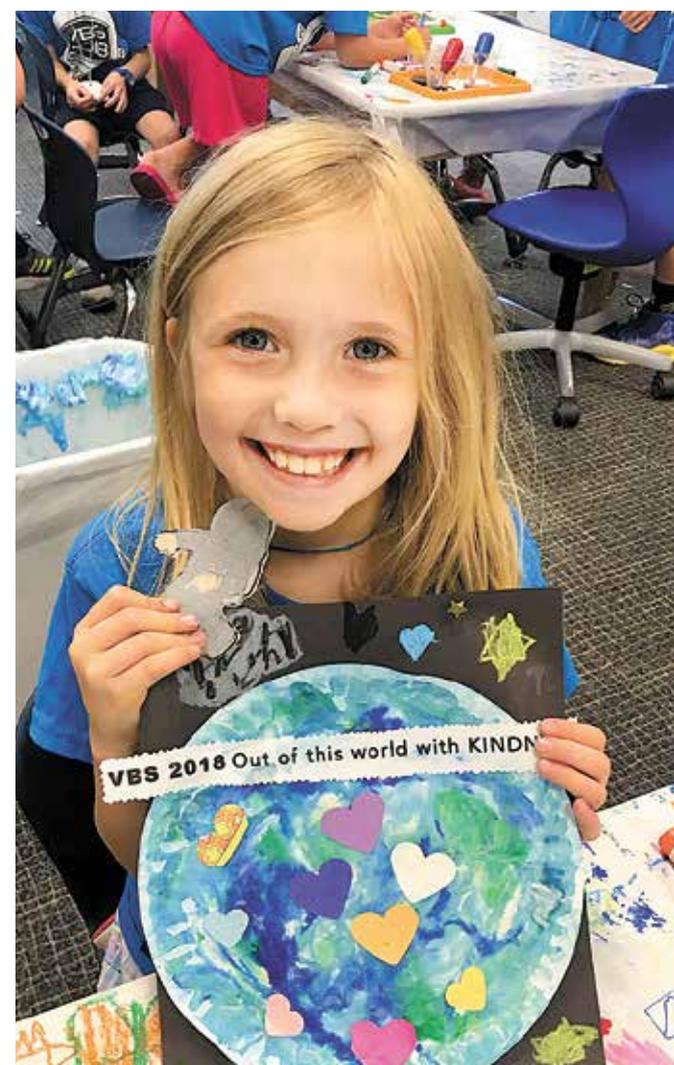
St. Matthew Catholic School

St. Patrick Catholic School

(parish schools not included here)



Given to the faithful at Mass



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

Because of the commands of “the one he sent,” the Church cares for our sisters and brothers in need through works of charity. During the past year thousands of donors, volunteers and professional staff worked together under the umbrella of Catholic Charities Diocese of Charlotte to carry out the critical work of service to our neighbors, sharing God’s mercy to anyone in need.

In the Diocese of Charlotte, Catholic Charities contributed to the organized work of charity through ministries, programs and services that strengthened families, built communities and reduced poverty.

Strengthening Families: Catholic Charities provided services to develop healthy children, families and seniors. Pregnancy support, adoption and post-adoption services were provided to 29 families and individuals. The teen parenting program provided an array of services to help 40 birth mothers learn to better parent their babies and helped them achieve greater educational and job goals. The outreach to youth in crisis helped seven at-risk youth deal with personal and family crises through counseling sessions and guidance. Counseling services were also provided to 288 people – a total of 2,161 sessions. Programs promoting healthy marriages served 356 couples through marriage preparation classes. All couples completing a marriage preparation class also received instruction in Natural Family Planning. An additional 446 people attended a NFP course or training. Across the diocese, 1,519 seniors participated in social, educational or spiritual events.

Building Communities: Services to build up the wider community were provided by Catholic Charities through the resettlement of 134 refugees and asylees. Parish and community support enabled 25 fully-furnished apartments to be set up for new refugees. An additional 491 refugees received employment, case management,

transportation, and/or afterschool mentoring. Legal immigration services were provided to 457 people. The Social Concerns and Advocacy Office and the Respect Life program, in coordination with parishes and missions, promoted the intrinsic value of all human life through 75 educational workshops and informational efforts that were attended by 2,581 people.

Reducing Poverty: Catholic Charities continued to respond to a significant increase in requests for food, financial help and burial assistance. Regional pantries in Asheville, Charlotte and Winston-Salem gave out 582,621 pounds of much-needed food and 14,903 pounds of supplies to 14,923 people. Regional offices in Asheville and Winston-Salem distributed 2,897 bags of clothing. Thanks to help from parishes and other community groups, 1,677 families received food and other assistance for the holidays. The agency also helped 537 families with direct financial assistance. The Burial Assistance program provided 69 dignified burials for the especially destitute, including seven children.

Making this possible were more than 50 full- and part-time employees, 372 volunteers who contributed 25,762 hours of service, more than 2,000 donors who gave directly to Catholic Charities, and financial support received through the annual Diocesan Support Appeal.

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

	2018	2017
REVENUE & OTHER SUPPORT		
Federal and state agency awards	\$ 1,859,830	\$ 2,533,918
Other grants, contracts & awards	461,905	647,667
Contributions - Diocese of Charlotte:		
DSA funding	1,903,015	1,858,505
Other support	51,000	16,000
Contributions - Other	1,342,751	1,542,199
Fees	463,615	440,649
Other	281,818	306,911
TOTAL REVENUE	\$ 6,363,934	\$ 7,345,849
EXPENSES		
Counseling program	\$ 428,378	\$ 422,073
Direct Assistance	1,467,126	1,367,598
Family Life program	201,942	194,262
Natural Family Planning	91,375	90,029
Office of Economic Opportunity	116,234	99,234
Refugee & Immigration Services	1,759,543	2,322,879
Social Concerns & Advocacy	194,804	193,873
Stay the Course/Teen Parenting Program	206,105	248,927
Translation & Interpretation	513,203	412,238
Youth Counseling program	167,902	240,895
Other programs	168,358	200,046
Administrative expenses	801,462	830,564
Fundraising expenses and direct benefits to donors	275,604	304,518
TOTAL EXPENSES	\$ 6,392,036	\$ 6,927,136



Given to the hungry



50 full- and part-time employees,
372 volunteers who contributed
25,762 hours of service,
more than *2,000* donors,
in addition to financial support received
through the Diocesan Support Appeal.

Multicultural Ministries

The mission of the Church is to proclaim the Good News of Jesus Christ to all people. The Diocese of Charlotte is comprised of an ever-increasing population that includes African, African American, Burmese, Hmong, Hispanic, Korean and Vietnamese communities – all forming one community of faith that celebrates the Church’s unity amid diversity.

During the 2017-’18 fiscal year, the African American Affairs Ministry participated in the July 2017 National Black Catholic Congress in Orlando, Fla., with over 2,000 Black Catholics from around the country. In addition, the Hispanic community prepared for Encuentro V in September 2018 in Grapevine, Texas, which had the theme of “Missionary Disciples, Witnesses of God’s Love.” A key part of their preparation was identifying community needs, making their voices heard and promoting the New Evangelization.

Diocese of Charlotte Housing Corp.

The Catholic Diocese of Charlotte Housing Corp. is dedicated to developing affordable housing for senior and special needs citizens. Three such facilities are currently in operation: Curlin Commons Senior Apartments in Mooresville, Good Shepherd Gardens Senior Apartments in Salisbury and Mother Teresa Villa Apartments in Charlotte, which serves adults with intellectual and physical disabilities who can live semi-independently.

In August 2018, the Housing Corp., along with its development partner Douglas/Schaumber Development, were awarded \$9.4 million in federal low-income housing tax credits by the N.C. Housing Finance Agency and \$250,000 in Workforce Housing Loan Program proceeds to develop an 81-unit senior affordable housing community in south Charlotte. These proceeds are in addition to a \$1.75 million loan commitment from the City of Charlotte, which was approved in April 2018. This facility will serve seniors aged 55 and older, who earn between 30 and 60 percent of the area median income.

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

	2018	2017
Long Term Disability	\$ 155,040	\$ 168,983
Health and Life Insurance	8,444,810	9,066,189
Lay Pension Plan	3,443,039	7,362,131
403(b) Plan Contributions	2,054,299	721,173
FSA Administration Fees	12,213	7,047
TOTAL	<u>\$14,109,401</u>	<u>\$17,325,523</u>

Human Capital

The Diocese of Charlotte is blessed to have thousands of dedicated employees and volunteers who minister to the people of western North Carolina. They come from many different backgrounds and bring a multitude of talents and skills to their work. Pope Francis, reiterating his predecessor St. John Paul II, has said that work is fundamental to the dignity of a person. In support of their efforts, the diocese maintains policies and procedures that ensure respect and just treatment for all of its personnel. Within that mission, the Human Resources office educates, advises and assists all diocesan parishes, schools and agencies in the areas of compliance with diocesan policies and all federal, state and local laws.

The diocese’s benefit programs provide comprehensive and affordable options for employees and their families through a variety of different plans. This past year several new voluntary benefits were added for employees to help them care for their families’ needs. In addition, the 403(b) defined contribution plan was enhanced to help employees save for retirement.

1056 full-time lay employees,

1284 part-time employees and

more than 11,635 volunteers

as of June 30, 2018



Given to the poor



The Foundation of the Roman Catholic Diocese of Charlotte

Jesus as the Living Bread gives life to His people. The generous support of people throughout the diocese gives life to the work of the Foundation of the Diocese of Charlotte again this year.

