



**THE CENTRAL PASTORAL ADMINISTRATION OF  
THE ARCHDIOCESE OF WASHINGTON**

Financial Statements

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)



**KPMG LLP**  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

## **Independent Auditors' Report**

Most Reverend Donald W. Wuerl  
Archbishop of Washington  
Archdiocese of Washington:

We have audited the accompanying combined statements of financial position of the Central Pastoral Administration of the Archdiocese of Washington (the Central Pastoral Administration) as of June 30, 2012 and 2011, and the related combined statements of activities and cash flows for the years then ended.

These financial statements are the responsibility of the Central Pastoral Administration's management. Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Central Pastoral Administration's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Central Pastoral Administration of the Archdiocese of Washington at June 30, 2012 and 2011 and changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary information included in Schedules 1 – 3 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.



As discussed in note 1 to the combined financial statements, the Central Pastoral Administration of the Archdiocese of Washington had a change in its reporting entity in fiscal year 2012.

KPMG LLP

February 28, 2013

**THE CENTRAL PASTORAL ADMINISTRATION OF  
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Combined Statements of Financial Position

June 30, 2012 and 2011

<b>Assets</b>	<b>2012</b>	<b>2011</b>
Cash and cash equivalents	\$ 25,920,372	28,267,330
Investments (note 2)	48,626,605	39,481,067
Accounts receivable, net (note 3)	7,990,153	10,960,061
Contributions receivable, net (note 4)	3,688,885	4,054,626
Prepaid expenses and other assets	537,755	608,204
Notes receivable, net (note 5)	1,049,996	1,261,864
Receivable due from affiliate, net (note 15)	417,539	1,531,090
Property and equipment, net (note 6)	37,482,796	32,737,974
Deferred rent receivable (note 7)	10,342,755	8,738,931
Investments restricted for long-term purposes (note 2)	907,850	907,850
Beneficial interest in assets held by others (note 8)	12,720,208	12,481,408
Total assets	\$ 149,684,914	141,030,405
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 9,309,597	7,552,312
Insurance claims and benefits payable (note 10)	3,943,066	4,208,088
Contributions payable (note 9)	6,489,148	6,284,207
Funds held on behalf of others	7,697,546	6,154,398
Collections held for disbursement	3,560,130	3,804,586
Deferred revenue	546,234	204,654
Notes payable	10,319	17,314
Annuities payable	1,530,192	1,710,637
Accrued liability for Priests' Retirement Plan (note 10)	23,157,427	17,196,285
Total liabilities	56,243,659	47,132,481
Net assets:		
Unrestricted:		
Undesignated (note 11)	(14,711,583)	(3,892,893)
Designated (note 11)	47,434,954	42,917,554
Invested in property and equipment (note 6)	37,482,796	32,737,974
Total unrestricted	70,206,167	71,762,635
Temporarily restricted (note 12)	11,605,968	11,124,834
Permanently restricted (note 12)	11,629,120	11,010,455
Total net assets	93,441,255	93,897,924
Commitments and contingencies (note 16)	—	—
Total liabilities and net assets	\$ 149,684,914	141,030,405

See accompanying notes to combined financial statements.

**THE CENTRAL PASTORAL ADMINISTRATION OF  
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Combined Statements of Activities

Years ended June 30, 2012 and 2011

	<b>2012</b>				<b>2011</b>			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in net assets:								
Revenues, gains, and other support:								
Assessments:								
Parish	\$ 10,151,607	—	—	10,151,607	8,782,808	—	—	8,782,808
Education	3,240,876	—	—	3,240,876	3,115,097	—	—	3,115,097
Other	565,500	—	—	565,500	565,766	—	—	565,766
Total assessments	<u>13,957,983</u>	<u>—</u>	<u>—</u>	<u>13,957,983</u>	<u>12,463,671</u>	<u>—</u>	<u>—</u>	<u>12,463,671</u>
Contributions, donations, gifts, and bequests:								
Archbishop's Appeal	10,592,062	3,258,885	—	13,850,947	10,038,820	3,331,626	—	13,370,446
Gifts and bequests	2,343,939	5,862,066	—	8,206,005	6,103,929	4,263,446	—	10,367,375
Total contributions, donations, gifts, and bequests	<u>12,936,001</u>	<u>9,120,951</u>	<u>—</u>	<u>22,056,952</u>	<u>16,142,749</u>	<u>7,595,072</u>	<u>—</u>	<u>23,737,821</u>
Premiums and insurance billings	36,765,071	—	—	36,765,071	35,393,335	—	—	35,393,335
Administrative fees	663,767	—	—	663,767	1,324,004	—	—	1,324,004
Interest and investment income (loss), net (note 2)	(726,069)	(10,740)	—	(736,809)	5,678,998	223,123	—	5,902,121
Increase (decrease) in beneficial interest in assets held by others	(139,942)	494,022	618,665	972,745	—	1,808,636	181,002	1,989,638
Management fees and computer services	636,927	—	—	636,927	518,919	—	—	518,919
Tribunal and chancery fees	80,937	—	—	80,937	75,660	—	—	75,660
Special program income	686,585	—	—	686,585	625,846	—	—	625,846
Advertising	539,990	—	—	539,990	—	—	—	—
Subscriptions	145,994	—	—	145,994	—	—	—	—
Rental income	3,329,907	—	—	3,329,907	3,255,534	—	—	3,255,534
Net gains on property transactions	16,600	—	—	16,600	11,250	—	—	11,250
Other	48,230	—	—	48,230	26,828	—	—	26,828
Total revenues, gains, and other support	<u>68,941,981</u>	<u>9,604,233</u>	<u>618,665</u>	<u>79,164,879</u>	<u>75,516,794</u>	<u>9,626,831</u>	<u>181,002</u>	<u>85,324,627</u>
Net assets released from restrictions (note 13)	9,123,099	(9,123,099)	—	—	8,147,375	(8,147,375)	—	—
Total revenues, gains, and other support	<u>78,065,080</u>	<u>481,134</u>	<u>618,665</u>	<u>79,164,879</u>	<u>83,664,169</u>	<u>1,479,456</u>	<u>181,002</u>	<u>85,324,627</u>

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Combined Statements of Activities

Years ended June 30, 2012 and 2011

	<b>2012</b>				<b>2011</b>			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses:								
Program services:								
Catholic education	\$ 6,233,984	—	—	6,233,984	6,512,868	—	—	6,512,868
Pastoral ministry and social concerns	6,739,038	—	—	6,739,038	7,320,922	—	—	7,320,922
Ministerial leadership	4,474,504	—	—	4,474,504	3,689,401	—	—	3,689,401
Communications	2,660,642	—	—	2,660,642	1,302,706	—	—	1,302,706
Parish services	1,354,179	—	—	1,354,179	1,158,599	—	—	1,158,599
Insurance and benefits	35,422,101	—	—	35,422,101	32,793,614	—	—	32,793,614
Priests' retirement benefits and medical care	1,800,070	—	—	1,800,070	1,604,686	—	—	1,604,686
Propagation of the Faith	269,269	—	—	269,269	431,700	—	—	431,700
Archdiocesan administration	5,916,463	—	—	5,916,463	5,353,379	—	—	5,353,379
Total program services	<u>64,870,250</u>	<u>—</u>	<u>—</u>	<u>64,870,250</u>	<u>60,167,875</u>	<u>—</u>	<u>—</u>	<u>60,167,875</u>
Supporting services:								
General and administrative	3,248,141	—	—	3,248,141	3,408,729	—	—	3,408,729
Fundraising	1,863,347	—	—	1,863,347	1,987,376	—	—	1,987,376
Total supporting services	<u>5,111,488</u>	<u>—</u>	<u>—</u>	<u>5,111,488</u>	<u>5,396,105</u>	<u>—</u>	<u>—</u>	<u>5,396,105</u>
Total expenses	<u>69,981,738</u>	<u>—</u>	<u>—</u>	<u>69,981,738</u>	<u>65,563,980</u>	<u>—</u>	<u>—</u>	<u>65,563,980</u>
Increase in net assets before pension related changes other than net periodic pension cost	8,083,342	481,134	618,665	9,183,141	18,100,189	1,479,456	181,002	19,760,647
Charges other than net periodic benefit cost (note 10)	(8,437,546)	—	—	(8,437,546)	1,469,509	—	—	1,469,509
Increase (decrease) in net assets	<u>(354,204)</u>	<u>481,134</u>	<u>618,665</u>	<u>745,595</u>	<u>19,569,698</u>	<u>1,479,456</u>	<u>181,002</u>	<u>21,230,156</u>
Net assets at beginning of year	71,762,635	11,124,834	11,010,455	93,897,924	52,192,937	9,645,378	10,829,453	72,667,768
Impact of change of reporting entity (note 1(a))	(1,202,264)	—	—	(1,202,264)	—	—	—	—
Net assets at beginning of year	<u>70,560,371</u>	<u>11,124,834</u>	<u>11,010,455</u>	<u>92,695,660</u>	<u>52,192,937</u>	<u>9,645,378</u>	<u>10,829,453</u>	<u>72,667,768</u>
Net assets at end of year	<u>\$ 70,206,167</u>	<u>11,605,968</u>	<u>11,629,120</u>	<u>93,441,255</u>	<u>71,762,635</u>	<u>11,124,834</u>	<u>11,010,455</u>	<u>93,897,924</u>

See accompanying notes to combined financial statements.

**THE CENTRAL PASTORAL ADMINISTRATION OF  
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Combined Statements of Cash Flows

Years ended June 30, 2012 and 2011

	<b>2012</b>	<b>2011</b>
Cash flows from operating activities:		
Increase in net assets	\$ 745,595	21,230,156
Impact of change of reporting entity	(1,021,008)	—
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,008,073	839,803
Net gain on sale of property	(16,600)	(8,750)
Bad debt expense	392,540	1,286,666
Receipt of contribution of stock	(204,561)	(124,109)
Receipt of contributed property	(3,000)	—
Net unrealized and realized investment gains	1,205,041	(6,531,583)
Gain on forgiven note payable	(1,280,815)	—
Decrease (increase) in assets:		
Accounts receivable	1,925,833	(2,785,572)
Contributions receivable	365,741	(390,261)
Prepaid expenses and other assets	70,449	(369,726)
Receivable due from affiliate	2,947,204	1,411,826
Deferred rent receivable	(1,603,824)	(1,341,113)
Beneficial interest in assets held by others	(238,800)	(1,506,378)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	1,757,285	(211,902)
Insurance claims payable	(265,022)	(123,457)
Contributions payable	204,941	126,099
Funds held on behalf of others	1,543,148	1,333,766
Collections held for disbursement	(244,456)	1,049,412
Deferred revenue	341,580	6,675
Annuities payable	(180,445)	(403,665)
Accrued liability for Priests' Retirement Fund	5,961,142	(2,153,051)
Net cash provided by operating activities	13,410,041	11,334,836
Cash flows from investing activities:		
Purchases of investments	(45,527,942)	(43,622,383)
Proceeds from sale of investments	35,381,925	43,295,686
Proceeds from sale of property	16,600	8,750
Purchase of property and equipment	(5,931,151)	(1,871,767)
Principal payments received on notes receivable	549,504	370,546
Amounts disbursed for notes receivable	(238,940)	(36,793)
Net cash used in investing activities	(15,750,004)	(1,855,961)
Cash flows from financing activities:		
Principal payments on notes payable	(6,995)	(6,678)
Net cash used in financing activities	(6,995)	(6,678)
Net increase (decrease) in cash and cash equivalents	(2,346,958)	9,472,197
Cash and cash equivalents at beginning of year	28,267,330	18,795,133
Cash and cash equivalents at end of year	\$ 25,920,372	28,267,330
Supplemental disclosure of noncash transactions and other cash flow information:		
Cash paid during the year for interest	\$ 688	1,003

See accompanying notes to combined financial statements.

