



## DIOCESE OF RALEIGH

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May 2022

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 2021 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, please contact Anna Aeloiza at (984) 900-3413.

I am pleased to report that our Diocese continues to be financially stable. The Diocesan unrestricted reserves remained essentially unchanged, even after the past two fiscal years with their 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. Even during some challenging times brought about by the pandemic during the last year and a half, our Diocese continues to experience signs of vibrancy, it also faces some challenges, and it is making continued progress in key areas, highlighted below:

### Growth and Vibrancy

- The growth in the Catholic population in the Diocese of Raleigh is resulting in the continuing design and construction of new facilities. A new church for Holy Infant in Durham has been completed and dedicated, as has an addition and renovation at the Duke Catholic Center in Durham. Site work, to be followed by construction of a new facility at Mother Teresa Mission in Cary is underway. A new parish office building is being constructed at St. Brendan the Navigator in Shallotte. Architectural planning and a campaign for new facilities at All Saints in Hampstead is in process. The Igbo Catholic Community of Raleigh has purchased land for a future facility. Several other parishes are engaged in various phases of master site plan updates and smaller expansions and renovations.
- There were 20 men in formation for the Priesthood at the beginning of the 2020-21 year, and two were ordained to the Priesthood during 2020. 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.

- Under the leadership of Bishop Zarama, the Diocese, along with Cardinal Gibbons High School and the parishes in the Triangle area, are continuing to financially support the Cristo Rey Research Triangle High School, which is now open in Durham. Cristo Rey schools are Catholic schools which provide a Catholic education for those who would not otherwise be able to afford it, with funding coming from local businesses, benefactors, and work-study performed by the students at local businesses.

### Challenges

- Due to the continued impact of the pandemic, parish offertory across the Diocese declined by 1% for the 2020-21 fiscal year (which ended in June 2021) vs. the previous year. This is an improvement from the 5% decline that happened during the 2019-20 fiscal year. These trends are unusual for our Diocese, given that the Diocese of Raleigh is one of the fastest growing Dioceses in the country. 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.
- Now that we have passed the one-year mark since the pandemic shutdown in mid-March of 2020, offertory is tracking above the same time in the prior year. Offertory for the period of July-September 2021 is running at 15% above the same time in the prior year, and it is running at 1% above the same time two years ago, pre-pandemic.
- The Diocesan central office and most parishes and schools across the Diocese applied for and received over \$12 million in funding from the Payroll Protection Plan (PPP) loans. The PPP loan applied for by the Diocese and on behalf of some of its smaller parishes of just under \$3.5 million has been forgiven. Parishes and schools applied on their own for another \$8.5 million and parishes navigated the forgiveness application process through their own local banks. The PPP funding, especially during the early months of the pandemic in 2020 when offertory dropped dramatically, helped avoid layoffs at our parishes and schools.
- The BAA for 2021, which funds the 2021-22 fiscal year, is expected to receive over \$7.7 million in pledges by the end of 2021. 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 \$100,000 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.

While 44 parishes and missions (up from 21 parishes and missions the previous year) had an increase in offertory for the year ended June 2021 vs. the year ended June 2020, 52 parishes (down from 75 parishes and missions the previous year) had an offertory decline. Fourteen parishes had an offertory increase of over 10%, while 18 parishes had an offertory decline of over 10%. This appears to be a microcosm of the uneven economic challenges and variabilities facing many today.

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

- The Diocese provided approximately \$667,000 in the Diocesan operating budget in 2020-21 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 11 small parishes, and it provided one-time grants of \$56,000 to several other small parishes.
- In addition, the Diocese provided \$440,000 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 provided \$190,000 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 approximately \$90 million on deposit in almost 500 accounts from parishes and schools across the Diocese. There is also approximately \$25 million on loan in 30 loans to parishes across the Diocese. The loan interest rate, at 2.0%, is to our knowledge the lowest loan interest rate 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, is 0.2%, consistent with the prevailing rates for risk-free short-term deposits in the financial markets. After exploration to determine if it would be prudent to adjust the asset allocation of the investment of surplus parish deposits so that some moderate risk could be taken so that an increased return could be realized which could increase deposit rates or decrease loan rates, upon the advice of the Diocesan Investment Committee, 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. Three auditors are in place, 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 30 parishes, missions, and campus ministries in this manner with various levels of support.
- The funded status of the Priest Pension Plan increased from 85% in July 2020 to 104% in July 2021. The funded status of the frozen Lay Pension Plan increased from 88% in January 2020 to 93% in January 2021. Using August 30 market values and assuming the standard actuarial return from September 2021 through December 2021, the end of year funded status of the Lay Pension Plan is projected to be 104%. In addition, the Clergy Long Term Care endowment is currently valued at \$7 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 current 2021-22 fiscal year, the Diocese purchased land for a possible future parish in East Durham. 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.

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. Elmayer, M.B.A., M.P.S., D.Min.  
Chief Financial Officer and Chief Administrative Officer

## Diocesan Finance Council Members

Mr. Greg Anglum, Chair- Retired, Senior Vice President and Chief Financial Officer, Bioventus, LLC; greg.anglum@gmail.com

Mr. James T. Boyle, Jr. -Retired, Chief Operating Officer, LabCorp

Rev. Msgr. David Brockman-Vicar General/Rector, Holy Name of Jesus Cathedral

Rev. Michael Burbeck - Pastor, St. Michael The Archangel, Cary

Ms. René Corders- Principal, St. Ann Catholic School, Fayetteville

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. Michael Martin, O.F.M. Conv. - Director, Duke Catholic Center

Mr. Robert Moloney - Principal, Wilmore Capital LLC

Mr. Brian Reid - President Triangle Market, TowneBank

Mr. Tim Thronson- Retired Partner, PricewaterhouseCoopers