Ten new endowments were established through the foundation during the fiscal 2018 year. Donors also provided a range of gift amounts, directed for a variety of different purposes in the fiscal year. Consider the gift that established an endowment in the memory of O'Brien and William Edwards Gibbs to establish scholarships for the benefit of Asheville Catholic School and another endowment established by the Holletts benefits Holy Family Church in Clemmons, St. Leo Church in Winston-Salem and the Winston-Salem Office of Catholic Charities Diocese of Charlotte. Yet another donor's gift to establish an endowment in honor of Father Timothy Reid benefits seminarians.

The foundation's total number of endowments grew from 250 in the 2017 fiscal year to 260 in the 2018 fiscal year. These endowments continue to feed the work for parishes, schools, Catholic Charities, priests' retirement, seminarian education and outreach programs.

Principal additions to new and existing endowments for the year totaled \$3,588,071. Total endowment distributions from all funds for the year were \$1,067,117.

During this fiscal year, the foundation awarded \$54,496 in special grants to 12 parishes and missions, three diocesan outreach ministries and one food pantry. The grants range from \$1,000 to \$5,000. Since 2001, the foundation has awarded 352 special grants totaling \$892,985. These grants are distributed from three of the foundation's 260 endowments.

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

	2018	2017
ASSETS		
Cash	\$ 693,167	\$ 651,598
Due from Advancement Corp. and other receivables	451,800	437,171
Investments	51,442,506	45,721,305
Beneficial Interest in Advancement Corp.	1,561,069	3,414,590
Assets held in trust	38,024	39,203
TOTAL ASSETS	<u>\$54,186,566</u>	<u>\$50,263,867</u>
LIABILITIES		
Payables & unearned income	\$ 26,303	\$ 103,524
Custodial & annuity obligations	15,725,494	13,712,902
TOTAL LIABILITIES	<u>\$15,751,797</u>	<u>\$13,816,426</u>
NET ASSETS		
Net assets without donor restrictions	\$ 3,508,321	\$ 3,326,412
Net assets with donor restrictions	34,926,448	33,121,029
TOTAL NET ASSETS	<u>\$38,434,769</u>	<u>\$36,447,441</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$54,186,566</u>	<u>\$50,263,867</u>

MACS Education Annual Fund

The Mecklenburg Area Catholic Schools Education Development Council organizes the MACS Education Annual Fund for the purpose of enhancing educational opportunities that feed the minds of our MACS students and educators. The Annual Fund provided grants to each of the nine schools and grants to individual teachers to support specific classroom programs. During the fiscal year, the MACS Education Annual Fund received contributions totaling \$380,537 from 574 donors. Fifty grants totaling \$324,445 were awarded to the nine Mecklenburg Area Catholic Schools. Fundraising costs associated with the annual appeal totaled \$173,788, all of which was funded from general operations.

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 feed the minds of our children. During the past year, the Triad Area Catholic Schools Education Foundation received contributions totaling \$252,839 from 517 donors. The Foundation awarded grants totaling \$225,448 to the six Triad Catholic Schools. Fundraising costs associated with the annual appeal totaled \$54,470.



Given to all who seek the Word of the Lord



Diocesan Support Appeal

The annual Diocesan Support Appeal enables thousands of faithful to give thanks through financial support of a wide variety of needs throughout western North Carolina.

The 2017 annual appeal funded more than 50 ministries and programs throughout the diocese. The Diocese of Charlotte is committed to supporting Catholic Charities Diocese of Charlotte, educational programs, multicultural ministries, and the diocesan vocations program. DSA funds also support the Diocese of Charlotte Housing Corp. and the annual Eucharistic Congress. Campaign costs represent approximately 5 percent of total funds raised.

The 2017 Diocesan Support Appeal raised more than \$6,205,500 through contributions from 17,616 donors. Of the amount collected, \$665,052 was distributed to 56 parishes, representing funds collected that exceeded parish goals. Thirty-two parishes fell short of their goal and contributed a total of \$130,585 to the appeal from parish funds.

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.

DSA MINISTRY FUNDING FOR THE YEARS ENDING JUNE 30					
	2018	2017		2018	2017
GRANTS TO CATHOLIC CHARITIES	\$1,903,015	\$1,858,505	MULTICULTURAL MINISTRIES	\$ 766,952	\$ 769,075
EDUCATIONAL MINISTRIES			VOCATIONS		
Adult Education/Evangelization	\$ 95,520	\$ 96,482	Seminarian Education	\$ 464,497	\$ 468,914
Campus/Young Adult Ministry	586,176	657,697	Permanent Diaconate	134,381	88,575
Faith Formation Office	411,176	388,286	TOTAL VOCATIONS	\$ 598,878	\$ 557,489
Youth Ministry	103,432	122,165	OTHER		
Catholic Schools Office	79,026	76,179	Eucharistic Congress	\$ 208,890	\$ 166,725
Education Administration	90,886	139,143	Housing Ministry	217,788	182,504
TOTAL EDUCATIONAL MINISTRIES	\$1,366,216	\$1,479,952	TOTAL OTHER	\$ 426,678	\$ 349,229
			DSA CAMPAIGN COSTS	\$ 295,518	\$ 276,116
			TOTAL DSA FUNDING	<u>\$5,357,257</u>	<u>\$5,290,366</u>

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 throughout the world, continuing to give thanks and honoring Our Lord’s Eucharistic Presence.

SPECIAL COLLECTIONS AMOUNTS COLLECTED FOR THE YEARS ENDING JUNE 30		
	2018	2017
International/National Combined Collection	\$ 257,093	\$ 236,699
Catholic Campaign for Human Development	184,556	171,856
Religious Retirement Collection	317,539	287,065
Combined Mission Collection	273,524	272,822
World Mission Sunday	242,834	228,667
Archdiocese for Military Services	-	82,373
Trinity Dome Collection	-	71,802
Hurricane Matthew	-	40,617
Louisiana Floods	-	85,376
Hurricane Harvey	476,535	-
Hurricanes Maria, Irma, Mexico Earthquake	268,690	-
TOTAL	<u>\$2,020,771</u>	<u>\$1,477,277</u>



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 much prayer and organized and diligent study. 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: \$1 million	
– Expand Tuition Assistance Endowment: \$6 million	
– College Campus Ministry: \$1.75 million	
– Renovate Existing Catholic Schools: \$4 million	
PASTORAL AND TEMPORAL RESOURCES	\$11.5 million
– Parish and Mission Support Services Endowment: \$6 million	
– St. Patrick Cathedral Renovations: \$4 million	
– Retreat and Conference Center Renovations: \$1.5 million	
CLERGY SUPPORT	\$13 million
– Expand Priest Retirement Fund: \$10 million	
– Expand Vocation and Seminarian Support Endowment: \$3 million	
CATHOLIC OUTREACH	\$11.5 million
– Expand Catholic Charities Diocese of Charlotte Endowment: \$6 million	
– Expand Multicultural Ministries Endowment: \$3 million	
– Housing Initiatives: \$2.5 million	

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 only minimal gifts received during the fiscal year ended June 30, 2018. A loss of \$439,619 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, 2018 total \$70,110,000, while estimated losses due to uncollectible pledges total \$15,799,000 as of June 30, 2018.

All 92 parishes and mission have received distributions from campaign proceeds. In addition, funds have already been used to renovate the Catholic

Conference Center in Hickory, make improvements to several college campus ministry centers and Living Waters Reflection Center, and build up the Priest Retirement Fund. In addition, approximately \$14.4 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, 2018 totaled \$5,709,000, bringing inception-to-date distributions to \$37,483,000, comprised of:

PARISH LIFE & MINISTRIES	\$ 16,545,000
BROADER MINISTRIES:	
– Catholic Education	\$ 4,858,000
– Pastoral & Temporal Resources	\$ 3,995,000
– Clergy Support	\$ 7,088,000
– Catholic Outreach	<u>\$ 4,997,000</u>
TOTAL DISTRIBUTED	\$37,483,000
DISTRIBUTIONS PENDING for Capital Projects	\$ 5,998,000
DISTRIBUTION PENDING for Priest Retirement	\$ 130,000
APPLIED TO COVER CAMPAIGN EXPENSES	<u>\$ 4,086,000</u>
TOTAL PAYMENTS RECEIVED ON PLEDGES	\$47,697,000

During the fiscal year ended June 30, 2018, campaign costs amounted to \$212,000, bringing inception-to-date campaign costs to \$4,743,000.

Cash payments are expected to approximate \$54,314,000 upon conclusion of the redemption phase of the campaign allowing for pledges made that may not be fully collected. The following table shows the allocation of total expected cash payments for (1) parish life and ministries (including parish challenge campaigns, which are additional parish initiatives conducted in conjunction with the FFHL campaign), (2) broader ministries, and (3) to cover campaign expenses.

PARISH LIFE & MINISTRIES SHARE	\$19,300,000
BROADER MINISTRIES SHARE	\$30,168,000
CAMPAIGN EXPENSE SHARE	<u>\$ 4,846,000</u>
TOTAL	\$ 54,314,000

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 62% of the \$48.75 million goal for the broader ministries. The actual amounts distributed for each campaign element may vary from the amounts shown in the table above due to changes in the estimate of unfulfilled pledges.

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

Report from Chief Financial Officer

Contributing to the many successful programs and ministries of the Diocese during the 2017-18 fiscal year is a healthy financial foundation for the Diocese. We are dedicating significant financial resources (donor restricted and general purpose funds) to the planned construction of the St. Joseph College Seminary; to capital additions and improvements at our regional and diocesan Catholic schools; to outreach to our Catholic immigrant brothers and sisters through our multi-cultural pastoral ministry; and to outreach to our neighbors in need through Catholic Charities' programs. During the past fiscal year, we provided support for:

- Our retired priests, our seminarians and other clergy by approximately \$5.6 million;
- School capital additions and improvements by \$7.8 million;
- Our Catholic immigrant brothers and sisters by providing pastoral programs totaling approximately \$1 million;
- Our neighbors in need by approximately \$5.3 million in social service programs; and
- Parish Faith Formation and Catholic school programs by almost \$2 million.

