ROMAN CATHOLIC
DIOCESE
OF CHARLESTON

February 7, 2019

Education Oversight Committee
Melanie Barton, Executive Director
P.O. Box 11867
Columbia, SC 29211

Dear Mrs. Barton:

Enclosed please find a list of Catholic schools within the State of South Carolina that will participate in the Education Credit for Exceptional Needs Children program for the 2019-2020 school year. Each of the schools listed meets the required Assurances and Financial Reporting measures.

Sincerely in Christ,

Michael F. Acquilano, J.D.
Director

cc: Hope Johnson-Jones, Education Oversight Committee
Ashley Thomas, Director, Department of Revenue
Chad Connelly, Executive Director, Exceptional SC

901 Orange Grove Rd. • Charleston, SC 29407 • (843) 261-0421 • Fax: (843) 804-9408 • www.sccatholic.org

DIOCESE OF CHARLESTON

SCHOOL	STREET ADDRESS	CITY	STATE	ZIPCODE	PHONE
Blessed Sacrament School	7 St. Teresa Drive	Charleston	SC	29407	843-766-2128
Charleston Catholic School	888 King Street	Charleston	SC	29403	843-577-4495
Christ Our King Stella Maris School	1183 Russell Drive	Mt. Pleasant	SC	29464	843-884-4721
Divine Redeemer school	1104 Fort Drive	Hanahan	SC	29406	843-553-1521
Holy Trinity School	1760 Living Stones Lane	Longs	SC	29568	843-390-4108
Nativity School	1125 Pittsford Circle	Charleston	SC	29412	843-795-3975
Our Lady of Peace School	137 Way of Peace	N. Augusta	SC	29841	803-279-8396
Our Lady of the Rosary School	2 James Drive	Greenville	SC	29605	864-277-5350
Prince of Peace School	1209 Brushy Creek Road	Taylors	SC	29687	864-331-3911
St. Andrew School	3601 N. Kings Hwy.	Myrtle Beach	SC	29577	843-448-6062
St. Anne School	1698 Bird Street	Rock Hill	SC	29730	803-324-4814
St. Anne & St. Jude School	11 S. Magnolia Street	Sumter	SC	29150	803-775-3632
St. Anthony School	2536 W. Hoffmeyer Road	Florence	SC	29501	843-662-1910
St. Anthony of Padua School	311 Gower Street	Greenville	SC	29611	864-271-0167
St. Francis School	45 Beach City Road	Hilton Head Is.	SC	29926	843-681-6501
St. Gregory the Great School	38 Saint Gregory Drive	Bluffton	SC	29909	843-815-9988
St. John School	3921 St. John Ave.	N. Charleston	SC	29405	843-744-3901
St. John Neumann School	721 Polo Road	Columbia	SC	29223	803-788-1367
St. Joseph School, Anderson	1200 Cornelia Road	Anderson	SC	29621	864-760-1619
St. Joseph School, Cola.	3700 Devine Street	Columbia	SC	29205	803-254-6736
St. Martin de Porres School	2225 Hampton Street	Columbia	SC	29204	803-254-5477
St. Mary Help of Christians School	118 York Street SE	Aiken	SC	29801	803-649-2071
St. Michael's School	542 Cypress Ave.	Murrells Inlet	SC	29576	843-651-6795
St. Peter School, Beaufort	70 Lady's Island Drive	Beaufort	SC	29907	843-522-2163
St. Peter's School, Cola.	1035 Hampton Street	Columbia	SC	29201	803-252-8285
Summerville Catholic School	226 Black Oak Blvd.	Summerville	SC	29485	843-873-9310
Bishop England High School	363 Seven Farms Drive	Charleston	SC	29492	843-849-9599
Cardinal Newman School	2945 Alpine Road	Columbia	SC	29223	803-782-2814
John Paul II School	4211 N. Okatie Hwy.	Ridgeland	SC	29936	843-645-3838
St. Elizabeth Ann Seton High School	1300 Carolina Forest Blvd.	Myrtle Beach	SC	29579	843-903-1400
St. Joseph School	100 St. Joseph's Drive	Greenville	SC	29607	864-234-9009

South Carolina Education Oversight Committee (EOC)
Annual Standards Assurance Form

School Year: 2019-20

Application to Participate in Educational Credit for Exceptional Needs Children (ECENC) Program

Please complete the information requested below concerning your independent school. This information will be listed on the South Carolina Education Oversight Committee's website, https://eoc.sc.gov/.

Independent School Name:	**Roman Catholic Diocese of Charleston**
Independent School Contact Person:	**Michael F. Acquilano, J. D.**
Independent School Address:	**901 Orange Grove Road**
City, State, Zip Code:	**Charleston, South Carolina 29407**
Independent School Telephone Number:	**(843) – 261-0535**
Independent School Fax Number:	**(843) – 804-9408**
Independent School E-mail Address:	**macquilano@charlestondiocese.org**
Independent School Website Address:	**www.charlestondiocese.org**

Please review the standards below that are based on Act 247 of 2018. An "eligible school" is defined as "an independent school including those religious in nature, other than a public school, at which the compulsory attendance requirements of Section 59-65-10 may be met." Please indicate whether your school has met or intends to meet each standard to ensure the following academic and reporting requirements are met. The South Carolina Education Oversight Committee reserves the right to **request additional documentation** to show the school is in compliance with state law. Failure to meet these standards or reporting requirements will result in your school being denied or removed from participation in the program.

STANDARDS	YES	NO
1. Offers a general education to primary or secondary school students.	x	☐
2. Does not discriminate on the basis of race, color, or national origin.	x	☐
3. Is located in this State.	x	☐
4. Has an educational curriculum that includes courses set forth in the state's diploma requirements, graduation certificate requirements for special needs children and where the students attending are administered national achievement or state standardized tests, or both, at progressive grade levels to determine student progress.	x	☐
5. Has school facilities that are subject to applicable federal, state, and local laws.	x	☐
6. Is a member in good standing of the Southern Association of Colleges and Schools, the South Carolina Association of Christian Schools, the South Carolina Independent Schools Association, or the Palmetto Association of Independent Schools.	x	☐
7. Provides a specially designed program or learning resource center to provide needed accommodations based on the needs of exceptional needs students or provides onsite educational services or supports to meet the needs of exceptional needs students or is a school specifically existing to meet the needs of only exceptional needs students with documented disabilities.	x	☐

REPORTING REQUIREMENTS	YES	NO
1. If your school received any grants from Exceptional SC in school year 2018-19, then your school will report to the EOC the number and total dollar amount of grants received in the 2018-19 school year from Exceptional SC by September 1, 2019.	x	☐
2. Your school will submit to the EOC by September 1, 2019 a statement of services that documents your school: (a) provides a specially designed program or learning resource to provide needed accommodations based on the needs of exceptional needs students; or (b) provides onsite educational services or supports to meet the needs of exceptional needs students; or (c) exists specifically to meet the needs of only exceptional needs students with documented disabilities.	x	☐
3. Your school will submit to the EOC by November 15, 2019 the school-level assessment results for all grades in the school and for each grade with at least (10) students tested. Results should be provided for English language arts (reading) and mathematics achievement of students in each grade tested in school year 2018-19.	x	☐
4. If your school received grants from Exceptional SC in school year 2018-19, the school will submit by November 15, 2019 individual student test scores on national achievement or state standardized tests for any student in grades one through twelve who received a grant from the program during school year 2018-19. The data will be collected using a secure portal. No personally identifiable information will be published; instead, the information will be aggregated.	x	☐
5. If your school received grants from Exceptional SC in school year 2018-19, the school will submit to the EOC a copy of a compilation, review, or compliance audit of the organization's financial statements as relating to the grants received, conducted by a certified public accounting firm by November 15, 2019.	x	☐

I assure that all documents submitted to the SC Education Oversight Committee for the purpose of applying as an eligible school, as defined by state law, is true, accurate, and complete under penalty of perjury in accordance with Section 16-9-10 of the South Carolina Code of Laws. Failure to report to the EOC the required data will result in the school being removed from the list of approved school.