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Notes to Combined Financial Statements

June 30, 2012 and 2011

**(1) Summary of Significant Accounting Policies**

**(a) Organization**

The accompanying combined financial statements include only the administrative offices of the Archdiocese of Washington (the Archdiocese) and five centrally administered corporations: Priests' Pass Through and Care Fund, Christ Our Hope Foundation, Propagation of the Faith, Carroll Publishing and Redemptoris Mater Seminary. Collectively, these are referred to as the Central Pastoral Administration. Prior to fiscal year 2012, Carroll Publishing, an affiliated corporation, was not included in the Central Pastoral Administration combined financial statements but was presented in separately reported stand alone financial statements. Effective July 1, 2011, the financial activities of Carroll Publishing are included in the combined financial statements of the Central Pastoral Administration.

The geographic territory encompassed by the Archdiocese is comprised of the District of Columbia and the Maryland counties of Montgomery, Prince George's, Charles, Calvert, and St. Mary's.

The accounts of certain other organizations within the Archdiocese such as parishes, parish schools, corporations, and church-related institutions (such as institutions owned and operated by religious orders of men and women) are not included in the accompanying combined financial statements. Archdiocesan church buildings, rectories, and the like are purchased with the consent of, and are titled and deeded to the Archbishop; however, the separate operating entities have vested interests in these properties, and consequently, the costs of these properties are not included in the accompanying combined financial statements. However, land held for future parish sites and certain other property maintained by the Central Pastoral Administration are included in the accompanying combined statements of financial position.

**(b) Basis of Presentation**

The accompanying combined financial statements include the financial position, changes in net assets, and cash flows of those entities (as indicated above) under common management.

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions; accordingly, the net assets of the Central Pastoral Administration and changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets that are not subject to donor-imposed restrictions.

*Temporarily restricted net assets* – Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Central Pastoral Administration and/or the passage of time.

*Permanently restricted net assets* – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Central Pastoral Administration. Generally, the donors of these assets permit the Central Pastoral Administration to use all or part of the income earned on related investments for general or specific purposes.



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Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Investment income is reported as increases in unrestricted net assets unless its use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

**(c) Cash Equivalents**

For financial statement purposes, the Central Pastoral Administration considers funds in money markets and overnight investments having an original maturity of three months or less to be cash equivalents, except for money market funds held by investment trustees, which are classified as investments.

**(d) Investments**

Investments are recorded at fair value, which is determined using quoted market prices or, with respect to investments without quoted market prices, at estimated fair values provided by external investments managers. Management reviews and evaluates the fair values provided by the external investments managers and agrees with the valuation methods and assumptions used in determining their estimated fair value.

The Central Pastoral Administration entered into a Trust Agreement with the Catholic Investment Trust of Washington (CITW or the Trust) on March 29, 2012. Pursuant to this agreement, the Central Pastoral Administration transferred its long-term investments to the Trust effective April 2, 2012. The pooled investments of the Trust are managed by independent investment managers, and the securities are held by bank custodians. The Trust is invested in a diversified portfolio consisting of cash equivalents, domestic and foreign equity and fixed income securities, bonds, money market funds, private equity and U.S. government and agency securities. The investment in CITW is reported at estimated fair values utilizing net asset value. The Central Pastoral Administration reviews and evaluates the net asset values by the general partner and fund managers and agrees with the valuation methods and assumptions used in determining the net asset values.

All investments are exposed to various risks, such as interest rates, market and credit risks. Due to the level of risk associated with certain investments, it is at least possible that changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

**(e) Funds Held on Behalf of Others**

The Central Pastoral Administration records amounts due to other organizations as funds held on behalf of others when the monies are received. These amounts consist primarily of contributions received by the Central Pastoral Administration's fundraising campaigns for other Archdiocesan

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entities and annuities administered by the Central Pastoral Administration for the benefit of other Archdiocesan entities.

**(f) Contributed Services**

A substantial number of unpaid volunteers have made significant contributions of time to various programs. The value of this contributed time is not reflected in these statements because the services did not require specialized skills or create or enhance nonfinancial assets.

**(g) Income Taxes**

The Archdiocese is exempt from federal income tax, except on unrelated activities, under the provisions of Section 501(c)(3) of the Internal Revenue Code. No provision has been made for income taxes since the Archdiocese had no significant unrelated business income.

**(h) Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the combined statements of activities; accordingly, certain costs have been allocated among the programs and supporting services benefited based on the amount of space utilized by the staff of the programs and supporting services.

**(i) Revenue Recognition**

Premiums and insurance billings are recognized as revenue during the period in which coverage is provided. Assessments are recognized as revenue in the period the assessment is made. Fees are recognized as revenue in the period the service is provided.

Contributions, which include unconditional promises to give are recognized as revenues in the period received at their net present value. Contributions with donor-imposed temporary restrictions are reported as temporarily restricted revenues and are reclassified to unrestricted net assets when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

Rental revenue under tenant leases is recognized on a straight-line basis over the terms of the related leases in accordance with FASB ASC 840, Leases. Revenues for recoveries from tenants for other costs are recognized in the period in which the related expenses are incurred.

**(j) Insurance Claims and Benefits Payable**

The Central Pastoral Administration sponsors property and casualty insurance, workers' compensation insurance, health and medical insurance, and pension benefit programs for organizations within the Archdiocese. Property and casualty, workers' compensation, and health and medical claims are accrued when reported. In addition, an estimate for medical claims incurred but not reported is accrued. Pension benefits payable consist of the unpaid required contributions to the multiemployer plan for lay persons.

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**(k) *Annuities Payable***

The Central Pastoral Administration has various charitable gift annuity agreements under which it receives contributed assets in exchange for a promise to pay the donor a fixed amount over a specified period of time, typically until the donor's death. An estimate of the related liability has been recorded based on the present value of future payments using approximate discount rates of 3% to 10% and the actuarial determined life expectancy of the donor. Liabilities under charitable gift annuities are recorded in annuities payable.

**(l) *Property and Equipment***

Gifts of property and equipment are recorded at fair market value on the date contributed. The remaining fixed assets are recorded at cost.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are: buildings, 40 years; software, 10 years; furniture and equipment, 5 years; and automobiles, 5 years.

**(m) *Concentration of Credit Risk***

Financial instruments that potentially subject the Central Pastoral Administration to concentrations of credit risk consist primarily of notes receivable (see footnote 5).

**(n) *Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Central Pastoral Administration to make certain estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(o) *Reclassifications***

Certain prior year amounts have been reclassified to conform to current year presentation.

**(2) *Investments and Fair Value Measurements***

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The three level fair value hierarchy that describes the inputs that are used to measure assets is as follows:

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

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Level 2 – Other observable inputs, either directly or indirectly, including: quoted prices for similar assets/liabilities in active markets; quoted prices for identical or similar assets in nonactive markets; inputs other than quoted prices that are observable for the asset/liability; and inputs that are derived principally from or corroborated by other observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity.

Investments measured using net asset value are considered Level 2 if they are redeemable at or near fiscal year end, otherwise they are considered Level 3.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of an input that is significant to the fair value measurement.

The Central Pastoral Administration transferred its long-term investments, effective April 2, 2012, to the CITW. Pursuant to this agreement, legal title of the assets was transferred to CITW and the Central Pastoral Administration holds an interest in the net asset values of the investments in the Trust as of June 30, 2012. The Central Pastoral Administration owns only its interest in the Trust and has no claim on the interest held by other participants in the Trust and no other participants have a claim on the Central Pastoral Administration's interest in the Trust. The Trust is invested in a diversified portfolio consisting of cash equivalents, domestic and foreign equity and fixed income securities, bonds, money market funds, private equity and U.S. government and agency securities. As of June 30, 2012, approximately 68.7% of investments in the Trust are classified in Level 1, 27.6% are classified in Level 2 and 3.7% are classified in Level 3 of the fair value hierarchy.

The Central Pastoral Administration also held investments outside of the Trust as of June 30, 2012. These investments included domestic and foreign equity which trade on a daily basis and are disclosed as Level 1. Other investments included oil rights which do not trade on a daily basis. These investments are appraised by a certified appraiser on an annual basis based on observable market inputs and are disclosed as Level 2. Finally, investments also included domestic money market funds and are included in Level 2 of the fair value hierarchy.

As of June 30, 2011, the majority of the Central Pastoral Administration's equity securities traded on a major exchange. Accordingly, such equity securities were disclosed in Level 1. The remaining equity securities were disclosed in Level 2. Securities with fixed maturities (Corporate Bonds, Mutual Funds and Government Sponsored Enterprises) other than U.S. Treasury securities generally do not trade on a daily basis. The fair value estimates of such fixed maturity investments are based on observable market information rather than market quotes. Accordingly, the estimates of fair value for such fixed maturity investments as provided by the pricing service were disclosed in Level 2 of the hierarchy. The estimated values of U.S. Treasury securities were disclosed in Level 1 as the values are based on unadjusted market prices.

As of June 30, 2011, the Central Pastoral Administration invested in several institutional money market funds whose underlying assets are fixed income instruments. These funds do not usually have daily

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purchases and redemptions. The fair value estimates of such institutional mutual funds are based on observable market information rather than market quotes. Accordingly, the estimates of fair value for such funds as provided by the pricing service were included in the amount disclosed in Level 2. Other investments as of June 30, 2011 are oil rights which do not trade on a daily basis and are therefore classified as Level 2.