All our initiatives are dependent on the good work of our many dedicated clergy and lay persons. During the fiscal year just ended, employee salaries and benefits totaled approximately \$53.3 million, down from \$57.9 million in fiscal 2017. Beginning in January 2018, in conjunction with the Lay Employee Pension Plan freeze (see below), the Diocese began contributing 5% of eligible salaries to the diocesan sponsored tax-deferred defined contribution plan (403(b) Plan) on behalf of all eligible employees.

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, 2018 and 2017 are presented on the following pages for your review.

Results of operating activities for the year ended June 30, 2018

Expenses in support of our various program (ministry) services totaled just under \$55.4 million, while all other operating expenses (excluding the FFHL capital campaign) totaled approximately \$27.4 million, for a total of \$82.8 million. We were blessed to receive \$83.6 million in financial support without donor restrictions, and were able to reclassify donor restricted revenue totaling \$6 million to unrestricted operating revenue as a result of fulfilling donor restrictions.

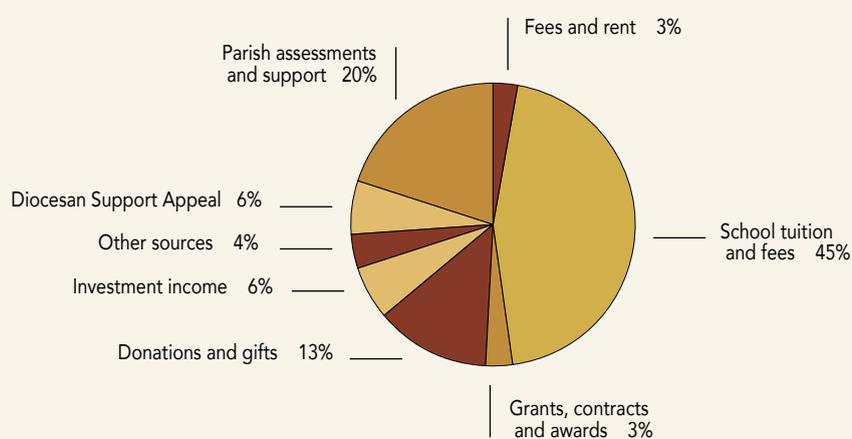
The Diocese recorded donor-restricted income of \$4.6 million, representing the value of a perpetual trust, of which the Diocese was named beneficiary of income earned by the trust. The original gift amount of \$4.6 million cannot be spent; it is to be invested in perpetuity to generate income for Catholic School scholarships for families unable to afford to pay such tuition for a Catholic education.

The Diocese recorded a net decrease in all other donor restricted operating activities (excluding FFHL) of \$530,694 for the year ended June 30, 2018. This represents the excess of \$6,000,329 in donor restricted gifts whose restrictions were fulfilled during the fiscal year over \$5,469,635 in donor restricted donations and grants received during the fiscal year.

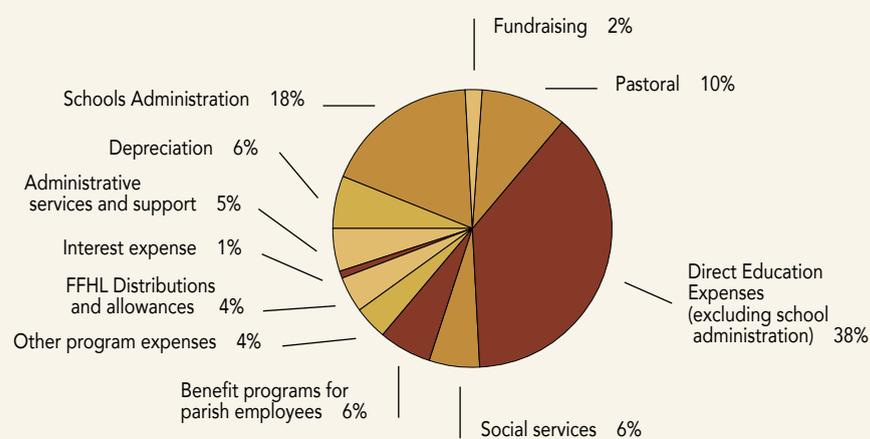
The FFHL campaign recorded a loss of approximately \$3.3 million primarily as a result of the distribution of pledge receipts during the fiscal year. Page 15 of this report provides additional information about FFHL activities.

The pie charts depict the major sources of revenues and summarize expenditures for the fiscal year just ended. Additional detail about revenues and a break-out of expenses by functional area, along with a comparison to fiscal 2017, 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, 2018

Nonoperating activities consist of the return earned on diocesan investments. The diocese reported a gain on investments this past year of approximately \$5.4 million, of which almost \$2.7 million is subject to donor restrictions.

Net Asset Credit for the year ended June 30, 2018

The Diocese recorded a \$9.3 million credit to (increase in) net assets in fiscal 2018 related to our pension and post-retirement benefit plans' most recent actuarial valuations. The primary driver of this credit is an increase in the discount rate from last year. The cumulative charge against net assets related to our pension and postretirement benefit plans through June 30, 2018 totals approximately \$33 million, leaving a balance in net assets without donor restrictions of approximately \$74 million, of which approximately \$41 million is designated for certain

diocesan activities. Additionally, the accrued liability for these programs is approximately \$58 million at June 30, 2018, down approximately \$8 million from June 30, 2017. Due to the significant liability and charge to net assets related to the Lay Employee Pension Plan, this 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 was closed to new entrants as of January 1, 2018. Although the plan is 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, 2018

Cash generated from operating activities totaled approximately \$18.4 million (including \$8 million of pledge receivables collected), which provided funds needed for the acquisition of property and equipment

totaling \$9.4 million and for the repayment of capital lease obligations totaling \$1 million.

Liquidity as of June 30, 2018

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 \$155 million at June 30, 2018, of which \$50 million is invested in donor restricted endowments, leaving a balance of \$105 million. Receivables totaling \$12 million are due within the coming year, resulting in liquid assets of \$117 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 \$65 million. \$45 million of this amount represents parish deposits held by DL Catholic, leaving a balance of \$20 million for general operations, including payment of liabilities reported on the Statement of Financial Position at June 30, 2018.

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. The complete compendium of financial policies of the Diocese of Charlotte is also published 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 diocesan Finance Council fulfills its audit oversight responsibilities by meeting annually with the Diocese’s outside auditors and exercising oversight as it relates to the following specific matters:

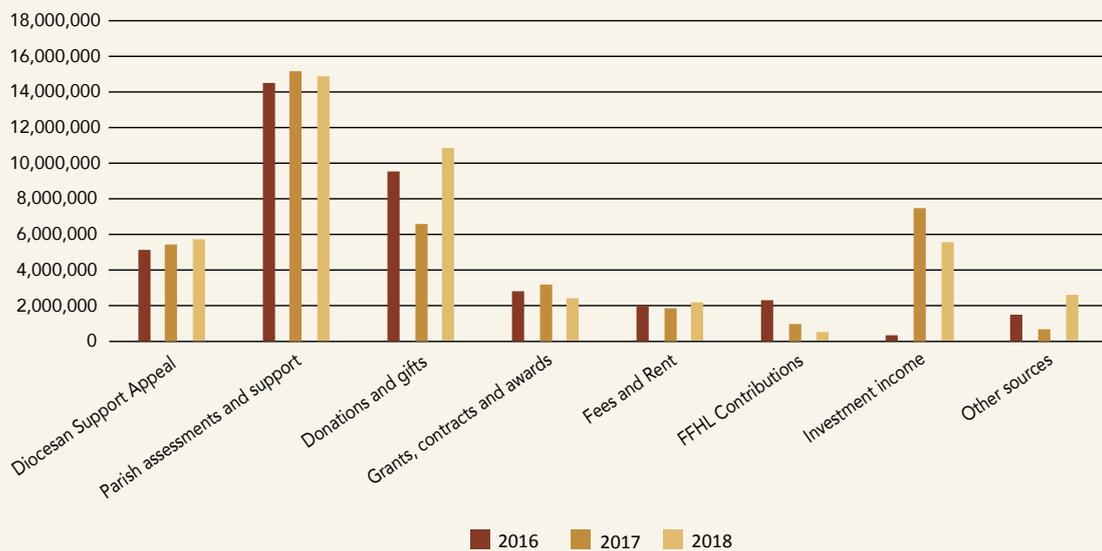
- Systems of internal accounting control;
- Compliance with laws and regulations;
- Compliance with the diocesan code of ethics;
- Financial reporting; and the
- External auditors