Signature: Michael F. Acquilano

Date: 2/5/19
Printed Signature: Michael F. Acquilano, J. D.
Title: Director, Catholic Conference
Email: macquilano@charlestondiocese.org

Document A
Grants Received

Educational Credit for Exceptional Needs Children (ECENC) Program
2019-20

Independent School Name: Catholic Schools in South Carolina

An independent school participating in the ECENC Program is required to submit the following information by **September 1**:

How many students in kindergarten through grade 12 were enrolled in your school in the prior school year? See attached

What is the total number of grants and total amount of grants received in the prior school year from Exceptional SC? Please complete the following chart and sign below.

If no grants for any qualifying student were received from Exceptional SC in the prior school year, please indicate with "0" grants received and "$0" in total amount of grants received from Exceptional SC.

Total Number of Grants Received	Total Amount of Grants Received
# see attached	$ see attached

Total number of grants is the number of individual children/students who received a grant even if the school received more than one grant for a specific child/student.

Signature: Michael F. Acquilano

Date: August 26, 2019

Print Name of Signature Above: Michael F. Acquilano

Title: Director

Email: macquilano@charlestondiocese.org

Document A - Grants Received

	SCHOOL	Enrollment in 4th Quarter 2019	Exceptional SC Enrollment:	Percent of Population:	Grants Received:
1	Bishop England Catholic School - Charleston	664	60	9%	349,550.00
2	Blessed Sacrament Catholic School - Charleston	246	17	7%	75,151.50
3	Cardinal Newman High School - Columbia	571	83	15%	515,010.00
4	The Charleston Catholic School - Charleston	182	34	19%	135,460.50
5	Christ Our King Catholic School - Mount Pleasant	588	31	5%	85,160.00
6	Divine Redeemer Catholic School - Hanahan	148	7	5%	20,330.00
7	Holy Trinity Catholic School - N. Myrtle Beach	87	8	9%	34,725.00
8	John Paul II Catholic School - Ridgeland	217	25	12%	100,425.00
9	Nativity Catholic School - Charleston	100	10	10%	25,652.50
10	Our Lady of Peace Catholic School - N. Augusta	166	35	21%	81,912.50
11	Our Lady of the Rosary Catholic School - Greenville	152	33	22%	175,015.00
12	Prince of Peace Catholic School - Taylors	149	12	8%	34,020.00
13	St. Andrew Catholic School - Myrtle Beach	188	28	15%	129,640.00
14	St. Anne & St. Jude Catholic School - Sumter	84	6	7%	12,024.00
15	St. Anne Catholic School - Rock Hill	357	24	7%	176,946.00
16	St. Anthony of Padua Catholic School - Greenville	136	9	7%	41,600.00
17	St. Anthony Catholic School - Florence	113	13	12%	47,917.00
18	St. Elizabeth Ann Seton High School - Myrtle Beach	30	7	23%	28,110.00
19	St. Francis School Catholic School - Hilton Head	213	8	4%	31,720.00
20	St. Gregory the Great Catholic School - Bluffton	184	4	2%	12,585.00
21	St. John Catholic School - N. Charleston	50	30	60%	150,025.00
22	St. John Neumann Catholic School - Columbia	295	25	8%	116,524.50
23	St. Joseph Catholic School - Anderson	79	10	13%	44,627.50
24	St. Joseph Catholic School - Columbia	265	32	12%	134,478.50
25	St. Joseph Catholic School - Greenville	695	42	6%	315,160.00
26	St. Martin de Porres Catholic School - Columbia	48	0	0%	-
27	St. Mary Help of Christians Catholic School - Aiken	207	9	4%	45,445.00
28	St. Michael Catholic School - Murrells Inlet	94	4	4%	21,800.00
29	St. Peters Catholic School - Beaufort	106	4	4%	14,900.00
30	St. Peters Catholic School - Columbia	114	18	16%	61,764.00
31	Summerville Catholic School - Summerville	171	10	6%	32,100.00
	TOTAL	6699	638	10%	3,049,778.50

Document B
Statement of Services

Educational Credit for Exceptional Needs Children (ECENC) Program
2019-20

Independent School Name: Catholic Schools in South Carolina

An independent school participating in the Educational Credit for Exceptional Needs Children is required to submit a Statement of Services by **September 1** that documents that the school:

- **(a) provides a specially designed program or learning resource to provide needed accommodations based on the needs of exceptional needs students; or**
- **(b) provides onsite educational services or supports to meet the needs of exceptional needs students; or**
- **(c) exists specifically to meet the needs of only exceptional needs students with documented disabilities.**

Please sign below and attach a statement of services.

Signature: Michael F. Acquilano

Date: August 26, 2019

Print Name of Signature Above: Michael F. Acquilano

Title: Director

Email: macquilano@charlestondiocese.org

Name of Catholic school	Please list the documented disabilities of the children your school plans to serve in the school year.	Please list the academic supports (resource room, specifically designed program, accommodations, staff, etc.) provided to these children.
Bishop England High School	ADHD, LD-AP, LD-NOS, Anxiety, LD-M, Visual Impairment, AP, LD-R, Autism, Ectodermal Dysplasia, LD-WE, Aspergers, Cognitive Disability, Dyslexia, Dysgraphia and Executive Function	The school provides a seperate program, Options Program, for students with Cognitive Disability or other severe learning disabilities. We provide accomodations for students with a diagnosed disability, and also provide extra assistance through a learning lab and math tutors. All staff is receives additional training yearly to assist with student with learning differences.
Blessed Sacrament Catholic School	speech/language, ADHD, selective mutism, Anxiety Disorder, Post Traumatic Strss Disorder, Hyperactivity, Dyslexia, Oppositional Defiant Disorder, Hypertopia Supertropia superior obligue palsy, dfect in binocular usia, Learning disabilities	Resource Room, Specific Program, Accommodations for classroom and outside assistance available.
Cardinal Newman School	Down Syndrome; Autism; Dyslexia; Dysgraphia; hearing impaired; ADHD with executive functioning difficulties; math and reading disabilties; Asperger's Syndrome; Tourette's Syndrome	Specific Program for cognitively challenged (DeLaSalle Program); resource room; special education certified teacher; accommodations for learning challenges; all staff trained in implementing accommodations; all staff trained in differentiated instruction
Christ Our King-Stella Maris Catholic School	Dysgraphia, Dyslexia, Downs Syndrome, Hearing Impairments, ADHD, Processing Disorders	Resource Room, academic accomodations, extended testing time, study skills class, individualized study sessions, teacher support, resource immersion and reading support
Divine Redeemer Catholic School	Deaf/Hard of Hearing & Speech or Language Impairment, ADD, Autism Spectrum Disorder	We make accommodations as possible after consultation with parents. Tutoring outside the classroom from trained staff and outside professionals.
Holy Trinity Catholic School	Autism Spectrum Disorder(3), Hearing Impared(1) Specific Learning Disability(1)	2 resource staff, accommodation plans for each student followed by resource staff and teachers
John Paul II Catholic School	ADHD, Specific Learning Disabilities, Dyslexia, Visual and Hearing Impairments, Physical Disabilities, Spectrum Disorders	Inclusionary classrooms, Modified instruction, Certified Special Education teacher, Math tutor, Provision of accommodations such as extended time, small testing environment, extra assistance,audio books, voice recognition software and other accommodations and modification designed for specific students.
Nativity Catholic School	Developmental Delay (Downs Syndrome)	Resource room; 1 staff member; accommodations for support plan
Our Lady of Peace Catholic School	ADHD, Speech and language, Developmental delay, Occupational therapy, legally blind, Autism, Fanconi anemia, orthopedic deformity, adjustment disorder (depression/anxiety), Tourette's disorder, Anxiety disorder, Coordination disorder, Congenital Club Foot, Sensory processing disorder, Learning disability	Resource teacher, Instructional Extension classes for reading and math, tutorial programs, accommodations by teacher and staff, professional development for teachers to teach students with special needs

