



DIOCESE OF RALEIGH

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January 2023

Dear Brothers and Sisters in Christ,

In my role as Chief Financial Officer, I am honored to have the responsibility of making this Annual Report on the finances and other relevant data for the Catholic Diocese of Raleigh. The Diocesan finances are audited by the independent accounting firm of Cherry Bekaert LLP. The audited financial statements for the year ended June 2022 are published on the Diocesan website at <https://dioceseofraleigh.org/chief-financial-officer-chief-administrative-officer/audited-financial-statements>. If you need a copy of this document and do not have access to a computer, please contact Anna Aeloiza at (984) 900-3413.

I am pleased to report that our Diocese continues to be financially stable. The Diocese ran a small surplus from its day-to-day operations, and Diocesan unrestricted reserves (undesignated net assets) increased, even after the recent economic challenges due to the impact of the pandemic. Once again, the audit is accompanied by an *unmodified opinion*, which is the highest level of assurance issued by the auditors, indicating they believe the financial statements fairly represent the financial status of the Diocese. Our Diocese continues to experience signs of vibrancy, while it also faces some challenges, and it is making continued progress in key areas, highlighted below:

Growth, Vibrancy, and Challenges

- The growth in the Catholic population in the Diocese of Raleigh is resulting in the continuing design and construction of new facilities. A new building used for worship has been dedicated at Mother Teresa in Cary. A new parish office building has been completed at St. Brendan the Navigator in Shallotte. All Saints in Hampstead is poised to begin construction of new facilities, after having conducted a capital campaign. Holy Name of Jesus Cathedral is constructing a parish activity center on the Cathedral property. Construction is underway for a donor-funded Catholic chapel on Ocracoke Island. The Igbo Catholic Community of Raleigh has purchased land for a future facility. St. Andrew in Red Springs has purchased land in nearby St. Paul's for a future relocated parish site. Maria, Reina de las Americas in Mount Olive has submitted a self-study for added facilities on the parish campus, and Holy Family in Hillsborough has submitted a self-study for expanded facilities on its parish campus. Several other parishes are engaged in various phases of master site plan updates and smaller expansions and renovations.
- At the end of this fiscal year, the Diocese had 14 men in formation for the Priesthood, and two were ordained to the Priesthood in June 2022. The annual budget for tuition, room and board, and other expenses for seminarian education and formation is approximately \$1 million. While endowments and other gifts help fund these expenses, the Bishop's Annual Appeal (BAA) provides significant funding as well. I am grateful for the faithful who support the Seminarian

Partnership Program, who pray for increased vocations to the Priesthood and religious life, and who regularly pray for our seminarians by name.

- In a marked rebound from the past two pandemic years, parish offertory for the year ended June 2022 increased by 12% over the prior year. This compares very favorably to the parish offertory decline of 1% for the 2020-21 fiscal year (which ended in June 2021) and to the 5% decline that happened during the 2019-20 fiscal year. Offertory is the lifeblood of the financial support for parishes and for the pastoral and charitable ministries performed there. Through a modest assessment, offertory is the second single largest source of income to support the pastoral and charitable ministries and services of the central offices of the Diocese.
- The BAA for 2022, which funds the 2022-23 fiscal year, is expected to receive over \$7.7 million in pledges by the end of 2022. Many parishes will exceed their BAA goals, with expected rebates to parishes of almost \$1 million. However, because parishes which exceed goal receive all amounts paid over goal back in the form of a rebate, and because not every parish meets its goal, the BAA is currently projected to be over \$200,000 short of the original budgeted amount of the BAA for the Diocesan budget. This shortfall impacts the ability of the Diocese to fully perform necessary ministries and outreach and services.

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

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

87 parishes and missions (up from 44 parishes and missions last year and up from 22 parishes and missions the year before that) had an increase in offertory for the year ended June 2022 vs. the year ended June 2021. Of those 87 parishes that had an offertory increase, 29 had an annual increase of over 20%. Only 10 parishes (down from 53 parishes the previous year and down from 75 parishes and missions the year before that) had an offertory decline. This is excellent news.

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

- The Diocese provided approximately \$642,000 in the Diocesan operating budget in 2021-22 to support parishes and priestly ministry at parishes and at hospitals. A large part of this funding comes from the Bishop's Annual Appeal. This funding is provided so that a Catholic presence and a priestly ministry is maintained in rural parts of eastern North Carolina. This funding enables six priests to serve at small parishes and in hospital ministries, it subsidizes operations at 12 small parishes, and it provided one-time grants of \$56,000 to several other small parishes.
- In addition, the Diocese provided \$396,000 in financial support to enable there to be a priestly and religious presence at 6 campus ministry sites at college campuses across the Diocese.
- The Diocese has an Interest Free Home Revolving Loan Fund, which makes over \$5 million available for interest-free loans to small and poor parishes from the Interest Free Home Revolving Fund, which provides an opportunity for parishes to save \$100,000 per year in interest expense that can instead be devoted to pastoral ministry and outreach.
- The Diocese provided approximately \$1.5 million in financial support to Catholic Charities from the BAA. Catholic Charities receives more funding from the BAA than any other single ministry,

and the BAA is the largest single source of funding for Catholic Charities. I am grateful for the many volunteers who assist the Catholic Charities staff in its outreach and for the benefactors who provides the resources to make much of this outreach possible. Just as importantly, I also ask for you to join me in offering continued prayers for all those in need.

- The Diocese also made available \$54,000 in funding to parishes and other entities for the specific purpose of serving the poor through the Diocesan endowments targeted to serving the poor.
- The Parish Stewardship office of the Diocese continues to offer support to parishes which want to increase offertory so that parish ministries can be adequately funded.