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

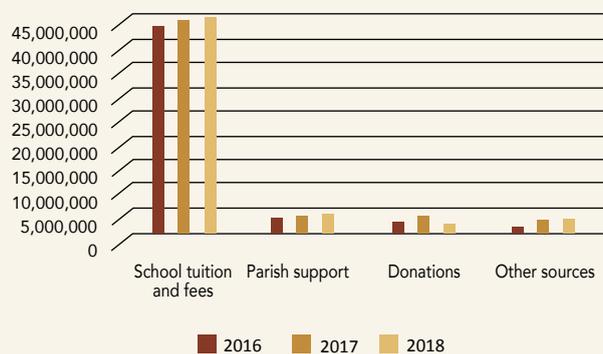


William G. Weldon, CPA
Chief Financial Officer

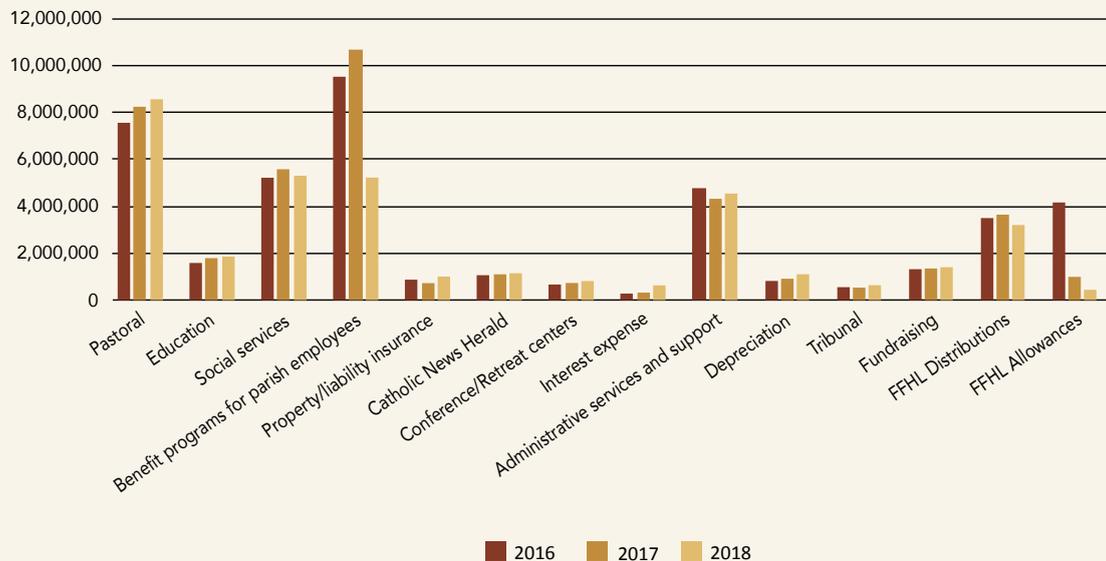
Diocesan Revenues excluding Schools: 2016 - 2018



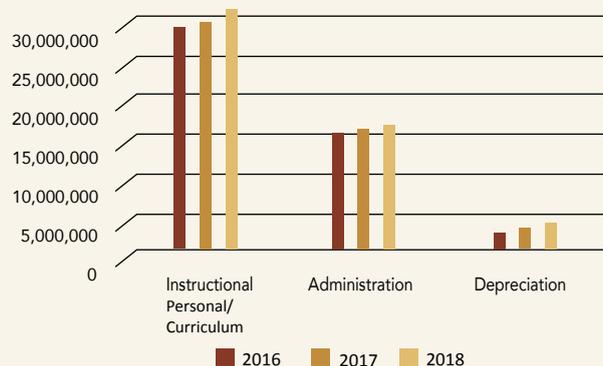
Regional and Diocesan Schools’ Revenues: 2016 - 2018



Diocesan Expenses excluding Schools: 2016 - 2018



Regional and Diocesan Schools’ Expenses 2016 - 2018



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, 2018 and 2017, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements. The combined financial statements include the accounts of the affiliated diocesan entities described in Note 1 to the combined financial statements, which operate under the auspices of the Diocese.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

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

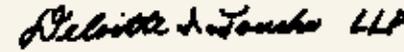
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Diocese as of June 30, 2018 and 2017, the combined changes in their net assets, their functional expenses and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



October 8, 2018

THE ROMAN CATHOLIC DIOCESE OF CHARLOTTE COMBINED STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 28,606,563	\$ 16,445,150
PLEDGES RECEIVABLE—Net	8,536,744	15,653,408
OTHER ACCOUNTS RECEIVABLE—Net	2,436,854	2,023,982
NOTES RECEIVABLE—Net	16,853,678	17,981,571
ADVANCES TO PARISHES—Net	2,097,379	2,171,381
INVESTMENTS	126,063,347	116,794,574
PROPERTY AND EQUIPMENT—Net	79,569,989	74,255,749
BENEFICIAL INTERESTS IN PERPETUAL TRUSTS	9,374,668	4,690,544
DEFERRED RENT AND RIGHT-OF-USE ASSETS—Operating leases	1,691,775	1,924,087
OTHER ASSETS	1,141,234	923,431
TOTAL	\$276,372,231	\$252,863,877
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 5,141,706	\$ 5,037,428
Accrued salaries, wages, and benefits	5,021,274	3,515,370
Accrued pension and postretirement benefits	58,212,383	66,454,784
Unearned revenue	9,602,145	9,376,044
Lease liabilities	773,577	1,316,960
Custodial, annuity, and other obligations	57,792,889	49,509,017
Total liabilities	136,543,974	135,209,603
CONTINGENCIES (Note 13)		
NET ASSETS:		
Net assets without donor restrictions:		
Undesignated	65,482,828	61,469,241
Net asset charge—Lay and Priest Retirement Plans and Retired Clergy Health Plan	(32,904,271)	(42,229,018)
Total undesignated net assets without donor restrictions	32,578,557	19,240,223
Designated	41,296,262	35,673,133
Total net assets without donor restrictions	73,874,819	54,913,356
Net assets with donor restrictions	65,953,438	62,740,918
Total net assets	139,828,257	117,654,274
TOTAL	\$276,372,231	\$252,863,877

See notes to combined financial statements.

THE ROMAN CATHOLIC DIOCESE OF CHARLOTTE COMBINED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$22,173,983	\$22,083,876
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	5,158,890	4,682,656
Investment realized and unrealized gains	(1,854,221)	(4,677,261)
Change in fair value of interest rate swap agreements		(16,419)
(Gain) loss on disposition of property	(1,541,080)	83,146
Contribution of beneficial interest in perpetual trust	(4,597,434)	
Net asset credit—Lay and Priest Retirement Plans and Retired Clergy Health Plan	(9,324,747)	(14,651,074)
Decrease in discounts and allowances on advances, notes, and pledges receivable	(1,065,834)	(1,396,840)
Changes in operating assets and liabilities:		
Other accounts receivable	(412,872)	583,977
Deferred rent	108,012	68,315
Pledges receivable	8,137,559	10,320,953
Other assets	(217,803)	(209,107)
Accounts payable and accrued expenses	(960,797)	346,981
Accrued salaries, wages, and benefits	1,505,904	76,173
Accrued pension and postretirement benefits	1,082,346	4,449,982
Unearned revenue	226,101	934,111
Net cash provided by operating activities	18,418,007	22,679,469
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(9,415,509)	(7,919,224)
Proceeds from the sale of property	2,084,558	6,300
Purchase of investments	(48,537,375)	(52,343,777)
Proceeds from maturity and sales of investments	42,918,284	35,744,366
Issuance of advances and notes	(2,510,270)	(2,233,963)
Payments received on advances and notes	3,757,106	2,530,914
Increase in custodial obligations	6,300,891	6,242,996
Net cash used in investing activities	(5,402,315)	(17,972,388)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distribution of corpus from perpetual trust	100,828	-
Repayment of bonds		(540,000)
Principal payment of finance lease obligations	(955,107)	(787,694)
Net cash flows used in financing activities	(854,279)	(1,327,694)
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,161,413	3,379,388
CASH AND CASH EQUIVALENTS:		
Beginning of year	16,445,150	13,065,762
End of year	\$28,606,563	\$16,445,150
SUPPLEMENTAL DATA:		
Interest paid	\$ 19,528	\$ 61,268
Non-cash acquisition of property	\$ 1,671,226	\$ 41,987