Our Lady of the Rosary Catholic School	Hearing Impaired, Down's Syndrome, ADHD, Dyslexia, Autism, and all areas covered in the Arrowsmith Program.	Arrowsmith Program, Inclusion Program with support staff, accommodations provided using a Student Academic Plan
Prince of Peace Catholic School	ADHD, Specific Learning Disabilities, Dyslexia, Visual and Hearing Impairments, Physical Disabilities, Spectrum Disorders	Resource room, specifically named program, professional development for teachers
Saint John Catholic School, North Charleston	Autism Spectrum Disorders, Cognitive conflicts, Processing conflicts, Attention conflicts, Behavioral conflicts, Skill and Strategy conflicts, Attention Deficit Disorder - with hyperactivity, -without hyperactivity, -selective attention, - passive inattention, dyslexia, processing problems, retrieval problems, output problems, modality problems, memory problems, ADHD, separation anxiety	Newly constructed sensory room, K4 -K5 limited to 15 students, Grades 1 - 8 class size is 10 students or less, curr. flexibility to meet the needs of our students, accommodations based on student need, carefully revised and newly purchased playground equipment, teacher support staff as needed
St Anthony of Padua Catholic School	Speech and Hearing, ADHD, Autism Spectrum	speech and hearing pathologist Special education teacher student support team
St. Andrew Catholic School	Dyslexia, Cerebral Palsy, ADHD and emotional disorder, brain tumor.	Dyslexia Tutors, Shadow for the Cerebral Palsy student and student with severe learning disability and ADHD, Learning Ally-texbooks by audio device, one reading resource specialist, one certified LD teacher to work as the shadow, two part-time, certified nurses, a resource room for tutoring for shadows to accommodate individualized learning, the parish rectory being transformed into a tutor center for children diagnosed with dyslexia.
St. Anne St. Jude Catholic School, Sumter	Dyslexia, ADD, ADHD, Autism	Accommodations within the classroom; tutoring outside of the classroom from staff.
St. Anne Catholic School, Rock Hill	Autism Spectrum Disorder, Specific Learning Disability (both reading and math), Other Health Impaired, Dyslexia	Resource Room, Reading Intervention Program, Leveled Literacy Intervention, Barton Reading System, Special Education Teacher, Reading Interventionist, Guidance Couselor, Classroom Aids, Students may be pulled out for up to an hour a day for special education services or related assistance, teachers provide accommodations and modifcations to the regular curriculum
St. Anthony Catholic School, Florence	Attention Deficit Hyperactivity Disorder, Fine Motor Delay, Expressive Language Disorder, Delayed Milestone, Visual Impairment, Short Term Memory Disorder, ADD/ ADHD, Speech disorder, Expressive Speech Delay, ADHD, Autism, OHI, Specific Learning Disability	Resource Room, Full-Time Exceptional Education Teacher, one-on-one pull out services, small group testing, collaborative teaching, classroom acccommodations from classroom teachers, environmental accommodations, social group, supportive technology
St. Elizabeth Ann Seton High School	Expressive Language Disorder, Delayed Milestone, Short Term Memory Disorder, ADD/ ADHD, Speech disorder, Expressive Speech Delay, ADHD, Autism, OHI, Specific Learning Disability	Accommodations within the classroom; tutoring outside of the classroom from staff.
St. Francis Catholic School	Dyslexia, ADD, ADHD, Autism	Learning Center that manages in class modifications and accomidations
St. Francis Xavier Catholic School	Mild Autism, OHI	Learning Center that manages in class modifications and accomidations

St. Gregory the Great Catholic School	ADHD, Speech and Hearing, Autism Spectrum	Accommodations within the classroom; tutoring outside of the classroom from staff.
St. John Neumann Catholic School	ADHD, Autism, Speech, Pachygria, Cognitive deays, language delays, working memory issues, hearing loss, cerebral palsey	Learning Center with teacher with masters in learning disability, counselor, speech pathologist, Discovery Center
St. Joseph Catholic School, Anderson	Other health impairments, Autism, Dyslexia	Accommodations through Student Academic Plan, Orton- Gillingham trained support staff
St. Joseph Catholic School, Greenville	Autism spectrum disorders, ADD, Dyslexia, Generalized Anxiety Disorder, ADHD, Oppositional Defiance Disorder, Specific Learning Disability in Reading, Cerebral Palsey	1.5 rooms dedicated to academic accommodations; one full-time and one part time teachers with certification in academic coaching and special education, several accommodation plans tailored to individual students; in-house tutoring/coaching
St. Joseph Catholic School,. Columbia	ADHD, SLD, LD, Dysgraphia, OHI	Speech therapy -private therapist, Director of Student Success (interventionist), teaching assistants for classroom support, school counselor, professional development for classroom teachers, Student Assistance Plans for all students with documented needs
St. Mary Help of Christians Catholic School	ADHD, Intellectual Disability, OHI, SLD, Specific Learning Disability, Executive Functioning, Orthopedically Handicapped, Visually Impaired	Resource Room, Paraprofessional one-on-one assistance as prescribed in student plan, twice-yearly meetings with parents to review/revise plans, course modifications, classroom accommodations, Counseling. Several teachers are special education certified. Principal and assistant principal have special education certifications.
St. Martin de Porres Catholic School	ADHD, Speech and language, Developmental delay, Anxiety disorder	Resource room, professional development for teachers, individualized education
St. Michael Catholic School	ADHD, Speech and language, Developmental delay, Occupational therapy, Autism, Tourette's disorder, Anxiety disorder	Resource room, specifically named program, professional development for teachers
St. Peter Catholic School, Beaufort	Health Impairment, Delays in Reading, Dyslexia, Emotionally Disturbed, Specific Learning Disability, Speech & Language Delays, Autism Spectrum, Sensory Integration Dysfunction, Expressive Language Disorders	We have a well established Learning/Resource Center
St. Peter Catholic School, Columbia	Autism, ADHD, ADD,CP,Speech,	Classroom accommodations made by classroom teachers and resource room.
Summerville Catholic School	Autism spectrum disorders, ADD, Dyslexia, Generalized Anxiety Disorder, ADHD, Specific Learning Disability in Reading	Learning Center that manages in class modifications and accomidations
The Charleston Catholic School	Autism, ADHD, Learning Disorder in Reading & Written Expression, Developmental Delay, Speech & Language Impairment, Anxiety Disorder, Developmental Coordination Delay & Sensory Integration, Tourette's Syndrome, Intractable Chronic Migraines, Dysgraphia	Student Success Program, Student Success Director, and Student Success Classroom

ROMAN CATHOLIC
DIOCESE OF CHARLESTON

November 14, 2019

Education Oversight Committee
Attn: Hope Johnson-Jones
1105 Pendleton St # 227
Columbia, SC 29201

Dear Ms. Johnson-Jones:

The request for the school-level data for St. Martin de Porres cannot be fulfilled due to the class size requirement in the law. We administered the Map test to students in grades K-6th in ELA and Math and no grades tested had 10 or more students, This is why we cannot submit school-level assessment data to the EOC for 2018-19.

Please let me know if we can do anything else to assist with the process.