Continued Areas of Progress

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

- The Catholic Community Deposit and Loan Fund, Inc. remains vibrant, with just under \$100 million on deposit in almost 500 accounts from parishes and schools across the Diocese. There is also approximately \$20 million on loan in 26 loans to parishes across the Diocese. The loan interest rate, which was 2.0% during 2021-22 and which changed to 3.0% in July 2022, and which changed again to 3.45% in December 2022, is to our knowledge among the lowest loan interest rates charged by any Diocese in the country to its parishes.
- At the same time, the interest rate on parish deposits, which can be withdrawn upon demand, was 0.2% during 2021-22, which was consistent with the prevailing rates for risk-free short-term deposits in the financial markets. That rate has increased to 0.75% effective July 2022 and increased again to 1.2% in December 2022. The Diocese continues to invest surplus parish deposits in fully government insured instruments that are not subject to market risk.
- The Diocese continues its commitment to conducting financial audits and internal control reviews at parishes and schools, with the objective of performing audits at parishes and schools every other year, and when there is a transition in pastors.
- The Diocese has a free bookkeeping service for small parishes, missions, and campus ministries without the resources to have a full-time paid staff person producing the financial statements and paying the bills. Currently, the Diocese is assisting 33 parishes, missions, and campus ministries in this manner with various levels of support.
- The Diocese has a 90% target funding status for the Priest and Lay Pension Plans. The funded status of the Priest Pension Plan increased from 85% in July 2020 to 104% in July 2021. Due to the downturn in the investment markets, the funded status of the Priest Pension Plan is at 90% as of July 2022. The funded status of the frozen Lay Pension Plan increased from 88% in January 2020 to 93% in January 2021 to 105% in January 2022. The estimated funded status of that plan as of July 2022 was 87%. In addition, the Clergy Long Term Care endowment is currently valued at \$6 million, building towards a target of \$10 million. The \$10 million target was actuarially developed to provide earnings for long term, uninsured care needs for Diocesan priests. I am grateful to the Diocesan Investment Committee for its wise counsel in helping us achieve these milestones.
- In this rapidly growing Diocese, it is necessary to be searching for land for future parishes and schools and to be purchasing land now, when the land is available and presumably less expensive than it will be in the future, in areas where future growth is expected to occur. The Diocese uses demographic projection software, in conjunction with capacity studies at existing parishes, to aid

it in identifying areas where the future sites will be located. During the 2020-21 fiscal year, the Diocese purchased land for a possible future parish in Pittsboro and for a possible future high school in Durham. In the 2021-22 fiscal year, the Diocese purchased land for a possible future parish in East Durham. In December 2022, the Diocese purchased land in the Holly Springs area for a potential future parish. A search is underway to identify land in various parts of the Diocese for future parishes and churches. The acquisition of additional funding for land purchases, as well as the identification of funding sources for those purchases, is one of the strategic priorities of the Diocese.

Strategic Diocesan Issues Addressed at the Priest Assembly

During the 2021-22 fiscal year, Bishop Zarama identified five strategic issues facing the Diocese for which he sought input from all the priests of the Diocese, who convened for a two-day Assembly. Those five strategic issues were:

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

Input was received from all priests and there is a game plan and timelines for addressing each of the above five bullets. In fact, a funding source was identified for the purchase of land for future parishes referenced in the second bullet, and searches are underway at this time for properties in six areas throughout the Diocese.

In Conclusion

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

I invite you to review the report on our Diocesan website at the web address listed at the beginning of this letter. This report visually highlights some key financial, statistical, and pastoral benchmarks, as an accompaniment to the annual financial audit. We take seriously our obligation of exercising proper

stewardship over the resources that have been entrusted to us, and I believe that you will find that we have honored that obligation and commitment.

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

Sincerely,

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

Diocesan Finance Council Members as of June 30, 2022

Mr. Greg Anglum, Chair (greg.anglum@gmail.com) – Retired, Senior Vice President and Chief Financial Officer, Bioventus, LLC | Mr. James T. Boyle, Jr. – Retired, Chief Operating Officer, LabCorp | Very Rev. Michael Burbeck – Vicar General and Pastor, St. Michael The Archangel, Cary | Ms. Rene Corders – Principal, St. Ann Catholic School | Dr. Russell Elmayan – Chief Financial Officer/Chief Administrative Officer, Diocese of Raleigh | Mr. Thomas Fenn – Certified Financial Planner, T Fenn Financial, | Mr. Kevin Green – Sr. Solution Architect and Practice Lead, IBM | Rev. Randy Gonzales, C.I.C.M., Pastor, Transfiguration Church in Wallace and Santa Clara Mission in Magnolia | Mr. Brian Reid – President Triangle Market, TowneBank | Mr. Tim Thronson – Retired Partner, PricewaterhouseCoopers

Diocesan Investment Committee Members as of June 30, 2022

Mr. Eric Freedman, Chair- Chief Investment Officer, U.S. Bank | Mr. Mark Corigliano- Head of Private Investments Team, DUMAC | Mr. Thomas Fenn – Certified Financial Planner, T Fenn Financial | Dr. Peter Nolan- Co-founder, QMS Capital

Diocesan Loan Committee Members as of June 30, 2022

Mr. Tim Thronson, Chair – Retired Partner, PricewaterhouseCoopers | Rev. Michael Burbeck – Pastor, St. Michael The Archangel, Cary | Mr. Peter Ciulla-Director of Financial Planning & Analysis, Diocese of Raleigh| Dr. Russell Elmayan – Chief Financial Officer/Chief Administrative Officer, Diocese of Raleigh | Mr. Robert Moloney – Principal, Wilmore Capital, LLC | Mr. Brian Reid – President Triangle Market, TowneBank