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

	JUNE 30, 2018			JUNE 30, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING:						
Revenues and other support:						
School tuition and fees	\$44,668,856	\$ -	\$44,668,856	\$44,234,547	\$ -	\$44,234,547
Contributions—Diocesan Support Appeal (DSA)	5,873,352		5,873,352	5,670,620		5,670,620
Other support—DSA programs	669,098		669,098	408,866		408,866
Other donations and gifts	3,605,478	9,651,810	13,257,288	5,899,777	5,093,629	10,993,406
Parish assessments:						
Employee benefit programs	8,144,841		8,144,841	8,591,806		8,591,806
Property liability insurance	1,579,310		1,579,310	1,600,367		1,600,367
Catholic News Herald	973,380		973,380	950,295		950,295
Central office	4,294,395		4,294,395	4,143,063		4,143,063
Parish support of schools	4,707,150		4,707,150	3,753,287		3,753,287
Federal and state agency awards	2,187,396		2,187,396	2,721,646		2,721,646
Other grants and awards	52,310	412,595	464,905	18,992	695,975	714,967
Fees for services rendered	1,426,086		1,426,086	1,335,599		1,335,599
Rental income	1,325,354		1,325,354	1,268,487		1,268,487
Interest income—parish loans	679,899		679,899	714,943		714,943
Other income	3,386,740	2,664	3,389,404	1,793,686	12,652	1,806,338
Net assets released from restrictions—satisfaction of program restrictions	6,000,329	(6,000,329)	-	5,408,721	(5,408,721)	-
Total revenues and other support	89,573,974	4,066,740	93,640,714	88,514,702	393,535	88,908,237
EXPENSES:						
Program expenses:						
Pastoral:						
Clergy, vocations, and support for retired priests	5,656,700		5,656,700	6,181,041		6,181,041
Multicultural ministries	996,728		996,728	999,676		999,676
Contributions, grants, and subsidies	1,569,102		1,569,102	560,483		560,483
Other	407,732		407,732	377,242		377,242
Education:						
Regional and diocesan schools	30,653,318		30,653,318	29,179,236		29,179,236
Other education and faith formation	1,955,470		1,955,470	1,845,534		1,845,534
Social service programs	5,339,635		5,339,635	5,795,775		5,795,775
Benefit programs for lay parish employees	5,283,741		5,283,741	10,718,118		10,718,118
Property and liability insurance programs for parishes	1,004,948		1,004,948	837,415		837,415
Publication of Catholic News Herald	1,105,047		1,105,047	1,094,504		1,094,504
Conference/Retreat Centers	819,635		819,635	747,491		747,491
Tribunal	584,423		584,423	522,896		522,896
Total program expenses	55,376,479	-	55,376,479	58,859,411	-	58,859,411
Administrative:						
Central office administration	\$ 3,142,686	\$ -	\$3,142,686	\$ 3,048,967	\$ -	\$3,048,967
Regional and diocesan schools administration	15,516,037		15,516,037	15,087,886		15,087,886
Social services administration	745,508		745,508	785,410		785,410
Interest—parish savings and investments	589,251		589,251	280,339		280,339
Interest—long-term debt	15,194		15,194	24,186		24,186
Depreciation and amortization	5,158,890		5,158,890	4,682,656		4,682,656
Other	741,127		741,127	669,416		669,416
Total administrative expenses	25,908,693	-	25,908,693	24,578,860	-	24,578,860
Fundraising	1,548,777		1,548,777	1,170,496		1,170,496
Total expenses	82,833,949	-	82,833,949	84,608,767	-	84,608,767
CHANGE IN NET ASSETS BEFORE CAPITAL CAMPAIGN AND NONOPERATING ACTIVITIES AND NET ASSET CREDIT	6,740,025	4,066,740	10,806,765	3,905,935	393,535	4,299,470
CAPITAL CAMPAIGN ACTIVITIES:						
Contributions—FFHL	396,000	176,347	572,347		956,152	956,152
Losses on uncollectible contributions—FFHL		(439,619)	(439,619)		(970,186)	(970,186)
Net assets released from restrictions—FFHL	3,256,855	(3,256,855)	-	3,728,649	(3,728,649)	-
Distributions to parishes—FFHL	(3,256,855)		(3,256,855)	(3,728,649)		(3,728,649)
Fundraising and other expenses—FFHL	(212,299)		(212,299)	(228,587)		(228,587)
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	6,923,726	546,613	7,470,339	3,677,348	(3,349,148)	328,200
NONOPERATING:						
Net investment return	2,712,990	2,665,907	5,378,897	3,321,112	3,767,071	7,088,183
Change in fair value of interest rate swap agreements	-		-	16,419		16,419
CHANGE IN NET ASSETS FROM NONOPERATING ACTIVITIES	2,712,990	2,665,907	5,378,897	3,337,531	3,767,071	7,104,602
CHANGE IN NET ASSETS BEFORE NET ASSET CREDIT	9,636,716	3,212,520	12,849,236	7,014,879	417,923	7,432,802
NET ASSET CREDIT—Lay and Priest Retirement Plans and Retired Clergy Health Plan	9,324,747		9,324,747	14,651,074		14,651,074
CHANGE IN NET ASSETS	18,961,463	3,212,520	22,173,983	21,665,953	417,923	22,083,876
NET ASSETS:						
Beginning of year	54,913,356	62,740,918	117,654,274	33,247,403	62,322,995	95,570,398
End of year	<u>\$73,874,819</u>	<u>\$65,953,438</u>	<u>\$139,828,257</u>	<u>\$54,913,356</u>	<u>\$62,740,918</u>	<u>\$117,654,274</u>

See notes to combined financial statements.

**THE ROMAN CATHOLIC DIOCESE OF CHARLOTTE
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

	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	\$ 4,380,425	\$ 499,790	\$ 163,374	\$ 152,588	\$ 338,171	\$ 48,854	\$ 73,498	\$ 5,656,700
Multicultural ministries	619,585	67,662	41,448	25,856	233,311	3,826	5,040	996,728
Contributions, grants and subsidies						1,569,102		1,569,102
Other	18,953	85,182	61,036	211,742	29,861		958	407,732
Education:								
Regional and diocesan schools	26,760,001		3,893,317					30,653,318
Other education and faith formation	1,272,334	367,149	130,124	7,001	175,117	750	2,995	1,955,470
Social service programs	3,170,469	555,866	165,014	292,322	177,340	973,999	4,625	5,339,635
Benefit program for lay parish employees	5,283,741							5,283,741
Property and liability insurance programs for parishes		933,739				10,074	61,135	1,004,948
Publication of Catholic News Herald	514,073	50,218	406,733	116,085	8,525		9,413	1,105,047
Conference/retreat centers	472,552	236,284	96,772	6,085	7,667	25	250	819,635
Tribunal	364,762	48,324	25,296	52,654	92,624	100	663	584,423
Total program expenses	42,856,895	2,844,214	4,983,114	864,333	1,062,616	2,606,730	158,577	55,376,479
ADMINISTRATIVE:								
Central office administration	2,340,557	45,348	287,334	207,768	183,978	65,499	12,202	3,142,686
Regional and diocesan schools administration	6,676,929	5,325,950	2,872,450	265,564	277,288		97,856	15,516,037
Social Services Administration	496,357	55,065	38,053	63,846	49,227	500	42,460	745,508
Interest—parish savings and investments							589,251	589,251
Interest—long-term debt							15,194	15,194
Depreciation and amortization		5,158,890						5,158,890
Other	326,061	139,744	87,684	123,161	51,466	693	12,318	741,127
Total administrative expenses	9,839,904	10,724,997	3,285,521	660,339	561,959	66,692	769,281	25,908,693
FUNDRAISING	625,437	50,525	504,417	286,714	35,392		46,292	1,548,777
TOTAL EXPENSES BEFORE CAPITAL CAMPAIGN ACTIVITIES IN THE STATEMENT OF ACTIVITIES	53,322,236	13,619,736	8,773,052	1,811,386	1,659,967	2,673,422	974,150	82,833,949
CAPITAL CAMPAIGN ACTIVITIES:								
Distributions to parishes—FFHL						3,256,855		3,256,855
Fundraising and other expenses—FFHL	21,430	2,571	89,698	98,600				212,299
Total capital campaign expenses	21,430	2,571	89,698	98,600	-	3,256,855	-	3,469,154
TOTAL EXPENSES PER THE STATEMENT OF ACTIVITIES	\$53,343,666	\$13,622,307	\$8,862,750	\$1,909,986	\$1,659,967	\$5,930,277	\$974,150	\$86,303,103

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, 2018 AND 2017

1. ORGANIZATION

The Roman Catholic Diocese of Charlotte (the "Diocese") serves the Roman Catholic Church in western North Carolina. The Diocese comprises a geographic area of 20,470 square miles covering 46 counties ranging from the North Carolina piedmont region to the North Carolina mountain region. The accompanying combined financial statements do not include the assets, liabilities, or activities of individual parishes and interparochial schools. 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, 2018 and 2017.
- The Mecklenburg Area Catholic Schools Education Foundation ("MACS Foundation"), which was dissolved as of June 30, 2017, conducted and administered 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, in which the assets and liabilities were distributed to MACS at that time. The Combined Statement of Activities for the year ended June 30, 2017 includes the results of MACS Foundation's operations.
- 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. Equipment held under finance leases and leasehold improvements is amortized over the shorter of the lease term or the estimated useful life of the related asset.

Property and equipment 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 2018 and 2017.

The major classes of property and equipment represented as of June 30, 2018 and 2017, are as follows:

	2018	2017	Life (In Years)
Land*	\$16,276,767	\$14,833,309	N/A
Land improvements	16,465,532	16,414,468	5–15
Buildings**	77,016,084	76,394,416	30–40
Furniture and equipment	9,791,905	9,030,707	3–10
Vehicles	2,610,080	2,337,316	5
Right-of-use assets (finance leases)	533,435	2,217,427	3
Interest in St. Matthew Education Center	5,561,332	5,561,332	Varies
Construction in progress	7,479,200	888,893	N/A
Property held for sale	17,500	17,500	N/A
	<u>135,751,835</u>	<u>127,695,368</u>	
Less accumulated depreciation	<u>(56,181,846)</u>	<u>(53,439,619)</u>	
Total	<u>\$79,569,989</u>	<u>\$74,255,749</u>	

* The Central Administration is the lessor in operating leases of various parcels of land, which are included in the land classification above. The cost basis for land leased totaled \$763,257 as of June 30, 2018 and 2017.

** MACS is the lessor in an operating lease associated with the former All Saints School (see Note 12), which is included in the buildings major class above. The cost balance for this lease totaled \$3,475,591 and the accumulated depreciation totaled \$2,397,931 and \$2,294,411 as of June 30, 2018 and 2017, respectively.

Accumulated depreciation related to right of use assets (finance leases) totaled \$178,675 and \$586,879 at June 30, 2018 and 2017, respectively.

The construction in progress as of June 30, 2018 and 2017 consists primarily of amounts expended by MACS for expansion of Christ the King Catholic High School, amounts expended in the design phase for Saint Joseph College Seminary, and amounts expended by the Central Administration on improvements to the storage facility.

Unexpended contractual commitments for MACS school facility improvements was approximately \$3.2 million and \$6.2 million at June 30, 2018 and 2017, respectively.

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 2018 or 2017.

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 \$9,324,747 for the year ended June 30, 2018 is primarily attributable to increases in the discount rate. 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 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. In fiscal year 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. Although the plan has been 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.

During fiscal years 2018 and 2017, each diocesan entity was assessed a percentage of lay employees' salaries to fund the contribution to the Lay Plan and certain other employee benefits. The assessment rate was 8.6% for the period July to December 2017, and 5.6% from January to June (after the Lay Plan freeze). The assessment rate was 8.4% during all of fiscal year 2017. It is the intent of the Central Administration for the minimum funding to be the actuarially recommended contribution amount.