Sincerely in Christ,

Michael F. Acquilano

Michael F. Acquilano, J.D.
Secretary

901 Orange Grove Rd. • Charleston, SC 29407 • (843) 261-0421 • Fax: (843) 804-9408 • www.sccatholic.org

CHANCERY OF THE ROMAN CATHOLIC DIOCESE OF CHARLESTON

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2019 and 2018

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

CHANCERY OF THE ROMAN CATHOLIC DIOCESE OF CHARLESTON

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To Bishop Robert E. Guglielmone
Bishop of Charleston
Chancery of the Diocese of Charleston
Charleston, South Carolina

We have audited the accompanying financial statements of the Chancery of the Roman Catholic Diocese of Charleston (a South Carolina corporation), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 the entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Chancery of the Roman Catholic Diocese of Charleston as of June 30, 2019 and 2018, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As discussed in Note 2, in August 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Cherry Bekaert LLP

Greenville, South Carolina
October 24, 2019

CHANCERY OF THE ROMAN CATHOLIC DIOCESE OF CHARLESTON

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 15,419,398	$ 20,317,895
Investments	29,811,486	14,724,656
Funds held in trust by affiliate:		
Pooled investments	33,923,331	34,285,932
Receivables from other Diocesan entities:		
Loans receivable, net	39,053,030	39,938,488
Other receivables, net	2,409,875	872,861
Other receivables	318,837	207,631
Other assets	2,136,996	2,053,533
Property and equipment, net	40,377,605	38,285,124
Total Assets	$ 163,450,558	$ 150,686,120
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 1,100,622	$ 870,057
Deposits and loan funds payable	64,897,570	57,802,487
National Collections and other payables	2,881,221	1,855,023
Interest rate swap agreement	-	5,022
Bonds payable, net	21,892,305	22,931,348
Total Liabilities	90,771,718	83,463,937
Net Assets:		
Without donor restrictions:		
Designated	38,304,580	36,769,496
Operating	20,545,382	15,712,385
	58,849,962	52,481,881
With donor restrictions	13,828,878	14,740,302
Total Net Assets	72,678,840	67,222,183
Total Liabilities and Net Assets	$ 163,450,558	$ 150,686,120

The accompanying notes to the financial statements are an integral part of these statements.

CHANCERY OF THE ROMAN CATHOLIC DIOCESE OF CHARLESTON

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue:			
Parish assessment income	$ 7,213,667	$ -	$ 7,213,667
Contributions and grants	156,862	4,594,499	4,751,361
Investment return, net	3,072,552	426,251	3,498,803
Supporting services fees	4,540,922	-	4,540,922
Other revenue	4,651,818	-	4,651,818
	19,635,821	5,020,750	24,656,571
Net assets released from restrictions	5,932,174	(5,932,174)	-
Total Support and Revenue	25,567,995	(911,424)	24,656,571
Expenses:			
Program Services:			
Pastoral	7,663,466	-	7,663,466
Church personnel	1,974,957	-	1,974,957
Diocesan services	3,677,049	-	3,677,049
Property, liability, and health insurance programs	4,785,566	-	4,785,566
Education	1,792,943	-	1,792,943
Cemeteries	632,895	-	632,895
Deposit and loan	23,440	-	23,440
Interest expense	2,050,191	-	2,050,191
Total Program Services	22,600,507	-	22,600,507
Supporting Services:			
General and administration	3,161,267	-	3,161,267
Institutional advancement	333,687	-	333,687
Total Supporting Services	3,494,954	-	3,494,954
Total Expenses	26,095,461	-	26,095,461
Change in net assets before derivative adjustment and gain on sale	(527,466)	(911,424)	(1,438,890)
Gain on sale of property and equipment	6,890,525	-	6,890,525
Adjustment on interest rate swap agreement	5,022	-	5,022
Change in net assets	6,368,081	(911,424)	5,456,657
Net assets, beginning of year	52,481,881	14,740,302	67,222,183
Net assets, end of year	$ 58,849,962	$ 13,828,878	$ 72,678,840

The accompanying notes to the financial statements are an integral part of this statement.

CHANCERY OF THE ROMAN CATHOLIC DIOCESE OF CHARLESTON

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2018

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue:			
Parish assessment income	$ 6,750,179	$ -	$ 6,750,179
Contributions and bequests	162,759	5,200,404	5,363,163
Investment return, net	3,552,617	884,920	4,437,537
Supporting services fees	4,413,550	-	4,413,550
Other revenue	4,444,452	-	4,444,452
	19,323,557	6,085,324	25,408,881
Net assets released from restrictions	4,904,699	(4,904,699)	-
Total Support and Revenue	24,228,256	1,180,625	25,408,881
Expenses:			
Program Services:			
Pastoral	6,862,362	-	6,862,362
Church personnel	1,807,230	-	1,807,230
Diocesan services	3,071,125	-	3,071,125
Property, liability, and health insurance programs	3,717,977	-	3,717,977
Education	1,638,222	-	1,638,222
Cemeteries	659,956	-	659,956
Deposit and loan	25,653	-	25,653
Interest expense	1,775,881	-	1,775,881
Total Program Services	19,558,406	-	19,558,406
Supporting Services:			
General and administration	2,898,689	-	2,898,689
Institutional advancement	351,569	-	351,569
Total Supporting Services	3,250,258	-	3,250,258
Total Expenses	22,808,664	-	22,808,664
Change in net assets before derivative adjustment	1,419,592	1,180,625	2,600,217
Adjustment on interest rate swap agreement	29,462	-	29,462
Change in net assets	1,449,054	1,180,625	2,629,679
Net assets, beginning of year	51,032,827	13,559,677	64,592,504
Net assets, end of year	$ 52,481,881	$ 14,740,302	$ 67,222,183

The accompanying notes to the financial statements are an integral part of this statement.

CHANCERY OF THE ROMAN CATHOLIC DIOCESE OF CHARLESTON

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 5,456,657	$ 2,629,679
Adjustments to reconcile change in net assets to net cash from operating activities:		
Amortization of bond issue costs	19,871	19,869
Interest rate swap agreement	(5,022)	(29,462)
Net realized and unrealized gains on investments	(1,407,250)	(2,540,408)
Depreciation	1,422,807	1,282,047
Gain on disposal of property and equipment	(6,890,525)	-
Changes in assets and liabilities:		
Other receivables - Diocesan entities	(1,537,014)	(366,503)
Other receivables	(111,206)	(69,925)
Other assets	(83,463)	36,931
Accounts payable and accrued expenses	230,565	76,453
Net cash from operating activities	(2,904,580)	1,038,681
Cash flows from investing activities:		
Proceeds from investment transactions	53,999,610	14,075,983
Purchases of investments	(67,316,589)	(20,628,208)
Funding of loans receivable	(2,878,185)	(1,794,040)
Repayments of loans receivable	3,763,643	4,244,197
Purchases of property and equipment	(3,916,007)	(6,296,805)
Proceeds from sale of property and equipment	7,291,244	-
Net cash from investing activities	(9,056,284)	(10,398,873)
Cash flows from financing activities:		
Change in deposits and loan funds payable	7,095,083	13,296,687
Change in payables to other Diocesan entities, net	1,026,198	(1,596)
Payments on bonds payable	(1,058,914)	(1,032,480)
Net cash from financing activities	7,062,367	12,262,611
Change in cash and cash equivalents	(4,898,497)	2,902,419
Cash and cash equivalents, beginning of year	20,317,895	17,415,476
Cash and cash equivalents, end of year	$ 15,419,398	$ 20,317,895
Supplemental cash flow information:		
Cash paid for interest	$ 2,352,108	$ 2,145,559

The accompanying notes to the financial statements are an integral part of these statements.