The following is a summary of the fair value measurements of Central Pastoral Administration's assets within the fair value hierarchy as of June 30, 2012 and 2011:

	<u>2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Investment in CITW	\$ 49,468,383	—	47,631,698	1,836,685
Corporate bonds:				
Domestic	—	—	—	—
International	—	—	—	—
Equity securities:				
Domestic	14,895	14,895	—	—
International	3,815	3,815	—	—
Money market funds – domestic	72	—	72	—
Other investment – domestic	47,290	—	47,290	—
	<u>\$ 49,534,455</u>	<u>18,710</u>	<u>47,679,060</u>	<u>1,836,685</u>
	<u>2011</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
U.S. government agencies	\$ 4,137,058	2,192,556	1,944,502	—
Corporate bonds:				
Domestic	7,003,007	—	7,003,007	—
International	34,726	—	34,726	—
Equity securities:				
Domestic	16,897,002	16,897,002	—	—
International	9,658,609	5,369,441	4,289,168	—
Money market funds – domestic	2,544,616	—	2,544,616	—
Other investment – domestic	113,899	—	113,899	—
	<u>\$ 40,388,917</u>	<u>24,458,999</u>	<u>15,929,918</u>	<u>—</u>

The fair value of other financial instruments, principally cash and cash equivalents, accounts receivable and accounts payable approximates their carrying value at June 30, 2012 and 2011 because of the short maturity of these items.

The Central Pastoral Administration used the Net Asset Value (NAV) or its equivalent to determine the fair value of its underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The fair value of the investment in CITW of \$49,468,383 is

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estimated using the net asset value at June 30, 2012. There are no unfunded commitments for this investment.

The investments of CITW are comprised of three portfolios: Traditional, Semi-liquid and Illiquid. The investment objective of each portfolio, consistent with the Investment Policy Statement approved by CITW's Board of Trustees, is long-term total return that net of fees exceeds the aggregate Portfolio benchmark's total return with less risk. The Traditional portfolio is valued monthly and redemption by the grantors is permitted quarterly and at the valuation date. The Semi-Liquid portfolio is valued at the beginning of each quarter and can be redeemed with 30 days notice. The Illiquid portfolio is valued at the beginning of each quarter and does not have redemption frequency.

Investments as shown on the combined statements of financial position were as follows:

	<u>2012</u>	<u>2011</u>
Investments held for current operations	\$ 48,626,605	39,481,067
Investments restricted for long-term purposes	<u>907,850</u>	<u>907,850</u>
	<u>\$ 49,534,455</u>	<u>40,388,917</u>

Investment income (loss) consists of the following for the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 806,043	1,016,624
Realized gains and losses, net	187,476	2,194,167
Unrealized gains and losses, net	(1,392,517)	4,337,416
Less: investment (income) loss allocated to funds held on behalf of others	97,123	(849,475)
Less: investment management fees	<u>(434,934)</u>	<u>(844,045)</u>
Investment income	<u>\$ (736,809)</u>	<u>5,854,687</u>

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**(3) Accounts Receivable**

Accounts receivable at June 30, 2012 and 2011 is comprised of the following:

		<u>2012</u>	<u>2011</u>
	<u>Gross</u>	<u>Allowance for doubtful accounts</u>	<u>Totals</u>
Accounts receivable:	\$		
Assessments	1,078,000	(142,000)	936,000
Insurance	11,192,544	(6,034,679)	5,157,865
Trade	1,174,086	(524,378)	649,708
Other	5,747,759	(4,501,179)	1,246,580
	<u>\$ 19,192,389</u>	<u>(11,202,236)</u>	<u>7,990,153</u>
Accounts receivable:	\$		
Assessments	1,052,000	(142,000)	910,000
Insurance	10,715,279	(3,328,630)	7,386,649
Trade	1,311,590	(488,313)	823,277
Other	3,064,889	(1,224,754)	1,840,135
	<u>\$ 16,143,758</u>	<u>(5,183,697)</u>	<u>10,960,061</u>

Most of the accounts receivable are due from related parties including parishes and Archdiocesan-related corporations and institutions (see note 15).

**(4) Contributions Receivable**

Contributions receivable at June 30, 2012 and 2011 are expected to be received as follows:

	<u>2012</u>	<u>2011</u>
Less than one year	\$ 4,775,950	5,106,520
One year to five years	—	—
	4,775,950	5,106,520
Less unamortized discount using a discount rate of 3.99%	—	—
Less allowance for uncollectible contributions receivable	(1,087,065)	(1,051,894)
	<u>\$ 3,688,885</u>	<u>4,054,626</u>

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**(5) Notes Receivable**

Notes receivable at June 30, 2012 and 2011 is comprised of the following:

	<b>2012</b>	<b>2011</b>
Parishes	\$ 2,823,137	3,067,030
Related corporations	566,235	634,376
Other	13,389	11,919
	3,402,761	3,713,325
Less allowance for uncollectible notes receivable	(2,352,765)	(2,451,461)
	\$ 1,049,996	1,261,864

**(6) Property and Equipment**

Property and equipment at June 30, 2012 and 2011 is comprised of the following:

	<b>2012</b>	<b>2011</b>
Land	\$ 9,409,273	9,409,273
Future parish sites	894,182	894,182
Buildings	36,735,828	32,475,737
Furniture and equipment	3,744,919	3,012,023
Automobiles	733,040	625,513
Software	1,601,773	—
Construction in progress	1,422,317	2,287,891
	54,541,332	48,704,619
Property and equipment, gross	54,541,332	48,704,619
Less accumulated depreciation	(17,058,536)	(15,966,645)
	\$ 37,482,796	32,737,974
Property and equipment, net	37,482,796	32,737,974

Depreciation expense was \$1,008,073 and \$839,803 for the years ended June 30, 2012 and 2011, respectively.

**(7) Deferred Rent Receivable**

The Archdiocese entered into a ground lease arrangement through 2099 using land adjacent to St. Matthew's Cathedral. The Archdiocese received ground lease income of \$240,000 per year through June 30, 2005 and, effective July 1, 2005, began receiving \$1 million per year for the remaining lease term (subject to consumer price index fluctuations with a floor increase of 1.5% and other factors), 50% of which will be shared with St. Matthew's Cathedral.



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The Archdiocese also entered into a ground lease arrangement through 2102 using land owned by St. Patrick's parish. The Archdiocese received ground lease income of \$252,000 per year through September 30, 2006, and effective October 1, 2006, began receiving lease income totaling \$642,675 per year (subject to consumer price index (CPI) fluctuations with a floor increase of 1.5% and other factors), which will continue through February 2012. Beginning approximately March 2012 and for the remaining lease term, 50% of the annual lease income will be received by the Archdiocese and 50% of the annual lease income will be paid directly to St. Patrick's parish.

U.S. generally accepted accounting principles require rental income, including all future contractually stipulated increases, to be recognized on a straight line basis over the term of a lease. Therefore, the minimum 1.5% CPI increase has been projected from inception through the 99 year lease terms to determine the annual straight line rental income amount. The differential between the straight line amount and the actual amount received is recorded as a deferred rent receivable, and U.S. generally accepted accounting principles relating to lease accounting do not permit discounting of deferred rent receivables. The deferred rent receivable balance was \$10,342,755 and \$8,738,931 at June 30, 2012 and 2011, respectively. This amount will continue to increase through 2057 and begin reversing in 2058 until the deferred rent receivable is reduced to zero at the end of the 99 year lease terms. The Central Pastoral Administration has also recorded a liability representing the 50% share of the receivable for St. Matthew's Cathedral totaling \$4,281,770 and \$3,740,220 at June 30, 2012 and 2011, respectively, and is included in accounts payable and accrued expenses in the accompanying combined statements of financial position.

Approximate future minimum rental payments to be received, net of amounts to be paid to St. Matthew's for years ending June 30 are as follows:

	<b>Future minimum rental to be received</b>	<b>Amounts to be paid to St. Matthew's</b>	<b>Net rental</b>
2013	\$ 1,475,000	(559,000)	916,000
2014	1,499,000	(567,500)	931,500
2015	1,523,000	(576,000)	947,000
2016	1,547,000	(584,500)	962,500
2017	1,572,000	(593,500)	978,500
Thereafter	277,655,000	(96,983,500)	180,671,500
	<u>\$ 285,271,000</u>	<u>(99,864,000)</u>	<u>185,407,000</u>

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**(8) Beneficial Interest in Assets Held by Others**

In fiscal year 2010, the Central Pastoral Administration transferred certain net assets to the Catholic Education Foundation and has a beneficial interest in those assets and in certain assets held by Forward in Faith, Inc. These net assets held by the Catholic Education Foundation and Forward in Faith are purpose restricted by donors for use only by Central Pastoral Administration programs. The Central Pastoral Administration was not granted variance power over the remaining net assets of the Catholic Education Foundation or Forward in Faith, Inc. The beneficial interest at June 30, 2012 and 2011 is as follows:

	<b>2012</b>	<b>2011</b>
Seminarian and clergy education	\$ 3,044,920	2,986,554
Ministry programs	9,675,288	9,494,854
	\$ 12,720,208	12,481,408

Of this amount, approximately \$10.7 million and \$10.1 million represents permanently restricted net assets and \$2.1 million and \$2.4 million is temporarily restricted net assets at June 30, 2012 and 2011 respectively.

**(9) Contributions Payable**

Contributions payable at June 30, 2012 and 2011 represent subsidies to be given to certain organizations located within the Archdiocese and are expected to be disbursed as follows:

	<b>2012</b>	<b>2011</b>
Less than one year	\$ 6,444,934	6,218,726
One year to five years	50,000	75,000
	6,494,934	6,293,726
Less unamortized discount using a discount rate of 4.125%	(5,786)	(9,519)
	\$ 6,489,148	6,284,207

**(10) Benefit Plans**

**(a) Multiemployer Plan for Lay Persons**

The Central Pastoral Administration employees participate in a multiemployer defined-benefit pension plan (the Plan). The Plan covers substantially all full-time lay employees of the Archdiocese and other affiliated organizations. To be eligible for participation in the Plan, an employee must have completed one year of service, be over 21 years of age, and regularly work 20 or more hours per week. It is Archdiocesan policy to provide for all costs currently in the employee pension plan. The Central Pastoral Administration records as services revenue an amount equal to the pension cost for lay persons in the parishes, schools, offices, and other affiliated organizations. The total expense for the Plan for the years ended June 30, 2012 and 2011 was \$8,461,080 and \$8,356,938, respectively, of

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which approximately \$671,627 and \$512,292, respectively, relates to lay persons working at the Central Pastoral Administration. The total expense is included in insurance and benefits expense in the combined statements of activities. The liability to the Plan represents unpaid contributions, which at June 30, 2012 and 2011 was \$662,793 and \$932,460, respectively, and is recorded in insurance claims and benefits payable in the accompanying combined statements of financial position.