In addition to contributing the actuarially recommended contribution amount to the Lay Plan for both fiscal years 2018 and 2017 of \$3,008,304 and \$3,562,267, respectively, the Central Administration contributed \$167,828 and \$455,886 in additional contributions to the Lay Plan during fiscal years 2018 and 2017, respectively.

Priest Retirement Plan—The Diocese sponsors the Diocese of Charlotte Priest Retirement Plan (the "Priest Plan") to provide pension benefits for diocesan priests. The Priest Plan provides benefits for priests who are fully vested, in a uniform monthly amount that is increased annually based on the change in the Consumer Price Index. The Priest Plan received contributions directly from a donor's bequest of \$148,016 in fiscal year 2018 and contributions directly from the Advancement Corporation of \$656,081 and \$973,171 during the years ended June 30, 2018 and 2017, respectively. In addition, the Central Administration also contributed the actuarially recommended contribution amount to the Priest Plan for both fiscal years 2018 and 2017 of \$735,179 and \$1,040,200, respectively, and \$347,275 in additional contributions to the plan during fiscal year 2018. There were no additional contributions to the plan during fiscal year 2017.

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 2018 and 2017 of \$286,496 and \$537,829, respectively, the Central Administration contributed \$135,032 and \$55,879 in additional contributions to the Plan during fiscal years 2018 and 2017, 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 2018 and 2017. 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 \$447,346 and \$431,640 in fiscal years 2018 and 2017, respectively, and are reported within expenses in the accompanying combined statements of activities. Starting in January 2018, in conjunction with the Lay Plan freeze, all diocesan entities also began contributing 5% of eligible salaries (basic contribution) on behalf of each eligible employee. The basic contribution for all diocesan entities is being held by the Central Administration until the end of the calendar year, at which time, participant eligibility for the basic contribution will be determined based on an employee's hours worked in the calendar year. As of June 30, 2018, funds held totaled \$1,296,982, which are included in accrued salaries, wages, and benefits in the accompanying combined statements of financial position.

Net Assets—Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets consist of the following:

Without Donor Restrictions—Net assets without donor restrictions consist of all resources that have no donor-imposed restrictions. The Diocese has designated unrestricted net assets as of June 30, 2018 and 2017, as follows:

	2018	2017
Future expenditures for:		
Triad Area Catholic Schools Education Foundation grants	\$ 136,633	\$ 175,449
Bishop McGuinness HS programs	23,812	21,183
Mecklenburg Area Catholic Schools capital projects	8,344,199	7,432,632
Mecklenburg Area Catholic Schools programs	3,271,357	2,709,239
Capital Campaign and DSA fundraising and administrative costs	568,268	289,778
Diocesan Support Appeal funded programs	9,787,372	9,347,311
Self insurance (property and employee health) and lay employee pension	8,563,463	5,693,532
Facility maintenance	1,291,553	1,291,553
Elderly outreach	739,649	739,649
Seminary College grant for future residence	96,235	
Other Diocesan programs	869,888	750,973
Reserve for potential investment/loan losses by DL Catholic Management designated endowments established with the Diocesan Foundation	3,191,469	2,951,758
	<u>4,412,364</u>	<u>4,270,076</u>
	<u>\$ 41,296,262</u>	<u>\$ 35,673,133</u>

With Donor Restrictions—Net assets subject to donor imposed restrictions stipulating how, when and/or if the net assets are available for expenditure. Some donor imposed restrictions are perpetual in nature, whereby the donor stipulates that resources be maintained into perpetuity. Others are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Net assets are released from restriction and reclassified to net assets without donor restrictions when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Gifts of long lived assets and gifts of cash restricted for the acquisition of long lived assets are released from restriction when the (long lived) assets are placed in service. The composition of net assets with donor restrictions as of June 30, 2018 and 2017 is presented in Note 16.

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

Contribution Revenue and Pledges Receivable—Contribution revenue is recognized upon receipt of assets (financial or nonfinancial) or an unconditional promise to give from a donor, and is measured at fair value. The classification of revenue as 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 that a tax position is required to meet before being recognized in the financial statements. Although these principles are primarily applicable to taxable business enterprises, an uncertain tax position may also include the characterization of income, such as a characterization of income as passive, a decision to exclude reporting taxable income in a tax return, or a decision to classify a transaction, entity, or other position in a tax return as exempt. The tax benefit from uncertain tax positions is recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits.

The Diocese and the entities comprising the combined financial statements had no unrecognized tax positions as of and during the years ended June 30, 2018 and 2017. The Diocese does not expect that unrecognized tax benefits will materially increase within the next 12 months. Fiscal year 2015 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 8, 2018, the date the combined financial statements were available to be issued.

Accounting Standards Updates—The FASB issued Accounting Standard Update (ASU) No. 2016-14, Not for Profit Entities—Presentation of Financial Statements of Not for Profit Entities in August 2016. 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 ASU is effective for annual periods beginning after December 15, 2017, but early adoption is permitted. The Diocese early adopted the ASU in fiscal year 2017 with retrospective application for the fiscal year ended June 30, 2016. Accordingly, there is no change in previously reported amounts for fiscal year 2017.

The Diocese adopted ASU No. 2016-02, Leases (Topic 842) issued by the FASB in February 2016, for the year ended June 30, 2018. The ASU is effective for nonpublic entities with annual periods beginning after December 15, 2019, but early adoption is permitted. The ASU increases transparency and comparability among organizations by requiring the recognition of right of use ("ROU") assets and lease liabilities on the balance sheet. Under the standard, disclosures are required to allow users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. In adopting the ASU, we have reflected leases existing at, or entered into after, June 30, 2016 using a modified retrospective approach. The Diocese has elected the permitted options to (1) not reassess existing or expired contracts to determine whether or not they contain leases under the definition of a lease under the new standard, (2) not reassess the classification of leases as operating or capital/finance for existing or expired leases, (3) not reassess previously capitalized initial direct costs to determine whether they would qualify for capitalization under the new standard, and (4) adopt the short term lease exception for leases with a term of 12 months or less for all asset classes.

The primary impact of adopting the ASU is the recognition of ROU assets and lease liabilities for operating leases, while our accounting for finance leases remains substantially unchanged. Adoption of the ASU resulted in the recognition of additional ROU assets and lease liabilities for operating leases totaling \$401,311 and \$525,612 as of June 30, 2018 and 2017, respectively. Adoption of the ASU did not result in any change to net assets with donor restrictions or to net assets without donor restrictions as of or for the year ended June 30, 2017.

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.

3. LIQUIDITY AND AVAILABILITY

Financial assets available within one year of the statement of financial position date, without donor or other restrictions limiting their use, comprise the following:

	2018	2017
Cash and cash equivalents	\$ 28,606,563	\$ 16,445,150
Investments	74,620,843	71,073,269
Endowment investments available for general purposes and for distribution in accord with the Foundation spending rate policy	2,008,289	1,643,061
Total cash, cash equivalents and investments	105,235,695	89,161,480
Pledges receivable, due within one year	7,215,252	11,101,411
Accounts receivable, due within one year	2,511,636	2,023,891
Notes receivable, due within one year	1,820,208	636,011
Advances to parishes, due within one year	330,759	205,404
	117,113,550	103,128,197
Less amounts unavailable for general expenditures:		
Required to satisfy donor restrictions	(17,369,937)	(21,489,688)
Required to satisfy management designations	(33,692,429)	(28,451,299)
Required for distributions, endowments, and grants	(985,575)	(1,821,674)
Financial assets available to meet cash needs for general expenditures and withdrawals of parish funds on deposit with DL Catholic within one year	65,065,609	51,365,536
Parish funds on deposit with DL Catholic (Note 8)	(44,574,720)	(38,182,100)
Financial assets available to meet cash needs for general expenditures within one year, excluding parish funds on deposit with DL Catholic	\$ 20,490,889	\$ 13,183,436

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% 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, 2018:

	FFHL	DSA	Other	Total
Unconditional promises at face value	\$16,879,566	\$1,277,744	\$1,219,672	\$19,376,982
Less allowance for uncollectible pledges	10,335,052		175,189	10,510,241
Less unamortized discount	260,588		69,409	329,997
Net unconditional promises to give	\$6,283,926	\$1,277,744	\$975,074	\$8,536,744
Amounts due in:				
Less than one year	\$15,007,612	\$1,277,744	\$460,567	\$16,745,923
One to five years	1,853,198		674,060	2,527,258
More than five years	18,756		85,045	103,801
Total	\$16,879,566	\$1,277,744	\$1,219,672	\$19,376,982

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 change in the allowance for uncollectible pledges for the year ended June 30, 2018, related to the FFHL campaign reflects additions of \$21,374 related to initial measurement of unconditional promises to give received in 2018 and \$418,245 related to additional allowances provided on unconditional promises to give received in previous years and outstanding at June 30, 2018, less write offs of \$1,016,566. 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. Pledges receivable due within one year as of June 30, 2018 and June 30, 2017, related to the FFHL campaign include past due accounts totaling approximately \$9,900,000 and \$8,200,000, respectively. Past due accounts include the portion of pledge receivables not paid when due under the pledge agreements.

5. NOTES RECEIVABLE—NET

Notes receivable consists primarily of term loans and lines of credit from DL Catholic to parishes and schools. Loans structured as lines of credit typically finance construction and facility improvement projects and do not have specific maturity dates, rather are converted to term loans upon completion of the related project. Term loans are typically structured to have terms up to 15 years. Line of credit loans generally bear interest at the prime rate minus 0.5%. The interest rate for term loans is generally based on the market swap rate for the applicable term of the borrowing at loan initiation, plus an additional percentage, which varies depending on the term of the borrowing. These notes bear interest at rates ranging 2.6% to 5.61% at June 30, 2018 and 2017.