Note 1—Organization

The Roman Catholic Diocese of Charleston (the "Diocese"), a unit of the Roman Catholic Church, is a corporation sole, organized under the laws of the state of South Carolina under the name Bishop of Charleston. The Diocese comprises the entire state of South Carolina with Charleston as its See city. Founded on July 11, 1820 by Pope Pius VII, it is one of the oldest Catholic dioceses in the United States. There are currently 115 active Catholic parishes and missions across the state and 33 Catholic schools with 28 parochial schools, 4 Diocesan high schools, and one private Catholic high school. There are no shareholders to the corporation, only the holder of the office of Bishop.

The Diocese consists of various distinct operating entities administered through the Diocesan structure. Each entity maintains its own separate accounts and carries on specific services and programs. The various entities can be categorized as follows: the Chancery of the Roman Catholic Diocese of Charleston (the "Chancery"), which includes various Diocesan level programs or activities (pastoral, church personnel development, educational support, and the Diocesan educational offices for Catholic Youth Ministry, Religious Education, and the Catholic Schools Office, Diocesan cemeteries, cooperative investment and lending program, and supporting services involving certain insurance activities, and the Diocesan newspaper, The Miscellany) and Diocesan level administrative support offices; Parishes and Missions; Diocesan Educational Entities; Catholic Charities of South Carolina ("Catholic Charities"); Catholic Community Foundation of South Carolina ("Foundation"); and others. The accompanying financial statements include only the programs and administrative support offices of the Chancery.

Note 2—Summary of significant accounting policies

Basis of Accounting – The financial statements of the Chancery have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Accordingly, revenue is recognized when earned rather than when received and expenses are recognized when incurred rather than when paid.

Basis of Presentation – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Bishop may designate, from net assets without donor restrictions, net assets for an operating reserve and other reserves.
>
> *Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Chancery considers all highly liquid temporary cash investments with a maturity of three months or less when purchased to be cash equivalents, except for the cash investments in the funds managed by investment companies.

Note 2—Summary of significant accounting policies (continued)

Investments – The Chancery follows the provisions of Accounting Standards Codification ("ASC") 958-320, *Not-for-Profit Entities, Investments*. Under ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the statements of activities and changes in net assets. Donor-restricted interest and dividend income are reported as increases in net assets without restrictions if the restrictions are met in the reporting period in which the income and gains are recognized. Investment appreciation (depreciation) and income that is not donor-restricted is reported in net assets without restrictions.

Unconditional Promises to Give – Unconditional promises to give are recognized as an asset, pledges receivable, and as revenue in the year received. The Chancery does not have any promises to give as of June 30, 2019 and 2018.

Receivables from Other Diocesan Entities and Other Receivables – Receivables are stated at amounts the Chancery expects to collect (unpaid principal balances less estimated allowances for doubtful accounts) based on the Chancery's assessment of the financial stability of the respective debtors. Receivables determined by the Chancery not to be collectible are charged off against the respective allowances.

Bond Issuance Costs – Costs incurred in connection with the issuance of bonds were amortized over the term of the bonds and presented with the statements of financial position as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums.

Property and Equipment – Purchases of property and equipment having a unit cost of $5,000 or more and a useful life of more than one year are capitalized at cost. Donated property and equipment are capitalized at their estimated fair value at the date of donation. Depreciation is computed using the straight-line method of depreciation based on the estimated useful lives of the assets ranging from 3 to 40 years.

Contributions – Contributions are considered to be without donor restriction unless specifically restricted by the donors. Contributions that are restricted by the donors are reported as increases in net assets with donor restriction. When a restriction expires (that is, when the stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Parish Assessment Income – Parish assessment income is recorded as revenue in the year the parishes are assessed. Such revenue is calculated and assessed based upon an approved percentage of each parish's offertory revenue for the preceding year.

Investment Income – Investment income consists of the interest income, dividend income, and the realized gains/losses within equities from assets classified as investments in the accompanying financial statements. Interest income consists of the interest earned on assets, other than investments.

Functional Allocation of Expenses – The costs of providing the various programs have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis, which generally include space occupied on a square footage basis and/or time incurred for employees.

Note 2—Summary of significant accounting policies (continued)

Expenses by function and nature consist of the following for the year ended June 30:

	2019							
	Personnel Expense	Occupancy Expense	Office/ Program Expense	Professional and Contracted Services	Travel and Professional Development	Grants and Other Assistance	Other	Total
Program Services:								
Pastoral	$ 2,248,295	$ 397,330	$ 220,206	$ 238,432	$ 932,286	$ 3,310,233	$ 316,684	$ 7,663,466
Church personnel	610,445	33,038	39,787	832,450	408,510	6,400	44,327	1,974,957
Diocesan services	1,815,807	145,444	184,382	1,068,631	165,648	-	297,137	3,677,049
Property, liability, and health insurance programs	-	-	-	-	-	-	4,785,566	4,785,566
Education	888,879	165,556	59,062	122,433	437,092	31,492	88,429	1,792,943
Cemeteries	260,817	182,795	117,201	23,224	12,749	-	36,109	632,895
Deposit and loan	-	-	-	23,440	-	-	-	23,440
Interest expense	-	-	-	-	-	-	2,050,191	2,050,191
Total Program Expenses	5,824,243	924,163	620,638	2,308,610	1,956,285	3,348,125	7,618,443	22,600,507
Administrative:								
General and administrative	1,213,803	570,269	132,480	270,522	244,396	-	729,797	3,161,267
Institutional advancement	172,169	12,653	66,829	39,907	24,443	-	17,686	333,687
Total Administrative Expenses	1,385,972	582,922	199,309	310,429	268,839	-	747,483	3,494,954
	$ 7,210,215	$ 1,507,085	$ 819,947	$ 2,619,039	$ 2,225,124	$ 3,348,125	$ 8,365,926	$ 26,095,461

Note 2—Summary of significant accounting policies (continued)

Expenses by function and nature consist of the following for the year ended June 30:

	2018							
	Personnel Expense	Occupancy Expense	Office/ Program Expense	Professional and Contracted Services	Travel and Professional Development	Grants and Other Assistance	Other	Total
Program Services:								
Pastoral	$ 2,144,815	$ 468,924	$ 297,230	$ 209,227	$ 806,843	$ 2,622,859	$ 312,464	$ 6,862,362
Church personnel	411,697	39,855	47,488	892,998	322,135	47,100	45,957	1,807,230
Diocesan services	1,739,435	161,171	174,211	606,503	122,823	2,726	264,256	3,071,125
Property, liability, and health insurance programs	-	-	-	-	-	-	3,717,977	3,717,977
Education	753,410	181,762	54,234	228,355	304,676	27,604	88,181	1,638,222
Cemeteries	251,874	246,960	105,194	19,354	7,172	-	29,402	659,956
Deposit and loan	-	-	-	-	25,653	-	-	25,653
Interest expense	-	-	-	-	-	-	1,775,881	1,775,881
Total Program Expenses	5,301,231	1,098,672	678,357	1,956,437	1,589,302	2,700,289	6,234,118	19,558,406
Administrative:								
General and administrative	1,096,701	586,621	111,718	313,268	198,705	241	591,435	2,898,689
Institutional advancement	154,947	16,006	76,089	59,955	23,686	3,250	17,636	351,569
Total Administrative Expenses	1,251,648	602,627	187,807	373,223	222,391	3,491	609,071	3,250,258
	$ 6,552,879	$ 1,701,299	$ 866,164	$ 2,329,660	$ 1,811,693	$ 2,703,780	$ 6,843,189	$ 22,808,664

Note 2—Summary of significant accounting policies (continued)

Interest Rate Swap Agreement – The Chancery uses an interest rate swap agreement to manage its exposure to interest rate changes with respect to its bonds payable. The interest rate swap agreement is a derivative instrument and as required by ASC 815, *Derivatives and Hedging* has been reported in the accompanying financial statements at fair value.