Effective December 31, 2012, the multi-employer retirement plan of the Archdiocese of Washington will be frozen, and no further benefits will be accrued. All retirement benefits earned prior to the effective date of the change will be maintained and a new defined contribution plan will be introduced, effective January 1, 2013.

**(b) *Defined Contribution Plan - Current***

The employees of the Central Pastoral Administration currently participate in a defined contribution 403(b) plan. Since only employees contribute to the plan, there is no employer expense related to the Plan. However, with the introduction of the new defined contribution plan, the current plan will be terminated, effective December 31, 2012.

**(c) *Priests' Retirement Plan***

The Priests' Retirement Plan provides for monthly retirement benefits and postretirement medical, dental, and vision coverage to all Archdiocesan retired priests. There are no participant contributions.

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The actuarial present value of accumulated plan benefits is determined by the Plan's actuary using actuarial assumptions to reflect the time value of money, probability of payment, and cost-of-living adjustments. The assets, which were contributed to a separate Priests' Retirement Benefit Trust on June 30, 2012 and 2011, are invested in corporate bonds, equity securities and money market investments and are considered plan assets at June 30, 2012 and 2011.

	<b>Year ended June 30, 2012</b>		
	<b>Retirement benefit</b>	<b>Post- retirement medical</b>	<b>Total</b>
Change in benefit obligation:			
Benefit obligation at beginning of year	\$ 23,938,316	10,277,444	34,215,760
Service cost	447,401	189,055	636,456
Interest cost	1,433,240	568,646	2,001,886
Actuarial gain	5,492,257	1,774,675	7,266,932
Benefits paid	(1,392,689)	(1,071,459)	(2,464,148)
Benefit obligation at end of year	29,918,525	11,738,361	41,656,886
Change in plan assets:			
Fair value of plan assets at beginning of year	17,019,475	—	17,019,475
Actual return on plan assets	(593,970)	—	(593,970)
Employer contributions	3,392,689	1,071,459	4,464,148
Benefits paid	(1,392,689)	(1,071,459)	(2,464,148)
Administrative expenses recovered	73,954	—	73,954
Fair value of plan assets at end of year	18,499,459	—	18,499,459
Accrued benefit cost	\$ 11,419,066	11,738,361	23,157,427

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	<b>Year ended June 30, 2011</b>		
	<b>Retirement benefit</b>	<b>Post- retirement medical</b>	<b>Total</b>
<b>Change in benefit obligation:</b>			
Benefit obligation at beginning of year	\$ 24,300,688	9,106,058	33,406,746
Service cost	377,544	183,301	560,845
Interest cost	1,257,147	556,800	1,813,947
Actuarial gain	(701,157)	1,641,648	940,491
Benefits paid	(1,295,906)	(1,210,363)	(2,506,269)
Benefit obligation at end of year	23,938,316	10,277,444	34,215,760
<b>Change in plan assets:</b>			
Fair value of plan assets at beginning of year	14,057,410	—	14,057,410
Actual return on plan assets	3,033,168	—	3,033,168
Employer contributions	1,295,906	1,210,363	2,506,269
Benefits paid	(1,295,906)	(1,210,363)	(2,506,269)
Administrative expenses paid	(71,103)	—	(71,103)
Fair value of plan assets at end of year	17,019,475	—	17,019,475
Accrued benefit cost	\$ 6,918,841	10,277,444	17,196,285

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The following table sets forth the amounts recognized in the combined financial statements as of and for the year ended June 30, 2012:

	<b>Year ended June 30, 2012</b>		
	<b>Retirement benefit</b>	<b>Post- retirement medical</b>	<b>Total</b>
Charges other than net periodic benefit cost:			
Net loss for period	\$ 7,211,171	1,439,675	8,650,846
Amortization of net loss	(93,328)	—	(93,328)
Amortization of prior service cost	(119,972)	—	(119,972)
Charges other than net periodic benefit cost	<u>\$ 6,997,871</u>	<u>1,439,675</u>	<u>8,437,546</u>
Items not yet recognized as a component of net periodic pension/benefit cost:			
Net loss (gain)	\$ 8,341,910	(146,940)	8,194,970
Prior service cost	1,163,721	—	1,163,721
Items not yet recognized as a component of net periodic pension/benefit cost	<u>\$ 9,505,631</u>	<u>(146,940)</u>	<u>9,358,691</u>
Actuarial assumptions used:			
End of year benefit obligation	4.75%	4.75%	
Net periodic benefit cost	4.75	4.75	
Weighted average expected long-term rate of return	6.50	—	

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The following table sets forth the amounts recognized in the combined financial statements as of and for the year ended June 30, 2011:

	<b>Year ended June 30, 2011</b>		
	<b>Retirement benefit</b>	<b>Post- retirement medical</b>	<b>Total</b>
Charges other than net periodic benefit cost:			
Net gain for period	\$ (2,618,209)	1,306,648	(1,311,561)
Amortization of net loss	(54,441)	16,465	(37,976)
Amortization of prior service cost	(119,972)	—	(119,972)
Charges other than net periodic benefit cost	\$ (2,792,622)	1,323,113	(1,469,509)
Items not yet recognized as a component of net periodic pension/benefit cost:			
Net loss (gain)	\$ 1,224,067	(1,586,615)	(362,548)
Prior service cost	1,283,693	—	1,283,693
Items not yet recognized as a component of net periodic pension/benefit cost	\$ 2,507,760	(1,586,615)	921,145
Actuarial assumptions used:			
End of year benefit obligation	\$ 5.50%	5.50%	
Net periodic benefit cost	5.50	5.50	
Weighted average expected long-term rate of return	8.00	—	

There is no amount expected to be amortized into net periodic benefit cost over the next fiscal year relating to net gain of the postretirement plan and there is \$348,765 expected to be amortized of the net loss for the retirement benefit plan.

Amounts to be amortized into net periodic benefit cost over the next fiscal year relating to prior service cost of the postretirement plan total \$119,972.

For measurement purposes, a 6.5% annual rate of increase in per capita cost of covered healthcare benefits was assumed for 2012. The rate is assumed to decrease to 5% for 2015 and remain at that level thereafter. Long term care costs are assumed to be \$45,902 per year per covered participant.

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Estimated future benefit payments as of June 30, 2012 and 2011 are as follows:

	<u>Retirement benefit</u>	<u>Postretirement medical</u>
Years ending June 30:		
2013	\$ 1,680,949	1,164,188
2014	1,771,267	1,226,672
2015	1,823,877	1,188,944
2016	1,860,217	821,675
2017	1,885,089	848,563
2018 – 2022	9,837,304	4,653,570

In 2013, the Central Pastoral Administration expects to contribute to the Plan \$1,679,855 for retirement benefits and \$1,164,188 for postretirement benefits.

**(11) Undesignated and Designated Net Assets**

Unrestricted net assets have been designated by the Central Pastoral Administration at June 30, 2012 and 2011 as follows:

	<u>2012</u>	<u>2011</u>
Designated for:		
Operations	\$ 21,810,339	11,902,091
Deferred rent receivable (note 7)	10,342,755	4,998,712
Insurance reserves	15,281,860	26,016,751
	<u>\$ 47,434,954</u>	<u>42,917,554</u>

The undesignated balance of \$(14,711,583) and (\$3,892,893) includes the net deficit of the Priests' Pass Thru and Care Fund of \$17,049,526 and \$10,214,797 at June 30, 2012 and 2011.

**(12) Temporarily and Permanently Restricted Net Assets**

The following summarizes the nature of the temporarily restricted net assets at June 30, 2012 and 2011 and the purposes for which such net assets may be used:

	<u>2012</u>	<u>2011</u>
Future time periods' general operations	\$ 3,258,885	3,954,626
Propagation of the faith	935,403	1,000,148
Social concerns	3,103,254	4,334,608
Clergy education	4,308,426	1,828,556
Education	—	6,896
	<u>\$ 11,605,968</u>	<u>11,124,834</u>



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The following summarizes the nature of the permanently restricted net assets at June 30, 2012 and 2011 and the purposes for which the income or a portion of income on such net assets may be used:

	<b>2012</b>	<b>2011</b>
Social concerns	\$ 8,931,589	8,455,693
Clergy education	2,697,531	2,554,762
	\$ 11,629,120	11,010,455

**(13) Net Assets Released from Restrictions**

Net assets were released from temporary restrictions by incurring expenses satisfying the restricted purposes or by the passage of time as follows:

	<b>2012</b>	<b>2011</b>
Program services	\$ 5,791,473	5,065,132
Passage of time:		
Archbishop's appeal	3,331,626	3,082,243
	\$ 9,123,099	8,147,375

**(14) Uniform Prudent Management of Institutional Funds Act**

The Finance Council of Central Pastoral Administration has interpreted the Uniform Prudent Management of Institutional Funds Act (the Act) as requiring the preservation of the fair market value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Central Pastoral Administration classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by the Act. If the disbursements under the spending rate policy exceed accumulated earnings, the deficiency is classified as an offset to unrestricted net assets until such time as it is recovered by future earnings. In accordance with the Act, Central Pastoral Administration considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of Central Pastoral Administration and 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 the appreciation of investments, (6) other resources of Central Pastoral Administration, and (7) the investment policies of the organization.

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The Central Pastoral Administration has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Central Pastoral Administration must hold in perpetuity or for a donor-specified period(s) as well as designated funds. Under this policy, as approved by the Finance Council, the endowment assets are invested in a manner that is intended to produce results that meet or exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Central Pastoral Administration expects its endowment funds, over time, to provide an average rate-of-return that, net of fees, exceeds the aggregate benchmark's total return with less risk. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Central Pastoral Administration 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 Central Pastoral Administration targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Central Pastoral Administration's policy includes the following: the classification of restricted gifts, the investment of restricted gifts, the definition of income earned, and the calculation of annual distributions. Gifts are pooled and invested to ensure assets increase over time thereby enhancing the funds' long-term health and fiscal viability. Income earned includes interest, dividends, and realized/unrealized gains and losses unless otherwise specified by the donor. Distributions can be made annually at a rate not to exceed 4% of the sum of the fair market value of the permanently restricted net assets and the income earned (which are classified as temporarily restricted net assets) using a three year rolling average.