As of June 30, 2018, 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	\$ 1,818,528
One to five years	6,938,644
More than five years	6,083,838
Less allowances	(323,641)
Net—term loans	14,517,369
Lines of credit	2,336,309
Notes receivable—net	\$16,853,678

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, 2018 and 2017, totaled \$3,011,540 and \$3,155,828, respectively. These advances are long term in nature and are reflected, net of allowances, at their estimated present value of \$2,097,379 and \$2,171,381 in the accompanying combined statements of financial position as of June 30, 2018 and 2017, respectively.

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, 2018 and 2017:

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

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

The estimated contribution to the Lay, Priest, and Retired Clergy Health plans for fiscal year 2019 is \$2,508,662, \$821,090, and \$377,944, respectively.

Benefits expected to be paid over the next 10 fiscal years as of June 30, 2018, are as follows:

Years Ended June 30	Lay Pension	Priest Pension	Retired Clergy Health
2019	\$3,965,122	\$951,003	\$292,777
2020	4,209,261	998,760	320,375
2021	4,443,008	1,129,601	363,369
2022	4,673,108	1,161,870	393,932
2023	4,877,005	1,240,952	424,906
2024–2028	26,534,781	6,692,913	2,458,711
Total	\$48,702,285	\$12,175,099	\$4,254,070

10. EMPLOYEE HEALTH BENEFITS

The Central Administration administers medical 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 plan. During fiscal years 2018 and 2017, approximately 14.3% and 13.3%, respectively, of the premiums submitted by diocesan entities were paid to the third party administrator for administrative services and the premiums for specific and aggregate stop loss coverages. The remaining portion of the premiums is designated by the 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 2018 and 2017, and aggregate coverage beginning at 125% of the actuarially projected total individual claims under \$175,000 for fiscal years 2018 and 2017. Total expenditures incurred for employee medical benefits were approximately \$11,516,000 and \$12,830,000 during fiscal years 2018 and 2017, respectively.

11. BONDS PAYABLE

Series 2000 Bonds—In June 2000, the North Carolina Educational Facilities Financial Agency issued \$19,700,000 of variable rate educational facilities revenue bonds (the “Series 2000 Bonds”) with final maturity on June 1, 2017. The proceeds therefrom have primarily been used to finance the acquisition and construction of the current campus of Bishop McGuinness Catholic High School (BMCHS) and to refinance the construction and equipping of a Mecklenburg Area Catholic Schools (MACS) entity. The Central Administration allocates a pro rata portion of the debt principal and interest expense relating to the Series 2000 Bonds to BMCHS and MACS.

The note was paid in full during fiscal year 2017. Principal and interest payments on the Series 2000 Bonds were supported by an irrevocable, direct pay letter of credit by a bank. The letter of credit expired on June 6, 2017 (bond payoff date).

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 interest rate swap matured during fiscal year 2017.

12. LEASES AND FACILITIES USAGE AGREEMENTS

Operating Leases—The Diocese is the lessee in various operating leases for office equipment and for office space. These leases have fixed lease payments and do not contain options to extend or terminate early. Operating lease costs for the Diocese totaled \$158,277 and \$140,932 for the years ended June 30, 2018 and 2017, 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 which are adjusted annually based on changes to the Consumer Price Index. Prepaid rent relating to the space lease of \$637,211 and \$671,968 as of June 30, 2018 and 2017, respectively, is reflected in deferred rent and right of use assets—operating leases in the accompanying combined statements of financial position. Unearned revenue relating to the ground lease of \$744,384 and \$784,987 as of June 30, 2018 and 2017, respectively, is reflected in unearned revenue in the accompanying combined statements of financial position. The prepaid rent expense on the space lease and the unearned revenue related to the ground lease are both being amortized on a straight line basis over the lives of the respective leases. Rental expense related to the space lease, net of income related to the ground lease, totaled \$41,101 and \$39,767 for the years ended June 30, 2018 and 2017 respectively.

The Diocese is also the lessor in various property leases with various third parties, some of which have variable lease payments linked to the Consumer Price Index to which the lease payments are adjusted at specified intervals throughout the lease term. The lease terms do not have options to extend or terminate early. Rental revenue pertaining to these leases totaled \$431,319 for the years ended June 30, 2018 and 2017, respectively. Undiscounted cash flows to be received on an annual basis for the remainder of these leases are \$427,873 for fiscal year 2019, \$431,715 for fiscal year 2020, \$435,592 for fiscal year 2021, \$441,641 for fiscal year 2022, \$378,442 for fiscal year 2023, and \$2,329,111 thereafter.

The Diocese 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, 2018 and 2017 exceeded rental payments received, a deferred rent asset of \$653,253 and \$726,507 is recorded in the statements of financial position as of June 30, 2018 and 2017, respectively. Undiscounted cash flows to be received on an annual basis for the remainder of this lease are \$774,707 for fiscal year 2019, \$843,146 for fiscal year 2020, \$925,117 for fiscal year 2021, and \$156,527 for fiscal year 2022.

Finance Leases—The Diocese is the lessee in finance leases for computer equipment used in our schools. The corresponding right of use assets of \$533,435 and \$2,217,427 as of June 30, 2018 and 2017, respectively, is reported within property and equipment—net in the accompanying combined statements of financial position. The lease obligation was \$372,266 and \$791,438 as of June 30, 2018 and 2017, respectively. Total lease costs related to these leases was \$731,841 and \$590,702 for the years ended June 30, 2018 and 2017, respectively, of which \$716,647 and \$586,879 is amortization of the right of use assets and \$15,194 and \$3,823 is interest expense on lease liabilities for the years ended June 30, 2018 and 2017, respectively.

The Diocese has also entered into a lease for computer equipment during fiscal year 2018 that had not commenced as of June 30, 2018, but for which significant rights and obligations have been created. This new 4 year lease will commence in July 2018 with a right of use asset and lease liability totaling \$2,341,152.

Short Term Leases—The Diocese is the lessee in a number of short term leases (defined as 12 months or less) primarily for housing various Religious Order priests and Religious Order sisters involved in diocesan ministry. As described in Note 2 above, the Diocese has elected the permitted option to adopt the short term lease exception for all asset classes and, therefore, does not record a right of use asset or lease liability for any of its short term leases. The total short term lease costs incurred were \$123,239 and \$103,025 for the years ended June 30, 2018 and 2017, respectively, and is reflected in other administrative expenses in the accompanying combined statement of activities.

The Diocese is also the lessor in a number of short term leases primarily of residential facilities that are not currently needed to house clergy or Religious Sisters. The short term rental revenue totaled \$147,744 and \$143,664 for the years ended June 30, 2018 and 2017, respectively, and is reflected in rental income in the accompanying combined statement of activities.

Future Minimum Lease Payments

Future minimum rental commitments under non-cancelable operating and finance leases as of June 30, 2018 are as follows:

Years Ended June 30	Operating Leases	Finance Leases	Total Leases
2018	\$141,897	\$190,389	\$ 332,286
2019	118,626	190,114	308,740
2020	113,539		113,539
2021	48,624		48,624
2022	237		237
Thereafter			-
Total	422,923	380,503	803,426
Less: amount representing interest on lease liabilities	(21,612)	(8,237)	(29,849)
Lease liability as of June 30, 2018	\$401,311	\$372,266	\$ 773,577
Lease liability as of June 30, 2017	\$525,612	\$791,348	\$1,316,960

Joint Facility Usage Agreements—MACS has agreements with participating parishes for their joint use, but not control, of various facilities with varying terms. These agreements provide for contingent rentals based on usage and may be amended or modified at any time. Expenses totaled \$602,129 and \$585,376 for fiscal years 2018 and 2017, respectively, and are reported within regional and diocesan schools administration expense in the accompanying combined statements of activities.

13. CONTINGENCIES

From time to time, the Diocese is subject to various disputes and legal proceedings arising in the ordinary course of business. Management is of the opinion, based upon information presently available, that it is unlikely that any liability to the extent not provided for through insurance or otherwise, would be material in relation to the Diocese’s 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, 2018; however, management believes the likelihood that the Housing Corporation will have to make any such payments is remote.

14. FAIR VALUE MEASUREMENTS

In accordance with accounting principles generally accepted in the United States of America, certain assets and liabilities are required to be measured at fair value on a recurring basis. For the Diocese, the assets and liabilities that are adjusted to fair value on a recurring basis are investments in debt and equity securities, investments in funds, beneficial interests in perpetual trusts, and interest rate swap agreements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous

market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

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

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

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

The assets and liabilities measured at fair value on a recurring basis as of June 30, 2018 and 2017, based on the three levels of inputs within the fair value hierarchy, are summarized as follows

Fair Value Measurement as of June 30, 2018

	Total	Level 1	Level 2	Level 3
Investments:				
Money market funds	\$ 495,625	\$ -	\$ 495,625	\$ -
Investments in certificates of deposit	1,694,108		1,694,108	
Variable rate demand notes	2,230,317		2,230,317	
Domestic large cap equity securities	6,701,516	6,701,516		
Domestic large cap equity funds	15,840,611		15,840,611	
Domestic bonds	24,823,277		24,823,277	
International bonds	3,522,502		3,522,502	
Mutual funds:				
Domestic small and mid cap equities	6,342,166	6,342,166		
International equities	21,257,143	21,257,143		
Domestic bonds	16,947,122	16,947,122		
International bonds	2,594,250	2,594,250		
Domestic high-yield bonds	4,538,172	4,538,172		
United States treasury notes	8,647,826		8,647,826	
Municipal bonds	2,744,896		2,744,896	
Agency securities	4,906,469		4,906,469	
Mortgage backed securities	2,428,546		2,428,546	
Other funds	43,987	43,987		
Total investments	125,758,533	58,424,356	67,334,177	-
Beneficial interest in perpetual trust	9,374,668		9,374,668	
Total	\$135,133,201	\$58,424,356	\$76,708,845	\$ -

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	\$ -

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 fiscal years 2018 and 2017.