Income Taxes – The Diocese and, accordingly, the Chancery are exempt from federal and state income taxes under certain provisions of Section 501(c)(3) of the Internal Revenue Code and the South Carolina Code of Laws; therefore, no provisions for income taxes have been included in these financial statements.

The Financial Accounting Standards Board ("FASB") provides guidance on the Chancery's evaluation of accounting for uncertainty in income taxes. Management evaluated the Chancery's tax position and concluded that no uncertain tax positions exist that requires adjustment to the financial statements to comply with the provisions of this guidance.

Estimates – The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Areas requiring significant estimates include the allowance for doubtful accounts and the functional allocation of expenses. It is at least reasonably possible that the significant estimates used will change within the next year.

Recently Issued Accounting Pronouncements – The FASB issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, effective for fiscal years beginning after December 15, 2017. The amendments change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. The amendment includes qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of cash flows. The Chancery adopted this ASU effective July 1, 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The standard is effective for annual reporting periods beginning after December 15, 2018. The Chancery is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In June of 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The adoption of this standard allows for contributions to follow guidance in FASB ASC 958-605, *Not-for-Profit Entities (Topic 958) – Revenue Recognition*, rather than the guidance provided in ASC 606 discussed above. This standard is effective for fiscal years beginning after December 15, 2018. The Chancery is currently in the process of evaluating the impact of the adoption of this ASU on the financial statements.

Note 2—Summary of significant accounting policies (continued)

In February 2016, the FASB issued ASU 2016-02, *Leases*, effective for fiscal years beginning after December 15, 2019. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the combined balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. The Chancery is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Note 3—Cash and cash equivalents, liquidity, and availability

Cash consists of interest-bearing checking accounts, savings accounts, money-market accounts, and certificates of deposit with a maturity of three months or less when purchased.

The Chancery places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers $250,000 for substantially all depository accounts. The Chancery from time to time may have amounts on deposit in excess of the insured limits. As of June 30, 2019, the Chancery had $15,840,140 which exceeded these insured amounts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Chancery considers all expenditures related to program and supporting services to be general expenditures. Financial assets available within one year as of June 30, without donor or other restrictions limiting their use, comprise the following:

	2019	2018
Cash and cash equivalents	$ 8,564,998	$ 9,567,283
Investments	23,024,538	23,583,343
Endowment investments available for general purposes and for distribution in accordance with the spending rate policy	450,087	427,211
Spending policy for designated funds	1,113,497	1,125,738
Total cash, cash equivalents, and investments	33,153,120	34,703,575
Receivables, due within one year	2,537,583	995,533
	35,690,703	35,699,108
Less amounts not available to be used within one year:		
Required to satisfy donor restrictions	(2,930,085)	(4,037,713)
Required to satisfy management designations	(22,574,859)	(23,145,931)
Financial assets available to meet cash needs for general expenditures	$ 10,185,759	$ 8,515,464

Income from donor-restricted endowments is restricted for specific purposes, with the exception of the 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 its endowment funds average fair value over the prior 36 months (or since inception if shorter) as of June 30 (measurement date) each year. Only the funds available for distribution in accordance with the spending rate policy are included above.

Note 3—Cash and cash equivalents, liquidity, and availability (continued)

The Chancery 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.

In addition, the Chancery has a line of credit availability of $1,000,000 as of June 30, 2019 to meet cash flow needs (see Note 10).

Note 4—Investments and funds held in trust by affiliate

At June 30, 2019 and 2018, Chancery investments totaling $33,923,331 and $34,285,932, respectively, are maintained in funds managed by the Foundation and $29,811,486 and $14,724,656, respectively, are managed by other investment companies.

In accordance with ASC 820, *Fair Value Measures and Disclosures*, the Chancery's investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Chancery's investments are valued at fair value under Level 1 inputs at June 30, 2019 and 2018. Investments along with their cost, fair value, and net unrealized gain at June 30, 2019 are as follows:

	Cost	Fair Value	Net Unrealized Gain (Loss)
Cash with investment companies	$ 555,596	$ 555,596	$ -
Mutual funds	29,620,534	29,811,486	190,952
Corporate and government debt securities	9,552,101	9,660,091	107,990
Equity securities	19,778,075	23,707,644	3,929,569
	$ 59,506,306	$ 63,734,817	$ 4,228,511

Note 4—Investments and funds held in trust by affiliate (continued)

Investments along with their cost, fair value and net unrealized gain at June 30, 2018 are as follows:

	Cost	Fair Value	Net Unrealized Gain (Loss)
Cash with investment companies	$ 667,016	$ 667,016	$ -
Mutual funds	15,274,963	14,724,656	(550,307)
Corporate and government debt securities	9,292,966	9,151,494	(141,472)
Equity securities	20,267,088	24,467,422	4,200,334
	$ 45,502,033	$ 49,010,588	$ 3,508,555

Expenses relating to investment income, including custodial fees and investment advisory fees, were $260,727 and $222,968 for 2019 and 2018, respectively, and have been netted against investment return in the accompanying statements of activities and changes in net assets.

Note 5—Receivables from other Diocesan entities

Loans Receivable – Loans receivable consist of the loans made under the co-operative deposit and loan program administered by the Chancery. The loans are primarily due from parishes and schools in varying amounts through 2032 and bear interest at fixed and variable rates which range from 2.25% to 6.28% at June 30, 2019 and 2018. The co-operative deposit and loan program primarily issues new loans with interest rates based upon the one-month LIBOR rate plus 1.5%; these new loans generally also bear a floor to the variable rate which is generally 4.5%. The loans are stated at their unpaid balances less estimated allowances for doubtful accounts of $285,921 at June 30, 2019 and 2018. There are approximately 36 loans to parishes and schools, which are payable on a monthly basis. The Chancery was not aware of any of these loans that were delinquent at June 30, 2019 and 2018.

Scheduled future principal payments under loans due from parishes and schools at June 30, 2019 are as follows:

Years Ending June 30,	
2020	$ 2,430,002
2021	2,175,569
2022	2,190,383
2023	2,206,222
2024	1,973,127
Thereafter	14,960,652
Undetermined*	13,402,996
	39,338,951
Less allowance for doubtful accounts	285,921
	$ 39,053,030

* Balances with undetermined payment dates are associated with parish construction loans that will amortize at the completion of construction.

Note 5—Receivables from other Diocesan entities (continued)

Other Receivables – The Diocese obtains blanket property and liability insurance and contracts for health insurance for the Chancery and certain other Diocesan entities and affiliates. The Chancery pays the premiums and invoices the Diocesan entities for their portion of the property and liability insurance premiums. In addition, the Chancery invoices parishes for their annual parish assessments. Receivables related to these billings and accrued interest on loans receivable principally comprise the other receivables from other Diocesan entities. These receivables are stated at their unpaid balances less estimated allowances for doubtful accounts of $6,786 and $3,450 at June 30, 2019 and 2018, respectively.