Endowment net assets composition by type of fund as of June 30, 2012 and 2011:

<b>2012</b>					
		<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$	(27,145)	29,289	907,850	909,994
Designated endowment funds		345,428	—	—	345,428
Total funds	\$	318,283	29,289	907,850	1,255,422
<b>2011</b>					
		<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$	(7,514)	32,956	907,850	933,292
Designated endowment funds		352,441	—	—	352,441
Total funds	\$	344,927	32,956	907,850	1,285,733

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	<b>2012</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	
Endowment net assets, beginning of year	\$ 344,927	32,956	907,850	1,285,733
Investment return:				
Investment income	(55,893)	(8,625)	—	(64,518)
Gains/(losses) (realized and unrealized)	29,249	4,958	—	34,207
Total investment return	318,283	29,289	907,850	1,255,422
Contributions	—	—	—	—
Replenish net assets	—	—	—	—
Endowment net assets, end of year	<u>\$ 318,283</u>	<u>29,289</u>	<u>907,850</u>	<u>1,255,422</u>
	<b>2011</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	
Endowment net assets, beginning of year	\$ 262,672	23,717	907,850	1,194,239
Investment return:				
Investment income	10,844	52,332	—	63,176
Gains/(losses) (realized and unrealized)	21,954	6,364	—	28,318
Total investment return	295,470	82,413	907,850	1,285,733
Contributions	—	—	—	—
Replenish net assets	49,457	(49,457)	—	—
Endowment net assets, end of year	<u>\$ 344,927</u>	<u>32,956</u>	<u>907,850</u>	<u>1,285,733</u>

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 the states' enacted legislation requires Central Pastoral Administration to retain as a fund for perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$27,145 and \$7,514 as of June 30, 2012 and 2011. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of the new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Finance Council.

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**(15) Related-Party Transactions**

The Central Pastoral Administration has significant transactions with parishes and related corporations of the Archdiocese of Washington. Below is a summary of the impact of significant transactions with these related parties on the combined statements of financial position and combined statements of activities:

	<u>2012</u>	<u>2011</u>
Accounts receivable, gross	\$ 16,553,411	13,148,883
Investment in CITW	49,468,383	—
Notes receivable, gross	3,389,372	3,701,406
Receivable due from affiliate, gross	927,678	3,874,881
Beneficial interest in assets held by others	12,720,208	12,481,408
Contributions receivable	230,000	373,000
Accounts payable and accrued expenses	5,097,129	4,581,986
Contributions payable	6,333,996	5,883,330
Funds held on behalf of others	4,953,995	3,946,739
Annuities payable	1,096,811	1,010,800
	<u>2012</u>	<u>2011</u>
Revenues:		
Parish assessments	\$ 8,893,921	8,782,808
Special school assessments	3,240,876	3,115,097
Other assessments	565,500	565,766
Special program income	313,907	221,836
Premiums and insurance billings	36,765,071	35,393,335
Gifts & contributions	230,000	373,000
Rental income	548,661	613,883
Interest income – notes receivable	34,533	45,829
Management fees and computer services	562,843	518,918
	<u>\$ 51,155,312</u>	<u>49,630,472</u>
Expenses:		
Catholic education	\$ 587,795	3,808,190
Other program service subsidies	3,003,605	4,848,891
Insurance and benefits	570,333	677,088
	<u>\$ 4,161,733</u>	<u>9,334,169</u>

**(16) Commitments and Contingencies**

**(a) Insurance and Litigation Matters**

Effective July 1, 1987, the Archdiocese of Washington and several other (Arch) dioceses covered by Catholic Mutual Group, formed the Catholic Umbrella Pool (CUP) to self-insure portions of the excess property, liability and morality coverage. On May 16, 1998, CUP was separately incorporated

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and Catholic Mutual Group was selected as administrator. Catholic Mutual Group provides property, liability and excess coverage for CUP members.

Membership in CUP has grown since its inception and the Archdiocese's interest in CUP's assets varies based on the Archdiocese's annual contribution and the number of CUP dioceses for a particular year. The Archdiocese's participation ranges from 9.9% for fiscal year 1988 to 5.6% for fiscal year 2011.

In an effort to control loss exposure, CUP developed specific risk management policies that all CUP members must follow. When a loss occurs that is covered by CUP, the loss is allocated to each member based on the percentage of each member's contribution for that fiscal year. As of the most recent financial statement date, June 30, 2012 and 2011, CUP provides liability coverage for its members equal to 64.3% of \$3,500,000 in excess of \$1,500,000. In addition, CUP participates in coverage in excess of \$1,500,000 to a limit of \$5,000,000 for morality certificates and in excess of \$1,500,000 to a limit of \$19,000,000 for liability certificates. Outside of CUP's portion, Catholic Mutual Group purchases reinsurance for the layers up to the \$19,000,000 limit.

The Central Pastoral Administration and Archdiocesan organizations have been named in various lawsuits relating to possible liability incidents. Certain lawsuits are covered, in full or in part, by the Catholic Umbrella Pool or external insurance coverage. Insurance claims payable have been established and accrued in the accompanying combined statements of financial position for those cases where the potential liability is reasonably estimable and probable.

The amount of loss from the remaining lawsuits and others cannot be estimated as of June 30, 2012 and 2011. The ultimate resolution of these matters and others could result in losses in excess of the insurance coverage and accrued insurance claims payable in the near term.

**(b) *Revolving Credit Facility***

The Roman Catholic Archbishop of Washington, a corporation sole, maintains two revolving credit facilities with two banks to provide financing for parishes and related organizations totaling \$65 million each but limited to \$65 million in the aggregate. Lines of credit, letters of credit, and term loans are permitted. For the first revolving credit facility, interest is calculated, at the discretion of the borrower, under one of the following methods:

- (1) a floating rate at 150 basis points over the 90-day LIBOR;
- (2) a fixed rate at 150 basis points over the equivalent term U.S. Treasury note yield up to 10 years; or
- (3) a floating prime rate as listed in the Wall Street Journal less 1.25%.

The term of the agreement for making new advances with repayment due under terms agreed to at the time of each draw expired on November 30, 2012. A new agreement with the bank was entered into effective December 1, 2012, with similar terms as the previous agreement. The expiration dates of the two facilities under this new debt agreement are October 31, 2014 and October 31, 2015. At

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June 30, 2012 and 2011, the Roman Catholic Archbishop of Washington, a corporation sole, is contingently liable for loans outstanding totaling \$23,737,145 and \$29,489,648, respectively, for 43 loans for parishes and other organizations.

On October 8, 2009, the Roman Catholic Archbishop of Washington, a corporation sole, entered into a Letter of Agreement with another bank to provide a \$65 million line of credit for the purpose of providing additional financing for the Archdiocese, parishes and related organizations. The term of the agreement for making new advances with repayment due under terms agreed to at the time of each draw will expire on June 29, 2013.

Interest is calculated, at the discretion of the borrower, under one of the following methods:

- (1) a floating rate at 175 basis points over LIBOR for loan amounts up to \$10 million; or
- (2) a floating rate at 125 basis points over LIBOR for loan amounts greater than \$20 million for a term of up to 5 years; or
- (3) a floating rate at 150 basis points over LIBOR for loan amounts greater than \$20 million for a term of 5 years or more.

Draws on this line of credit at June 30, 2012 and 2011 totaled \$1,342,623 and \$1,450,521, respectively.

**(c) Corporation Guarantees**

The Central Pastoral Administration has also given assurance that it will provide financial support, if necessary, to keep certain Archdiocesan-related corporations in operation through December 31, 2012.

**(17) Change in Reporting Entity**

As discussed in note 1, effective July 1, 2011, the financial results of Carroll Publishing were combined with the results of the Central Pastoral Administration. The fair value of Carroll Publishing as of July 1, 2011 consisted of the following:

Account receivable, net	\$	224,609
Prepaid expense and other assets		58,914
Property and equipment, net		36,226
Total assets	\$	<u>319,748</u>
Accounts payable and accrued expense	\$	70,672
Deferred income		107,549
Due to others		1,343,791
Total liabilities		<u>1,522,012</u>
Unrestricted net assets		<u>(1,202,264)</u>
Total liabilities and net assets	\$	<u>319,748</u>

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During fiscal year 2012, the Finance Council of Central Pastoral Administration approved forgiveness of the debt due from Carroll Publishing to Central Pastoral Administration in the amount of \$1,280,815.

**(18) Subsequent Events**

In preparing these financial statements, the Central Pastoral Administration has evaluated events and transactions for potential recognitions or disclosure through February 28, 2013, the date that the financial statements were available to be issued. There were no events or transactions that were discovered during the evaluation that required accrual or further disclosure.

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Combined Schedule of Financial Position

June 30, 2012

Assets	Operations	Insurance Services	Redemptoris Mater Seminary	Priests' Pass Through & Care Fund	Propagation of the Faith	Carroll Publishing Company	Combined totals
Cash and cash equivalents	\$ 25,810,272	100,100	10,000	—	—	—	25,920,372
Investments	35,729,230	11,908,115	—	—	989,260	—	48,626,605
Accounts receivable, net	2,672,245	4,752,839	—	405,026	618	159,425	7,990,153
Contributions receivable, net	3,688,885	—	—	—	—	—	3,688,885
Prepaid expenses and other assets	230,880	248,675	—	—	342	57,858	537,755
Notes receivable, net	1,049,996	—	—	—	—	—	1,049,996
Receivable due from affiliate	417,539	—	—	—	—	—	417,539
Due from (to) others	(8,562,120)	2,768,710	(64,584)	5,726,135	131,859	—	—
Property and equipment, net	37,386,639	—	64,903	—	—	31,254	37,482,796
Deferred rent receivable	10,342,755	—	—	—	—	—	10,342,755
Investments restricted for long-term purposes	907,850	—	—	—	—	—	907,850
Beneficial interest in assets held by others	12,720,208	—	—	—	—	—	12,720,208
Total assets	<u>\$ 122,394,379</u>	<u>19,778,439</u>	<u>10,319</u>	<u>6,131,161</u>	<u>1,122,079</u>	<u>248,537</u>	<u>149,684,914</u>
<b>Liabilities and Net Assets</b>							
Liabilities:							
Accounts payable and accrued expenses	\$ 9,066,327	160,548	—	23,260	2,458	57,004	9,309,597
Insurance claims payable	—	3,943,066	—	—	—	—	3,943,066
Contributions payable	6,403,209	—	—	—	85,939	—	6,489,148
Funds held on behalf of others	7,696,731	—	—	—	815	—	7,697,546
Collections held for disbursement	3,462,666	—	—	—	97,464	—	3,560,130
Deferred revenue	40,287	392,965	—	—	—	112,982	546,234
Notes payable	—	—	10,319	—	—	—	10,319
Annuities payable	1,530,192	—	—	—	—	—	1,530,192
Net accrued liability for Priests' Retirement Fund	—	—	—	23,157,427	—	—	23,157,427
Total liabilities	<u>28,199,412</u>	<u>4,496,579</u>	<u>10,319</u>	<u>23,180,687</u>	<u>186,676</u>	<u>169,986</u>	<u>56,243,659</u>
Net assets:							
Unrestricted:							
Undesignated	2,355,549	—	(64,903)	(17,049,526)	—	47,297	(14,711,583)
Designated	32,153,094	15,281,860	—	—	—	—	47,434,954
Invested in property and equipment	37,386,639	—	64,903	—	—	31,254	37,482,796
Total unrestricted	<u>71,895,282</u>	<u>15,281,860</u>	<u>—</u>	<u>(17,049,526)</u>	<u>—</u>	<u>78,551</u>	<u>70,206,167</u>
Temporarily restricted	10,670,565	—	—	—	935,403	—	11,605,968
Permanently restricted	11,629,120	—	—	—	—	—	11,629,120
Total net assets	<u>94,194,967</u>	<u>15,281,860</u>	<u>—</u>	<u>(17,049,526)</u>	<u>935,403</u>	<u>78,551</u>	<u>93,441,255</u>
Total liabilities and net assets	<u>\$ 122,394,379</u>	<u>19,778,439</u>	<u>10,319</u>	<u>6,131,161</u>	<u>1,122,079</u>	<u>248,537</u>	<u>149,684,914</u>

See accompanying independent auditors' report.