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, 2018 and 2017.

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, 2018 and 2017, respectively, is summarized as follows:

Fair Value Measurement as of June 30, 2018 for the Lay Plan

	Total	Level 1	Level 2	Level 3
Domestic large cap equity securities	\$ 4,398,990	\$ 4,398,990	\$ -	\$ -
Domestic large cap equity funds	10,568,941		10,568,941	
Mutual funds:				
Domestic small and mid cap equities	4,143,863	4,143,863		
International equities	14,092,591	14,092,591		
Domestic bonds	11,281,183	11,281,183		
International bonds	1,695,278	1,695,278		
Domestic high-yield bonds	3,040,577	3,040,577		
Total	\$49,221,423	\$38,652,482	\$10,568,941	\$ -

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, 2018 for the Priest Plan

	Total	Level 1	Level 2	Level 3
Domestic large cap equity securities	\$ 1,236,826	\$ 1,236,826	\$ -	\$ -
Domestic large cap equity funds	3,047,366		3,047,366	
Mutual funds:				
Domestic small and mid cap equities	1,193,857	1,193,857		
International equities	4,066,016	4,066,016		
Domestic bonds	3,123,313	3,123,313		
International bonds	489,052	489,052		
Domestic high-yield bonds	876,514	876,514		
Total	\$14,032,944	\$10,985,578	\$3,047,366	\$ -

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, 2018 for the Retired Clergy Health Plan

	Total	Level 1	Level 2	Level 3
Domestic large cap equity securities	\$ 920,751	\$ 920,751	\$ -	\$ -
Domestic large cap equity funds	2,191,764		2,191,764	
Mutual funds:				
Domestic small and mid cap equities	877,467	877,467		
International equities	2,958,489	2,958,489		
Domestic bonds	2,176,671	2,176,671		
International bonds	340,613	340,613		
Domestic high-yield bonds	618,501	618,501		
Total	\$10,084,256	\$7,892,492	\$2,191,764	\$ -

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	\$ -

15. 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 16, 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 16 and 7 donor restricted endowments in which cumulative investment losses exceed cumulative investment gains ("underwater" endowments) as of June 30, 2018 and 2017, respectively. The aggregate original gift amount of the "underwater" endowment funds totals \$961,634 and \$109,245 as of June 30, 2018 and 2017, respectively. The aggregate fair value of the "underwater" endowment funds totals \$950,695 and \$106,097 as of June 30, 2018 and 2017, respectively, resulting in aggregate losses of "underwater" funds totaling \$10,939 and \$3,148 as of June 30, 2018 and 2017, 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, 2018 and 2017, \$5,000 and \$4,242, 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, 2018 and 2017 is as follows

2018	Without Donor Restrictions	With Donor Restrictions	Total
Designated	\$4,470,715	\$ -	\$4,470,715
Donor restricted:			
Purpose restrictions		33,364,699	33,364,699
No purpose restriction—time restriction only		101,208	101,208
Total funds	<u>\$4,470,715</u>	<u>\$33,465,907</u>	<u>\$37,936,622</u>
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	<u>\$4,316,205</u>	<u>\$29,827,912</u>	<u>\$34,144,117</u>

Changes in endowment assets for the year ended June 30, 2018 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets—beginning of year	\$4,316,205	\$29,827,912	\$34,144,117
Investment income	345,407	2,393,825	2,739,232
Additions		2,167,879	2,167,879
Distributions	(140,095)	(564,167)	(704,262)
Other changes:			
Administrative fees	(29,067)	(269,211)	(298,278)
Management fees	(21,735)	(90,331)	(112,066)
Endowment net assets—end of year	<u>\$4,470,715</u>	<u>\$33,465,907</u>	<u>\$37,936,622</u>

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:			
Administrative fees	(25,539)	(208,848)	(234,387)
Management fees	(19,290)	(75,105)	(94,395)
Endowment net assets—end of year	<u>\$4,316,205</u>	<u>\$29,827,912</u>	<u>\$34,144,117</u>

16. 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, 2018 and 2017, and the corresponding purposes for which the income is expendable are as follows:

	2018	2017
TRIAD Area Catholic Schools Education Foundation grants	\$50,300	\$50,300
Bishop McGuinness High School programs	231,657	168,273
Meckleburg Area Catholic Schools capital projects	142,431	126,437
Mecklenburg Area Catholic Schools programs	359,176	370,290
Catholic Charities' programs	553,001	750,797
Elderly Outreach	487,331	497,331
FFHL gifts for parishes	2,634,985	5,809,673
FFHL gifts for Priest Retirement Plan	764,749	1,426,078
FFHL gifts for facility construction and improvements	6,763,607	6,980,266
St. Joseph Seminary future residence building	3,502,060	2,773,557
Other programs	264,339	260,643
Amounts in excess of endowment corpus and annuities subject to expenditure for donor specified purposes:		
Parishes	1,127,042	889,839
Education	1,336,144	986,021
Clergy/vocations	904,402	723,229
Outreach programs and services	1,594,623	972,117
Diocesan programs	474,264	440,063
Nondiocesan programs	57,690	36,379
	<u>21,247,801</u>	<u>23,261,293</u>
To be held in perpetuity to generate income for donor specified purposes:		
Endowments (including endowment cash, pledges and other receivables for future investment):		
Parishes	10,011,134	9,447,573
Education	7,983,203	7,219,942
Clergy/vocations	3,242,376	3,013,260
Outreach programs and services	5,979,222	5,360,613
Other diocesan purposes	877,154	885,320
Nondiocesan	394,239	381,316
	<u>28,487,328</u>	<u>26,308,024</u>
FFHL gifts restricted for endowments:		
Education	480,329	1,050,643
Clergy/vocations	180,123	393,991
Outreach programs and services	540,370	1,181,973
Other diocesan purposes	360,247	787,983
	<u>1,561,069</u>	<u>3,414,590</u>
Beneficial interest in perpetual trust—parishes	4,554,469	4,690,544
Beneficial interest in perpetual trust—education	4,820,199	
Permanent loan fund—parishes	5,094,743	4,897,235
Annuity funds:		
Parishes	105,493	85,741
Clergy/vocations	22,156	22,144
Outreach programs	22,156	22,144
	<u>149,805</u>	<u>130,029</u>
Assets held in trust	38,024	39,203
Total net assets with donor restrictions	<u>\$65,953,438</u>	<u>\$62,740,918</u>

Protecting God's Children 2018

In 2002 the Catholic Church faced a grave crisis with revelations in Boston of the sexual abuse of children by clergy and the failure to act by Church personnel. Many Catholics began to question their faith and lost confidence in the Church that they loved. In response, the United States bishops met in June 2002 and issued the Charter for the Protection of Children and Young People. The Charter addressed the issue of child sexual abuse by Church personnel and established steps that every diocese must take to ensure that children are protected from the dangers of abuse. The Charter, meant to be a living document, was revised in 2005, 2011 and 2018.

In the 16 years since the Charter was issued, no other organization has accomplished what the Catholic Church has toward the goal of eliminating child sexual abuse. In the Diocese of Charlotte, tens of thousands of adults have participated in Protecting God's Children awareness workshops and have consented to criminal background checks in order to work or volunteer in the diocese – whether their work puts them in contact with children or not. During the past fiscal year, 2,929 diocesan personnel completed the Protecting God's Children program, and 3,940 criminal background checks were processed. The diocese has promulgated its own safe environment policies, including the Code of Ethics

and the Policy of the Diocese of Charlotte Regarding Sexual Misconduct by Church Personnel, which conform to the standards and updates of the Charter. All clergy, religious, lay employees and volunteers must adhere to the provisions in these policies.

These steps make the diocese's position clear: it is critical that adults take responsibility for their actions and promise to do whatever is necessary to keep children safe.

In August 2018, the Diocese of Charlotte participated in the annual Charter compliance audit conducted by StoneBridge Business Partners, an agency contracted by the U.S. Conference of Catholic Bishops. The audit covered the period of July 2017 through June 2018.

These activities represent a significant financial commitment on the part of the diocese. The cost of the various programs and measures outlined herein totaled \$102,711 during the fiscal year ended June 30, 2018. The diocese also provided financial assistance to victims and their families. During the past year, \$7,824 was provided for medical and counseling services. The diocese did not incur any costs during fiscal

2018 in connection with sexual misconduct lawsuits.

Recently, a Pennsylvania grand jury issued a report detailing clergy abuse which occurred in that state over a 70-year period. Allegations have also been made against several U.S. bishops. Catholics are once again saddened, angry and hurt by what they see as a crisis of leadership in the Church. In the words of Pope Francis, "We ask forgiveness for the times that, as a Church, we have not looked at the survivors of any type of abuse with compassion in the search for justice and truth, and with concrete actions."

The US Conference of Catholic Bishops believes it cannot and should not investigate itself over the charges of a cover-up that were made in Pennsylvania. While the exact response to this scandal is still being formed as of the publication date of this annual report, it appears certain that lay people will have a leadership role in ascertaining the truth of this matter and in recommending a just course of action. We must continue to act and use the lessons we have learned to change the culture within the Church to one of openness, transparency and accountability.

Jesus assures us that "I am the living bread." With His help, we will continue to uphold all efforts to protect the young and vulnerable from the crime of sexual abuse.

*"We need
to pray for
healing in
the Church."*

–Bishop Peter J. Jugis