Note 6—Other receivables

Other receivables are comprised of the following at June 30:

	2019	2018
Cemetery and miscellaneous other receivables	$ 332,172	$ 275,032
Less allowance for doubtful accounts	(13,335)	(67,401)
	$ 318,837	$ 207,631

Note 7—Other assets

Other assets are comprised of the following at June 30:

	2019	2018
Cash surrender value life insurance	$ 391,041	$ 375,142
Prepaid insurance and expenses	504,849	429,334
Accrued interest	342,594	321,121
Catholic Umbrella Pool member balance	897,907	927,331
Security deposits	605	605
	$ 2,136,996	$ 2,053,533

Note 8—Property and equipment

Property and equipment consist of the following at June 30:

	2019	2018
Land and land improvements	$ 15,624,934	$ 13,369,047
Buildings	29,687,114	29,870,469
Leasehold improvements	662,018	654,871
Furniture, equipment, and vehicles	3,477,218	3,101,615
Projects in progress	190,591	791,262
	49,641,875	47,787,264
Less accumulated depreciation	9,264,270	9,502,140
	$ 40,377,605	$ 38,285,124

Depreciation expense recognized for the years ended June 30, 2019 and 2018 was $1,422,807 and $1,282,047, respectively. Projects were in process at June 30, 2019 and 2018. No interest was capitalized for the years ended June 30, 2019 and 2018.

Note 9—Deposits and loan funds payable

The Chancery administers a co-operative deposit and loan program for the benefit of parishes and schools within the purview of the Diocese (see Note 5). This program accepts deposits from qualified entities within the Diocesan structure.

Interest is accrued monthly on deposits at one-month LIBOR with a 2.25% floor (2.5% at June 30, 2019) and deposits are available on-demand or as specified in accordance with arrangements made with the account holder. Monthly statements are provided to program participants. At June 30, 2019 and 2018, the co-operative deposit and loan program held deposits of $64,897,570 and $57,802,487, respectively, shown on the statements of financial position as deposits and loan funds payable.

Note 10—Indebtedness

Line of Credit – On January 1, 2019, the Chancery entered into a $1,000,000 unsecured line of credit. The line matures in December 2019. The agreement calls for interest payable on the fifth day of each month at the one-month LIBOR rate as published in the Wall Street Journal plus 200 basis points (4.4% at June 30, 2019). The interest rate will be adjusted on the first day of each month. The entire outstanding principle balance of the line of credit and any outstanding accrued interest will be due and payable on the maturity date. As of June 30, 2019, the Chancery has no amounts drawn on the line of credit.

Bonds Payable – In January 2015, a tax-exempt bond in the principal amount of up to $25,000,000 was issued on behalf of the Diocese through the South Carolina Jobs – Economic Development Authority (“JEDA”) to South State Bank in order to finance the acquisition, construction, equipping, and furnishing of certain educational facilities in the Diocese. See Note 1 for information on the Diocese organizational structure. Total interest charged to expense for the years ended June 30, 2019 and 2018 was $570,863 and $597,110, respectively.

Note 10—Indebtedness (continued)

The balances of bonds payable consist of the following at June 30:

	2019	2018
$25,000,000 tax-exempt JEDA bond with a maturity date of August 1, 2026. The annual interest rate is 2.49% through January 2025 and 3.49% from February 2025 to August 2026. Interest only payments were made monthly through August 1, 2016. Monthly principal and interest payments of $135,799 are made through February 1, 2025. One final payment will be made for all unpaid principal and accrued interest at maturity on August 1, 2026.	$ 22,033,051	$ 23,091,965
	22,033,051	23,091,965
Less unamortized debt issuance costs	(140,746)	(160,617)
	$ 21,892,305	$ 22,931,348

Future maturities of the note at June 30, 2019 are as follows:

Years Ending June 30,	
2020	$ 1,084,274
2021	1,113,460
2022	1,141,897
2023	1,171,061
2024	1,199,796
Thereafter	16,322,563
Present value of future maturities	$ 22,033,051

The bond is secured by a first lien mortgage on the related construction premises, and is subjected to certain restrictive covenants. As of June 30, 2019, the Diocese was not aware of any violations of the covenants.

Note 11—Interest rate swap agreement

In February 2001, the Diocese entered into an interest rate swap agreement with Bank of America having a stated fixed interest rate of 3.96% on the outstanding bonds payable for the period from February 15, 2001 through September 1, 2018. The swap is a derivative instrument and matured in September 2018. At June 30, 2019 and 2018, the fair value of the swap agreement was a liability of $-0- and $5,022, respectively, and is reflected in the accompanying statements of financial position as a liability. The changes in the fair value of the swap agreement for 2019 and 2018 are reflected in the statements of activities and changes in net assets as an increase in net assets without restrictions of $5,022 and $29,462, respectively, and identified as “adjustment on interest rate swap agreement”. As of June 30, 2019 and 2018, the interest rate swap agreement has matured and the related bond has been repaid.

Note 12—Retirement plan

The Diocese has a contributory retirement plan covering substantially all Diocesan employees, including Chancery employees. After one year of service, the employer contributes 5% of the employee's monthly pay for a participating employee contributing a minimum of 3% of monthly pay. The contributions are limited to the maximum annual amounts allowed by the Internal Revenue Service ("IRS"). In 2019 and 2018, the Chancery made contributions to the lay retirement plan for its employees of $181,010 and $161,345, respectively.

In addition, the Diocese maintains the Diocese of Charleston Pension Plan for Priests (the "Plan") for the benefit of all eligible priests, as defined in the Plan provisions, working in the Diocese. The Plan is a defined benefit plan providing benefits to eligible participants in accordance with the Plan provisions. Effective January 1, 2007, the Plan was amended to (a) conform to Section 401(a) of the Internal Revenue Code; (b) allow international priests to be eligible to participate in the Plan; (c) reduce the vesting period; (d) reduce the required number of years for normal retirement benefits; and (e) provide for the proration of normal retirement benefits for years less than 20. The Plan was also amended in 2011 and again in 2012, to include a burial benefit. The Plan was amended again in 2015 to be in compliance with IRS Publication 794.

The funding of the Plan is provided by the respective Diocesan entities (Chancery, parishes and missions, and other Diocesan entities) which are served by the eligible priests of the Diocese. For 2019 and 2018, the funding for the Plan was $700 per month for each active eligible priest. In 2019 and 2018, the Chancery made contributions to the Plan of $72,133 and $46,000, respectively, for the eligible priests assigned to the Chancery. The Chancery recognizes pension expense based upon the funding established for the Plan.

ASC 715-20, *Compensation-Retirement Plan, Defined Benefit Plan*, requires certain reporting and disclosures with respect to defined benefit plans such as the Diocesan Priests' Retirement Plan. It is not practical to separate such reporting and disclosures for the Chancery or the other Diocesan operating entities participating in the Plan. For purposes of the Chancery's financial statements, the Plan is considered a multi-employer pension plan and the reporting and disclosures limited to the information provided in the preceding paragraph. The Diocese did obtain an actuarial valuation of the Plan as of June 30, 2019 and 2018, which reported that the present value of the accumulated plan benefits was exceeded by the Plan's assets by $1,662,047 and $2,191,860, respectively. Based on the funding of $700 per month for each eligible and active priest, contributions to the Plan for the year ended June 30, 2019 and 2018 are estimated at approximately $865,200 and $840,000, respectively, and exceed the estimated benefit payments of approximately $691,740 and $543,705, respectively. Effectively, the Chancery is a guarantor of the Plan's obligations.