**THE CENTRAL PASTORAL ADMINISTRATION OF  
THE ARCHDIOCESE OF WASHINGTON**

Combined Schedule of Financial Position

June 30, 2011

Assets	Operations	Insurance Services	Redemptoris Mater Seminary	Priests' Pass Through & Care Fund	Propagation of the Faith	Christ Our Hope – Papal Visit	Combined totals
Cash and cash equivalents	\$ 18,836,002	2,453,758	93,005	6,313,158	571,407	—	28,267,330
Investments	17,638,495	20,916,621	—	—	925,951	—	39,481,067
Accounts receivable, net	3,423,026	6,845,065	—	691,586	384	—	10,960,061
Contributions receivable, net	4,054,626	—	—	—	—	—	4,054,626
Prepaid expenses and other assets	437,062	170,800	—	—	342	—	608,204
Notes receivable, net	1,261,864	—	—	—	—	—	1,261,864
Receivable due from affiliate	1,531,090	—	—	—	—	—	1,531,090
Property and equipment, net	32,668,336	—	69,638	—	—	—	32,737,974
Deferred rent receivable	8,738,931	—	—	—	—	—	8,738,931
Investments restricted for long-term purposes	907,850	—	—	—	—	—	907,850
Beneficial interest in assets held by others	12,481,408	—	—	—	—	—	12,481,408
Total assets	<u>\$ 101,978,690</u>	<u>30,386,244</u>	<u>162,643</u>	<u>7,004,744</u>	<u>1,498,084</u>	<u>—</u>	<u>141,030,405</u>
<b>Liabilities and Net Assets</b>							
Liabilities:							
Accounts payable and accrued expenses	\$ 7,390,757	136,632	—	23,256	1,667	—	7,552,312
Insurance claims payable	—	4,208,088	—	—	—	—	4,208,088
Contributions payable	5,973,811	—	—	—	310,396	—	6,284,207
Funds held on behalf of others	6,153,583	—	—	—	815	—	6,154,398
Collections held for disbursement	3,619,528	—	—	—	185,058	—	3,804,586
Deferred revenue	179,881	24,773	—	—	—	—	204,654
Notes payable	—	—	17,314	—	—	—	17,314
Annuities payable	1,710,637	—	—	—	—	—	1,710,637
Net accrued liability for Priests' Retirement Fund	—	—	—	17,196,285	—	—	17,196,285
Total liabilities	<u>25,028,197</u>	<u>4,369,493</u>	<u>17,314</u>	<u>17,219,541</u>	<u>497,936</u>	<u>—</u>	<u>47,132,481</u>
Net assets:							
Unrestricted:							
Undesignated	6,246,213	—	75,691	(10,214,797)	—	—	(3,892,893)
Designated	16,900,803	26,016,751	—	—	—	—	42,917,554
Invested in property and equipment	32,668,336	—	69,638	—	—	—	32,737,974
Total unrestricted	<u>55,815,352</u>	<u>26,016,751</u>	<u>145,329</u>	<u>(10,214,797)</u>	<u>—</u>	<u>—</u>	<u>71,762,635</u>
Temporarily restricted	10,124,686	—	—	—	1,000,148	—	11,124,834
Permanently restricted	11,010,455	—	—	—	—	—	11,010,455
Total net assets	<u>76,950,493</u>	<u>26,016,751</u>	<u>145,329</u>	<u>(10,214,797)</u>	<u>1,000,148</u>	<u>—</u>	<u>93,897,924</u>
Total liabilities and net assets	<u>\$ 101,978,690</u>	<u>30,386,244</u>	<u>162,643</u>	<u>7,004,744</u>	<u>1,498,084</u>	<u>—</u>	<u>141,030,405</u>

See accompanying independent auditors' report.

**THE CENTRAL PASTORAL ADMINISTRATION OF  
THE ARCHDIOCESE OF WASHINGTON**

Combined Schedule of Activities

Year ended June 30, 2012

	<u>Operations</u>	<u>Insurance Services</u>	<u>Redemptoris Mater Seminary</u>	<u>Priests' Pass Through &amp; Care Fund</u>	<u>Propagation of the Faith</u>	<u>Carroll Publishing Company</u>	<u>Combined entries</u>	<u>Combined totals</u>
Changes in unrestricted net assets:								
Revenues, gains, and other support:								
Assessments:								
Parish	\$ 8,893,921	—	—	—	—	1,257,686	—	10,151,607
Special school assessments	3,240,876	—	—	—	—	—	—	3,240,876
Other	565,500	—	—	—	—	—	—	565,500
Total assessments	<u>12,700,297</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,257,686</u>	<u>—</u>	<u>13,957,983</u>
Contributions, donations, gifts, and bequests:								
Archbishop's Appeal	10,592,062	—	—	—	—	—	—	10,592,062
Gifts and bequests	1,013,848	—	37,134	12,142	—	1,280,815	—	2,343,939
Total contributions, donations, gifts, and bequests	<u>11,605,910</u>	<u>—</u>	<u>37,134</u>	<u>12,142</u>	<u>—</u>	<u>1,280,815</u>	<u>—</u>	<u>12,936,001</u>
Premiums and insurance billings	—	36,655,144	—	3,550,855	—	—	(3,440,928)	36,765,071
Administrative fees	663,767	—	—	—	—	—	—	663,767
Interest and investment income, net	(382,307)	(320,927)	—	11,133	—	—	(33,968)	(726,069)
Decrease in beneficial interest in assets held by others	(139,942)	—	—	—	—	—	—	(139,942)
Management fees and computer services	3,313,971	—	—	—	—	—	(2,677,044)	636,927
Tribunal and chancery fees	80,937	—	—	—	—	—	—	80,937
Special program income	667,435	—	—	—	—	19,150	—	686,585
Advertising	—	—	—	—	—	539,990	—	539,990
Subscriptions	—	—	—	—	—	145,994	—	145,994
Rental income	3,545,072	—	—	—	—	—	(215,165)	3,329,907
Net gain on property transactions	16,600	—	—	—	—	—	—	16,600
Other	15,846	3,913	—	—	—	136,592	(108,121)	48,230
Total revenues, gains, and other support	<u>32,087,586</u>	<u>36,338,130</u>	<u>37,134</u>	<u>3,574,130</u>	<u>—</u>	<u>3,380,227</u>	<u>(6,475,226)</u>	<u>68,941,981</u>
Net assets released from restrictions	8,772,971	—	—	—	350,128	—	—	9,123,099
Total unrestricted revenues, gains, and other support	<u>40,860,557</u>	<u>36,338,130</u>	<u>37,134</u>	<u>3,574,130</u>	<u>350,128</u>	<u>3,380,227</u>	<u>(6,475,226)</u>	<u>78,065,080</u>
Expenses:								
Program services:								
Catholic education:								
School subsidies	357,407	—	—	—	—	—	—	357,407
Tuition assistance	2,966,431	—	—	—	—	—	—	2,966,431
Other programs and administration	3,147,403	—	—	—	—	—	(237,257)	2,910,146
Total Catholic education	<u>6,471,241</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(237,257)</u>	<u>6,233,984</u>
Pastoral ministry and social concerns	7,307,621	—	—	—	—	—	(568,583)	6,739,038
Ministerial leadership	3,999,378	—	1,405,969	—	—	—	(930,843)	4,474,504
Communications	998,618	—	—	—	—	2,118,102	(456,078)	2,660,642
Parish services	1,494,415	—	—	—	—	—	(140,236)	1,354,179
Insurance and benefits	672,347	37,073,021	—	—	—	—	(2,323,267)	35,422,101
Priests' retirement benefits and medical care	4,666	—	—	2,471,182	—	—	(675,778)	1,800,070
Propagation of the Faith	2,722	—	—	—	350,128	—	(83,581)	269,269
Archdiocesan administration	6,710,317	—	—	—	—	—	(793,854)	5,916,463
Total program services	<u>27,661,325</u>	<u>37,073,021</u>	<u>1,405,969</u>	<u>2,471,182</u>	<u>350,128</u>	<u>2,118,102</u>	<u>(6,209,477)</u>	<u>64,870,250</u>

