



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

Combined Financial Statements

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)



KPMG LLP
1676 International Drive
McLean, VA 22102

Independent Auditors' Report

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

We have audited the accompanying combined financial statements of the Central Pastoral Administration of the Archdiocese of Washington (Central Pastoral Administration), which comprise the combined statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with U.S. generally accepted accounting principles; 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Central Pastoral Administration of the Archdiocese of Washington as of June 30, 2014 and 2013, and the changes in net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



Other Matters

Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken 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 audit 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 taken as a whole.

KPMG LLP

November 25, 2014

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

Combined Statements of Financial Position

June 30, 2014 and 2013

Assets	2014	2013
Cash and cash equivalents	\$ 15,901,923	16,162,075
Accounts receivable, net (note 3)	12,282,702	11,045,396
Contributions receivable, net (note 4)	3,941,309	3,793,076
Prepaid expenses and other assets	2,008,410	548,682
Notes receivable, net (note 5)	854,021	911,994
Receivable due from affiliates (note 15)	399,401	1,331,631
Investments (note 2)	78,480,933	65,848,339
Property and equipment, net (note 6)	40,163,231	38,296,302
Deferred rent receivable (note 7)	13,594,950	11,980,704
Beneficial interest in assets held by others (note 8)	15,530,137	14,352,531
Total assets	\$ 183,157,017	164,270,730
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 9,191,285	11,786,259
Insurance claims and benefits payable (note 10)	8,715,510	6,169,867
Contributions payable (note 9)	5,650,967	5,217,958
Payable due to affiliates (note 15)	345,254	—
Funds held on behalf of others	9,514,762	8,425,584
Collections held for disbursement	2,882,073	3,288,624
Deferred revenue	460,214	570,456
Notes payable	—	2,288
Annuities payable	1,450,143	1,270,229
Accrued liability for priests' retirement plan (note 10 (c))	21,795,002	21,099,828
Total liabilities	60,005,210	57,831,093
Net assets:		
Unrestricted:		
Undesignated (note 11)	1,793,414	(2,678,581)
Designated (note 11)	58,075,131	47,611,234
Invested in property and equipment (note 6)	40,163,231	38,296,302
Total unrestricted	100,031,776	83,228,955
Temporarily restricted (note 12)	10,929,079	11,038,343
Permanently restricted (note 12)	12,190,952	12,172,339
Total net assets	123,151,807	106,439,637
Total liabilities and net assets	\$ 183,157,017	164,270,730

See accompanying notes to combined financial statements.

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

Combined Statements of Activities

Years ended June 30, 2014 and 2013

	2014				2013			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Changes in net assets:								
Revenue, gains, and other support:								
Assessments:								
Parish	\$ 10,060,663	—	—	10,060,663	9,875,845	—	—	9,875,845
Education	3,129,356	—	—	3,129,356	3,198,068	—	—	3,198,068
Other	561,260	—	—	561,260	546,100	—	—	546,100
Total assessments	<u>13,751,279</u>	<u>—</u>	<u>—</u>	<u>13,751,279</u>	<u>13,620,013</u>	<u>—</u>	<u>—</u>	<u>13,620,013</u>
Contributions, donations, gifts, and bequests:								
Archbishop's Appeal	11,625,775	3,421,308	—	15,047,083	10,041,222	2,948,076	—	12,989,298
Gifts and bequests	1,750,617	2,335,698	—	4,086,315	1,386,346	2,203,126	—	3,589,472
Total contributions, donations, gifts, and bequests	<u>13,376,392</u>	<u>5,757,006</u>	<u>—</u>	<u>19,133,398</u>	<u>11,427,568</u>	<u>5,151,202</u>	<u>—</u>	<u>16,578,770</u>
Premiums and insurance billings	42,433,923	—	—	42,433,923	40,714,062	—	—	40,714,062
Administrative fees	59,985	—	—	59,985	53,337	—	—	53,337
Interest and investment income, net (note 2)	10,009,780	324,321	—	10,334,101	6,181,736	209,194	—	6,390,930
Increase in beneficial interest in assets held by others	—	1,756,874	18,613	1,775,487	139,942	1,546,993	543,219	2,230,154
Management fees and computer services	1,528,021	—	—	1,528,021	1,299,626	—	—	1,299,626
Tribunal and chancery fees	86,343	—	—	86,343	72,625	—	—	72,625
Special program income	902,053	—	—	902,053	770,001	—	—	770,001
Advertising	514,608	—	—	514,608	490,990	—	—	490,990
Subscriptions	111,797	—	—	111,797	111,570	—	—	111,570
Rental income	3,369,332	—	—	3,369,332	3,236,830	—	—	3,236,830
Net gains on property transactions	9,800	—	—	9,800	279,526	—	—	279,526
Other	1,519,803	—	—	1,519,803	170,780	—	—	170,780
Total revenue, gains, and other support	<u>87,673,116</u>	<u>7,838,201</u>	<u>18,613</u>	<u>95,529,930</u>	<u>78,568,606</u>	<u>6,907,389</u>	<u>543,219</u>	<u>86,019,214</u>
Net assets released from restrictions (note 13)	<u>7,947,465</u>	<u>(7,947,465)</u>	<u>—</u>	<u>—</u>	<u>7,475,014</u>	<u>(7,475,014)</u>	<u>—</u>	<u>—</u>
Total revenue, gains, and other support	<u>95,620,581</u>	<u>(109,264)</u>	<u>18,613</u>	<u>95,529,930</u>	<u>86,043,620</u>	<u>(567,625)</u>	<u>543,219</u>	<u>86,019,214</u>