Note 13—Designations of net assets without donor restrictions

The Bishop has chosen to place the following designations on net assets without donor restrictions at June 30:

	2019	2018
Designated reserve for property insurance deductible/self insured retention	$ 3,938,857	$ 3,819,591
Designated for perpetual care of the St. Lawrence and Holy Cross cemeteries	5,382,142	5,151,080
Designated for long-term investments	13,253,860	14,175,260
Designated for buildings and equipment	15,729,721	13,623,565
	$ 38,304,580	$ 36,769,496

Note 14—Net assets with donor restrictions

Net assets with donor restrictions consist of the following at June 30:

	2019	2018
Restricted for use in subsequent year	$ 1,479,444	$ 2,486,571
Restricted for various other Chancery programs	1,450,641	1,551,142
Restricted for various endowments:		
Third World Ministry endowment	788,579	784,976
Synod endowment	1,543,261	1,557,476
St. Mary's education fund endowment	60,826	61,384
Miscellaneous endowment fund	140,573	136,737
Cathedral maintenance and endowment	814,487	821,972
Infirm priests endowment	96,965	97,849
Hispanic ministry endowment	2,419,014	2,387,278
Seminarian education fund	1,363,369	1,375,913
St. Elizabeth Ann Seton Catholic education endowment	3,671,719	3,479,004
Total restricted for various endowments	10,898,793	10,702,589
	$ 13,828,878	$ 14,740,302

Note 15—Endowments

The Chancery's endowments consist of several funds established for a variety of purposes. The endowments include donor-restricted endowments funds. As required by U.S. GAAP, the net assets associated with the endowments are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of Relevant Law – The Chancery has interpreted the State of South Carolina's enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. At June 30, 2019 and 2018, there were no such donor stipulations. As a result of this interpretation, the Chancery retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Chancery in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Chancery considered the following factors in making their determination to appropriate or accumulate endowment funds:

1. The duration and preservation of the funds
2. The purpose of the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the Chancery
7. Investment policies of the Chancery

Note 15—Endowments (continued)

The following tables present the Chancery's endowment net asset classification and composition. Endowment net assets composition by type of fund at June 30, 2019:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	$ -	$ 10,898,793	$ 10,898,793
Total funds	$ -	$ 10,898,793	$ 10,898,793

Endowment net assets composition by type of fund at June 30, 2018:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	$ -	$ 10,702,589	$ 10,702,589
Total funds	$ -	$ 10,702,589	$ 10,702,589

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Chancery to retain as a fund of perpetual duration. No such deficiencies existed at June 30, 2019 or 2018.

Strategies Employed for Achieving Investment Objectives – The Chancery follows an investment policy with long-term growth as the main objective. The Chancery relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Chancery utilizes a diversified asset allocation, with greater emphasis on equity-based investments, to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Chancery has a policy of appropriating for distribution each year, as determined by the investment committee and approved by the Bishop, 5% of its endowment funds average fair value over the prior 36 months (or since inception if shorter) as of June 30 (measurement date) each year and allows spending from underwater endowments. In establishing these policies, the Chancery considered the expected return on its endowment. Accordingly, the Chancery expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and excess investment return.

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ -	$ 10,702,589	$ 10,702,589
Total investment return	-	426,251	426,251
Contributions	-	250,000	250,000
Appropriation of endowment assets for expenditure	-	(480,047)	(480,047)
Endowment net assets, end of year	$ -	$ 10,898,793	$ 10,898,793

Note 15—Endowments (continued)

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ -	$ 10,094,286	$ 10,094,286
Total investment return	-	884,921	884,921
Contributions	-	200,000	200,000
Appropriation of endowment assets for expenditure	-	(476,618)	(476,618)
Endowment net assets, end of year	$ -	$ 10,702,589	$ 10,702,589

At June 30, 2019 and 2018, there were no underwater endowments.

Note 16—Related party transactions

The Chancery has entered into an agreement to lease certain land in Mt. Pleasant, South Carolina to East Cooper Community Outreach ("ECCO"), a non-profit organization associated with a Diocesan parish. The land lease is for a period of 50 years, ending in 2052, at $1 per year, with ECCO being responsible for all costs relative to the property and the operation of an ecumenical outreach center thereon.

Catholic Charities leases certain office space in Columbia, South Carolina from the Chancery. No rental payments were charged for the use of the office space.

Catholic Charities leases the land its Greenville, South Carolina office is located on from a local parish of the Diocese of Charleston for an annual rent of $100 and occupies space owned by the Diocese of Charleston at San Sebastian Mission in Greenville. Catholic Charities is not charged any rent for use of this property. The Director of Programs for Catholic Charities and the Coastal office of Catholic Charities occupy space in Charleston, South Carolina owned by the Diocese. Catholic Charities is not charged any rent for use of this property.

Catholic Charities occupies the Carter May Home/St. Joseph Residence and certain office space owned by the Diocese of Charleston. No rental payments were charged for the use of the Carter May Home/St. Joseph Residence and Catholic Charities Central office space from the Diocese of Charleston.

Catholic Charities occupied and operated the Hardeeville Thrift Store facility during the year which is owned by the Diocese of Charleston. No rental payments were charged for the use of this office space from the Diocese of Charleston.

The Chancery provides administrative, professional, and other support to Catholic Charities which is not reflected in these financial statements. The Chancery also provides direct financial support to Catholic Charities through the Bishop's Annual Appeal of $1,010,000 and $985,000 for the years ended June 30, 2019 and 2018, respectively, and is included in pastoral program expense in the statements of activities and changes in net assets.

The Diocese of Charleston provides administrative support at no charge to St. Clare's home, a 501(c)(3) organization operated to directly benefit expectant mothers. The Chancery issued a line of credit of $1,000,000 from the co-operative deposit and loan program of which $515,000 has been advanced to fund the purchase of a home, with the remainder of the funds to fund operations in the coming years.

Note 16—Related party transactions (continued)

The Catholic Community Foundation of South Carolina is operating the Bicentennial Campaign under the direction of the Bishop of Charleston. The Chancery has advanced approximately $2,100,000 to fund costs and expenses associated with the Bicentennial Campaign, to be reimbursed in the future by the Foundation. The Diocese of Charleston also provides administrative support to the Foundation at no charge.

In June 2019, Catholic Charities executed a promissory note and loan agreement for $500,000 with the Diocesan co-operative deposit and loan program administered by the Chancery. The promissory note requires monthly payments of interest at the one-month LIBOR rate plus 1.5% not to be less than 4.5% (4.5% at June 30, 2019) beginning in July 2019 and lasting through the note's maturity in June 2024, when all principal and interest is due.

As described in Note 4, the Foundation holds certain investments in trust on behalf of the Chancery. The Foundation is an affiliate and related party.

Note 17—Commitments and contingencies

Various legal and other actions are pending against the Diocese and, effectively, the Chancery which involve claims for damages, as well as other types of relief, relative to the actions of certain personnel of the Diocese of Charleston. Counsel for the Diocese has advised that there are significant uncertainties with respect to these legal and other actions, and that the ultimate outcome from such legal and other actions pending against the Diocese cannot presently be determined. Accordingly, no provision for any liability that may result from these matters has been made in the accompanying financial statements.

As more fully discussed in the Note 13, the Diocese obtained an actuarial valuation of the Diocesan Priests' Retirement Plan (the "Plan") which reported that the Plan's assets exceeded liabilities at June 30, 2019 by $1,662,047. Effectively, the Chancery is a guarantor of the Plan's obligations and the impact of future market, credit, and other conditions could impact the excess or deficit of these Plan's assets to liabilities.

The Diocese obtains blanket property and liability insurance coverage for the Chancery and certain other Diocesan entities and affiliates. The Chancery pays the premiums and invoices the Diocesan entities for their portion of the premiums. Under the Diocese's property and liability insurance coverage, the self-insured retention of the Chancery has an annual aggregate (stop loss) of $750,000 at June 30, 2019 and 2018. The Chancery has designated net assets in the amount of $3,938,857 and $3,819,591 for property insurance deductible and self-insurance reserves at June 30, 2019 and 2018, respectively (see Note 13).

The Chancery has committed to providing financial support and resources to Catholic Charities on an as-needed basis over the next 12 months. The Chancery's historical support of Catholic Charities is critical to serving the mission of the Diocese in South Carolina and actual funding requirements will vary from year to year.

Note 18—Subsequent events

The Chancery has evaluated subsequent events through October 24, 2019, which is the date these financial statements were available to be issued.