**THE CENTRAL PASTORAL ADMINISTRATION OF  
THE ARCHDIOCESE OF WASHINGTON**

Combined Schedule of Activities

Year ended June 30, 2012

	<u>Operations</u>	<u>Insurance Services</u>	<u>Redemptoris Mater Seminary</u>	<u>Priests' Pass Through &amp; Care Fund</u>	<u>Propagation of the Faith</u>	<u>Carroll Publishing Company</u>	<u>Combined entries</u>	<u>Combined totals</u>
Supporting expenses:								
General and administrative	\$ 3,433,673	—	—	—	—	—	(185,532)	3,248,141
Fundraising	1,943,564	—	—	—	—	—	(80,217)	1,863,347
Total supporting services	<u>5,377,237</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(265,749)</u>	<u>5,111,488</u>
Total expenses	<u>33,038,562</u>	<u>37,073,021</u>	<u>1,405,969</u>	<u>2,471,182</u>	<u>350,128</u>	<u>2,118,102</u>	<u>(6,475,226)</u>	<u>69,981,738</u>
Transfers:								
Transfer Insurance Services net assets to Operations	10,000,000	(10,000,000)	—	—	—	—	—	—
Temporarily restricted net assets expended	(518,559)	—	—	499,869	—	18,690	—	—
Subsidize Redemptoris Mater Seminary	(1,223,506)	—	1,223,506	—	—	—	—	—
Total transfers	<u>8,257,935</u>	<u>(10,000,000)</u>	<u>1,223,506</u>	<u>499,869</u>	<u>—</u>	<u>18,690</u>	<u>—</u>	<u>—</u>
Pension related changes other than net period pension cost	—	—	—	(8,437,546)	—	—	—	(8,437,546)
Increase (decrease) in unrestricted net assets	<u>16,079,930</u>	<u>(10,734,891)</u>	<u>(145,329)</u>	<u>(6,834,729)</u>	<u>—</u>	<u>1,280,815</u>	<u>—</u>	<u>(354,204)</u>
Changes in temporarily restricted net assets:								
Contributions, donations, gifts, and bequests:								
Archbishop's Appeal	3,258,885	—	—	—	—	—	—	3,258,885
Gifts and bequests	5,570,642	—	—	—	291,424	—	—	5,862,066
Total contributions, donations, gifts, and bequests	<u>8,829,527</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>291,424</u>	<u>—</u>	<u>—</u>	<u>9,120,951</u>
Investment income, net	(4,699)	—	—	—	(6,041)	—	—	(10,740)
Increase in beneficial interest in assets held by others	494,022	—	—	—	—	—	—	494,022
Net assets released from restrictions	(8,772,971)	—	—	—	(350,128)	—	—	(9,123,099)
Increase (decrease) in temporarily restricted net assets	<u>545,879</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(64,745)</u>	<u>—</u>	<u>—</u>	<u>481,134</u>
Changes in permanently restricted net assets:								
Increase in beneficial interest in assets held by others	618,665	—	—	—	—	—	—	618,665
Increase in permanently restricted net assets	<u>618,665</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>618,665</u>
Change in net assets before transfer of net assets	<u>17,244,474</u>	<u>(10,734,891)</u>	<u>(145,329)</u>	<u>(6,834,729)</u>	<u>(64,745)</u>	<u>1,280,815</u>	<u>—</u>	<u>745,595</u>
Transfer of assets from affiliate	—	—	—	—	—	—	—	—
Changes in net assets	<u>17,244,474</u>	<u>(10,734,891)</u>	<u>(145,329)</u>	<u>(6,834,729)</u>	<u>(64,745)</u>	<u>1,280,815</u>	<u>—</u>	<u>745,595</u>
Net assets at beginning of year	76,950,493	26,016,751	145,329	(10,214,797)	1,000,148	—	—	93,897,924
Impact of change of reporting entity	—	—	—	—	—	(1,202,264)	—	(1,202,264)
Net assets at beginning of year	<u>76,950,493</u>	<u>26,016,751</u>	<u>145,329</u>	<u>(10,214,797)</u>	<u>1,000,148</u>	<u>(1,202,264)</u>	<u>—</u>	<u>92,695,660</u>
Net assets at end of year	<u>\$ 94,194,967</u>	<u>15,281,860</u>	<u>—</u>	<u>(17,049,526)</u>	<u>935,403</u>	<u>78,551</u>	<u>—</u>	<u>93,441,255</u>

See accompanying independent auditors' report.

**THE CENTRAL PASTORAL ADMINISTRATION OF  
THE ARCHDIOCESE OF WASHINGTON**

Combined Schedule of Activities

Year ended June 30, 2011

	<u>Operations</u>	<u>Insurance Services</u>	<u>Redemptoris Mater Seminary</u>	<u>Priests' Pass Through &amp; Care Fund</u>	<u>Propagation of the Faith</u>	<u>Christ Our Hope – Papal Visit</u>	<u>Combined entries</u>	<u>Combined totals</u>
Changes in unrestricted net assets:								
Revenues, gains, and other support:								
Assessments:								
Parish	\$ 8,782,808	—	—	—	—	—	—	8,782,808
Special school assessments	3,115,097	—	—	—	—	—	—	3,115,097
Other	565,766	—	—	—	—	—	—	565,766
Total assessments	12,463,671	—	—	—	—	—	—	12,463,671
Contributions, donations, gifts, and bequests:								
Archbishop's Appeal	10,038,820	—	—	—	—	—	—	10,038,820
Gifts and bequests	1,729,024	—	37,027	4,337,878	—	—	—	6,103,929
Total contributions, donations, gifts, and bequests	11,767,844	—	37,027	4,337,878	—	—	—	16,142,749
Premiums and insurance billings	—	34,892,446	—	3,624,789	—	—	(3,123,900)	35,393,335
Administrative fees	1,324,004	—	—	—	—	—	—	1,324,004
Interest income – notes receivable	47,434	—	—	—	—	—	—	47,434
Investment income, net	1,868,347	3,753,538	200	9,479	—	—	—	5,631,564
Management fees and computer services	2,963,572	—	—	—	—	—	(2,444,653)	518,919
Tribunal and chancery fees	75,660	—	—	—	—	—	—	75,660
Special program income	625,846	—	—	—	—	—	—	625,846
Rental income	3,379,974	—	—	—	—	—	(124,440)	3,255,534
Net gain on property transactions	8,750	—	2,500	—	—	—	—	11,250
Other	18,595	6,880	—	1,353	—	—	—	26,828
Total revenues, gains, and other support	34,543,697	38,652,864	39,727	7,973,499	—	—	(5,692,993)	75,516,794
Net assets released from restrictions	7,644,318	—	—	—	503,057	—	—	8,147,375
Total unrestricted revenues, gains, and other support	42,188,015	38,652,864	39,727	7,973,499	503,057	—	(5,692,993)	83,664,169
Expenses:								
Program services:								
Catholic education:								
School subsidies	982,225	—	—	—	—	—	—	982,225
Grants-in-aid	3,175,311	—	—	—	—	—	—	3,175,311
Other programs and administration	2,496,018	—	—	—	—	—	(140,686)	2,355,332
Total Catholic education	6,653,554	—	—	—	—	—	(140,686)	6,512,868
Pastoral ministry and social concerns	7,859,032	—	—	—	—	—	(538,110)	7,320,922
Ministerial leadership	3,304,353	—	1,379,879	—	—	—	(994,831)	3,689,401
Communications	1,343,937	—	—	—	—	—	(41,231)	1,302,706
Parish services	1,283,988	—	—	—	—	—	(125,389)	1,158,599
Insurance and benefits	487,221	34,403,150	—	—	—	—	(2,096,757)	32,793,614
Priests' retirement benefits and medical care	—	—	—	2,216,657	—	—	(611,971)	1,604,686
Propagation of the Faith	2,559	—	—	—	503,057	—	(73,916)	431,700
Christ Our Hope – Papal visit	—	—	—	—	—	—	—	—
Archdiocesan administration	6,143,209	—	—	—	—	—	(789,830)	5,353,379
Total program services	27,077,853	34,403,150	1,379,879	2,216,657	503,057	—	(5,412,721)	60,167,875

**THE CENTRAL PASTORAL ADMINISTRATION OF  
THE ARCHDIOCESE OF WASHINGTON**

Combined Schedule of Activities

Year ended June 30, 2011

	<u>Operations</u>	<u>Insurance Services</u>	<u>Redemptoris Mater Seminary</u>	<u>Priests' Pass Through &amp; Care Fund</u>	<u>Propagation of the Faith</u>	<u>Christ Our Hope – Papal Visit</u>	<u>Combined entries</u>	<u>Combined totals</u>
Supporting expenses:								
General and administrative	\$ 3,596,794	—	—	—	—	—	(188,065)	3,408,729
Fundraising	2,079,583	—	—	—	—	—	(92,207)	1,987,376
Total supporting services	<u>5,676,377</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(280,272)</u>	<u>5,396,105</u>
Total expenses	<u>32,754,230</u>	<u>34,403,150</u>	<u>1,379,879</u>	<u>2,216,657</u>	<u>503,057</u>	<u>—</u>	<u>(5,692,993)</u>	<u>65,563,980</u>
Transfers:								
Transfer Christ Our Hope Net Assets to Operations	—	—	—	—	—	—	—	—
Net transfer to Priests' Retirement Benefit Trust	(29,700)	—	—	29,700	—	—	—	—
Temporarily restricted net assets expended	—	—	—	—	—	—	—	—
Subsidize special health care for clergy	—	—	—	—	—	—	—	—
Subsidize Redemptoris Mater Seminary	(1,485,481)	—	1,485,481	—	—	—	—	—
Total transfers	<u>(1,515,181)</u>	<u>—</u>	<u>1,485,481</u>	<u>29,700</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Pension related changes other than net period pension cost	—	—	—	1,469,509	—	—	—	1,469,509
Increase (decrease) in unrestricted net assets	<u>7,918,604</u>	<u>4,249,714</u>	<u>145,329</u>	<u>7,256,051</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>19,569,698</u>
Changes in temporarily restricted net assets:								
Contributions, donations, gifts, and bequests:								
Archbishop's Appeal	3,331,626	—	—	—	—	—	—	3,331,626
Gifts and bequests	3,761,422	—	—	—	502,024	—	—	4,263,446
Total contributions, donations, gifts, and bequests	<u>7,093,048</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>502,024</u>	<u>—</u>	<u>—</u>	<u>7,595,072</u>
Investment income, net	15,112	—	—	—	208,011	—	—	223,123
Increase in beneficial interest in assets held by others	1,808,636	—	—	—	—	—	—	1,808,636
Net assets released from restrictions	(7,644,318)	—	—	—	(503,057)	—	—	(8,147,375)
Increase (decrease) in temporarily restricted net assets	<u>1,272,478</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>206,978</u>	<u>—</u>	<u>—</u>	<u>1,479,456</u>
Changes in permanently restricted net assets:								
Increase in beneficial interest in assets held by others	181,002	—	—	—	—	—	—	181,002
Increase in permanently restricted net assets	<u>181,002</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>181,002</u>
Change in net assets before transfer of net assets	9,372,084	4,249,714	145,329	7,256,051	206,978	—	—	21,230,156
Transfer of assets from affiliate	—	—	—	—	—	—	—	—
Changes in net assets	<u>9,372,084</u>	<u>4,249,714</u>	<u>145,329</u>	<u>7,256,051</u>	<u>206,978</u>	<u>—</u>	<u>—</u>	<u>21,230,156</u>
Net assets at beginning of year	67,578,409	21,767,037	—	(17,470,848)	793,170	—	—	72,667,768
Impact of change of reporting entity	—	—	—	—	—	—	—	—
Net assets at beginning of year	<u>67,578,409</u>	<u>21,767,037</u>	<u>—</u>	<u>(17,470,848)</u>	<u>793,170</u>	<u>—</u>	<u>—</u>	<u>72,667,768</u>
Net assets at end of year	<u>\$ 76,950,493</u>	<u>26,016,751</u>	<u>145,329</u>	<u>(10,214,797)</u>	<u>1,000,148</u>	<u>—</u>	<u>—</u>	<u>93,897,924</u>

See accompanying independent auditors' report.

**THE CENTRAL PASTORAL ADMINISTRATION OF  
THE ARCHDIOCESE OF WASHINGTON**

Combined Schedule of Functional Expenses

Year ended June 30, 2012

	Program services							
	Catholic education	Pastoral ministry & social concerns	Ministerial leadership	Communi- cations	Parish services	Insurance and benefits	Priests' retire- ment benefits & medical care	
Salaries and benefits:								
Compensation of clergy and religious	\$ —	756,434	252,225	—	—	—	1,470,671	70,487
Benefits – clergy	—	135,408	77,374	—	—	—	392,866	6,000
Salaries and wages – lay persons	1,647,813	1,289,307	319,169	590,702	686,292	472,988	—	26,651
Benefits – lay persons	120,292	98,467	29,839	30,481	64,009	46,853	—	2,149
Total salaries and benefits	1,768,105	2,279,616	678,607	621,183	750,301	519,841	1,863,537	105,287
Continuing education and retreats – clergy	—	5,000	1,148,764	—	—	—	46,972	—
Supplies	12,849	44,380	127,177	6,325	8,274	5,505	—	579
Telephone, postage, and printing	180,641	196,927	90,745	44,613	29,404	9,552	—	3,859
Conferences, meetings, and travel	40,678	277,963	243,311	3,132	37,361	3,980	4,666	7,847
Professional fees	269,246	307,120	80,793	171,463	81,603	1,670,987	322,958	790
Food and beverages	65,947	70,291	165,335	517	209	186	—	278
Contributions and grants-in-aid	3,026,918	155,414	254,394	—	—	—	—	128,430
Utilities and maintenance	—	5,753	253,670	—	271,648	—	85	—
Interest	—	—	—	—	—	—	—	215
Subsidies	34 521,497	3,114,626	—	—	—	—	—	—
Other	93,981	(305,074)	99,876	(54,758)	10,200	326,915	38,256	21,984
Insurance premiums	—	—	—	—	—	11,914,257	—	—
Claims and benefits	—	—	—	—	—	20,879,394	(476,404)	—
Total expenses before allocation	5,979,862	6,152,016	3,142,672	792,475	1,189,000	35,330,617	1,800,070	269,269
Allocation of property operations and financial, computer, and personnel	254,122	587,022	195,674	48,283	165,179	91,484	—	—
Total expenses after allocation	\$ 6,233,984	6,739,038	3,338,346	840,758	1,354,179	35,422,101	1,800,070	269,269

**THE CENTRAL PASTORAL ADMINISTRATION OF  
THE ARCHDIOCESE OF WASHINGTON**

Combined Schedule of Functional Expenses

Year ended June 30, 2012

	Program services			Supporting services				Total 2012	
	Archdiocesan administration	Carroll Publishing Company	Redemptoris Mater Seminary	Subtotal program services	General and administrative	Property operations	Fundraising		Subtotal supporting services
Salaries and benefits:									
Compensation of clergy and religious	\$ 329,764	—	76,255	2,955,836	25,308	—	24,360	49,668	3,005,504
Benefits – clergy	62,526	—	25,480	699,654	4,225	—	—	4,225	703,879
Salaries and wages – lay persons	1,154,058	913,447	24,092	7,124,519	1,438,746	849,023	552,722	2,840,491	9,965,010
Benefits – lay persons	104,939	79,262	1,841	578,132	115,450	68,437	32,980	216,867	794,999
Total salaries and benefits	1,651,287	992,709	127,668	11,358,141	1,583,729	917,460	610,062	3,111,251	14,469,392
Continuing education and retreats – clergy	3,540	—	401,663	1,605,939	280	—	—	280	1,606,219
Supplies	54,068	7,351	48,240	314,748	17,179	66,591	25,191	108,961	423,709
Telephone, postage, and printing	119,224	417,640	45,799	1,138,404	44,061	233,207	370,451	647,719	1,786,123
Conferences, meetings, and travel	160,510	37,031	91,844	908,323	17,839	19,915	4,616	42,370	950,693
Professional fees	954,565	105,087	16,455	3,981,067	159,016	451,318	432,367	1,042,701	5,023,768
Food and beverages	81,326	3,919	96,686	484,694	7,314	14,525	27,401	49,240	533,934
Contributions and grants-in-aid	1,452,424	—	15,479	5,033,059	6,080	—	750	6,830	5,039,889
Utilities and maintenance	245,333	300	215,478	992,267	1,833	853,947	540	856,320	1,848,587
Interest	64,359	—	688	65,262	—	—	—	—	65,262
Subsidies	29,090	—	—	3,665,213	—	—	—	—	3,665,213
Other	429,853	255,847	76,158	993,238	19,287	1,045,423	193,754	1,258,464	2,251,702
Insurance premiums	—	—	—	11,914,257	—	—	—	—	11,914,257
Claims and benefits	—	—	—	20,402,990	—	—	—	—	20,402,990
Total expenses before allocation	5,245,579	1,819,884	1,136,158	62,857,602	1,856,618	3,602,386	1,665,132	7,124,136	69,981,738
Allocation of property operations and financial, computer, and personnel	670,884	—	—	2,012,648	1,391,523	(3,602,386)	198,215	(2,012,648)	—
Total expenses after allocation	\$ 5,916,463	1,819,884	1,136,158	64,870,250	3,248,141	—	1,863,347	5,111,488	69,981,738

See accompanying independent auditors' report.

**THE CENTRAL PASTORAL ADMINISTRATION OF  
THE ARCHDIOCESE OF WASHINGTON**

Combined Schedule of Functional Expenses

Year ended June 30, 2011

	Program services							
	Catholic education	Pastoral ministry & social concerns	Ministerial leadership	Communi- cations	Parish services	Insurance and benefits	Priests' retire- ment benefits & medical care	
Salaries and benefits:								
Compensation of clergy and religious	\$ —	714,959	315,319	—	—	—	1,351,492	77,827
Benefits – clergy	—	87,751	65,578	—	—	—	618,968	6,000
Salaries and wages – lay persons	1,323,833	1,197,582	310,243	401,063	627,197	316,914	—	24,326
Benefits – lay persons	102,454	92,419	24,940	27,027	58,574	36,391	—	1,950
Total salaries and benefits	1,426,287	2,092,711	716,080	428,090	685,771	353,305	1,970,460	110,103
Continuing education and retreats – clergy	—	5,000	1,122,241	—	—	—	12,321	—
Supplies	14,012	45,289	16,516	3,417	6,764	3,023	143	351
Telephone, postage, and printing	115,161	132,950	44,648	64,086	28,165	6,932	—	4,868
Conferences, meetings, and travel	35,197	190,142	88,489	2,860	36,709	424	—	22,717
Professional fees	272,848	153,675	49,957	199,057	59,874	1,545,509	288,114	770
Food and beverages	53,686	51,349	30,663	6,961	175	349	—	132
Contributions and grants-in-aid	3,235,084	130,439	261,107	75	—	—	—	275,514
Utilities and maintenance	362	5,216	13,379	—	190,649	—	—	—
Interest	—	—	—	457,965	—	—	—	—
Subsidies	1,022,225	3,912,140	—	—	—	—	—	—
Other	113,881	84,281	80,364	97,611	4,810	674,637	17,190	17,245
Insurance premiums	—	—	—	—	—	11,549,472	—	—
Claims and benefits	—	—	—	—	—	18,579,278	(683,542)	—
Total expenses before allocation	6,288,743	6,803,192	2,423,444	1,260,122	1,012,917	32,712,929	1,604,686	431,700
Allocation of property operations and financial, computer, and personnel	224,125	517,730	172,577	42,584	145,682	80,685	—	—
Total expenses after allocation	\$ 6,512,868	7,320,922	2,596,021	1,302,706	1,158,599	32,793,614	1,604,686	431,700



**THE CENTRAL PASTORAL ADMINISTRATION OF  
THE ARCHDIOCESE OF WASHINGTON**

Combined Schedule of Functional Expenses

Year ended June 30, 2011

	Program services			Supporting services			Subtotal supporting services	Total 2011	
	Archdiocesan administration	Christ Our Hope – Papal Visit	Redemptoris Mater Seminary	Subtotal program services	General and administrative	Property operations			Fundraising
Salaries and benefits:									
Compensation of clergy and religious	\$ 339,740	—	75,171	2,874,508	25,130	—	20,496	45,626	2,920,134
Benefits – clergy	50,550	—	21,377	850,224	4,200	—	—	4,200	854,424
Salaries and wages – lay persons	1,063,801	—	23,631	5,288,590	1,383,492	769,352	639,740	2,792,584	8,081,174
Benefits – lay persons	102,516	—	1,708	447,979	113,593	59,124	39,121	211,838	659,817
Total salaries and benefits	1,556,607	—	121,887	9,461,301	1,526,415	828,476	699,357	3,054,248	12,515,549
Continuing education and retreats – clergy	2,920	—	453,534	1,596,016	280	—	—	280	1,596,296
Supplies	91,851	—	39,925	221,291	16,469	67,162	—	83,631	304,922
Telephone, postage, and printing	187,856	—	38,747	623,413	44,418	79,951	15,010	139,379	762,792
Conferences, meetings, and travel	224,864	—	71,572	672,974	9,276	4,440	428,487	442,203	1,115,177
Professional fees	979,676	—	6,562	3,556,042	207,929	438,537	8,220	654,686	4,210,728
Food and beverages	103,039	—	93,727	340,081	8,822	9,936	450,536	469,294	809,375
Contributions and grants-in-aid	960,333	—	10,612	4,873,164	3,428	—	36,133	39,561	4,912,725
Utilities and maintenance	168,813	—	188,374	566,793	1,298	1,113,467	500	1,115,265	1,682,058
Interest	131,241	—	1,003	590,209	—	—	—	—	590,209
Subsidies	29,090	—	—	4,963,455	—	—	—	—	4,963,455
Other	325,399	—	67,437	1,482,855	11,929	986,387	174,315	1,172,631	2,655,486
Insurance premiums	—	—	—	11,549,472	—	—	—	—	11,549,472
Claims and benefits	—	—	—	17,895,736	—	—	—	—	17,895,736
Total expenses before allocation	4,761,689	—	1,093,380	58,392,802	1,830,264	3,528,356	1,812,558	7,171,178	65,563,980
Allocation of property operations and financial, computer, and personnel	591,690	—	—	1,775,073	1,578,465	(3,528,356)	174,818	(1,775,073)	—
Total expenses after allocation	\$ 5,353,379	—	1,093,380	60,167,875	3,408,729	—	1,987,376	5,396,105	65,563,980

See accompanying independent auditors' report.