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Combined Statements of Activities

Years ended June 30, 2014 and 2013

	2014				2013			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Expenses:								
Program services:								
Catholic education	\$ 5,648,717	—	—	5,648,717	4,413,623	—	—	4,413,623
Pastoral ministry and social concerns	8,276,193	—	—	8,276,193	7,512,776	—	—	7,512,776
Ministerial leadership	6,045,124	—	—	6,045,124	6,057,426	—	—	6,057,426
Communications	2,853,205	—	—	2,853,205	2,651,794	—	—	2,651,794
Parish services	1,879,467	—	—	1,879,467	1,662,738	—	—	1,662,738
Insurance and benefits	36,782,502	—	—	36,782,502	37,141,276	—	—	37,141,276
Priests' retirement benefits and medical care	1,705,538	—	—	1,705,538	989,456	—	—	989,456
Propagation of the faith	304,205	—	—	304,205	271,029	—	—	271,029
Archdiocesan administration	6,547,269	—	—	6,547,269	6,672,226	—	—	6,672,226
Total program services	<u>70,042,220</u>	<u>—</u>	<u>—</u>	<u>70,042,220</u>	<u>67,372,344</u>	<u>—</u>	<u>—</u>	<u>67,372,344</u>
Supporting services:								
General and administrative	3,852,266	—	—	3,852,266	4,429,612	—	—	4,429,612
Fundraising	2,517,020	—	—	2,517,020	1,899,353	—	—	1,899,353
Total supporting services	<u>6,369,286</u>	<u>—</u>	<u>—</u>	<u>6,369,286</u>	<u>6,328,965</u>	<u>—</u>	<u>—</u>	<u>6,328,965</u>
Total expenses	<u>76,411,506</u>	<u>—</u>	<u>—</u>	<u>76,411,506</u>	<u>73,701,309</u>	<u>—</u>	<u>—</u>	<u>73,701,309</u>
Increase in net assets before pension related changes other than net periodic pension cost	19,209,075	(109,264)	18,613	19,118,424	12,342,311	(567,625)	543,219	12,317,905
Charges other than net periodic benefit cost (note 10(c))	<u>(2,406,254)</u>	<u>—</u>	<u>—</u>	<u>(2,406,254)</u>	<u>680,477</u>	<u>—</u>	<u>—</u>	<u>680,477</u>
Increase (decrease) in net assets	16,802,821	(109,264)	18,613	16,712,170	13,022,788	(567,625)	543,219	12,998,382
Net assets at beginning of year	83,228,955	11,038,343	12,172,339	106,439,637	70,206,167	11,605,968	11,629,120	93,441,255
Net assets at end of year	<u>\$ 100,031,776</u>	<u>10,929,079</u>	<u>12,190,952</u>	<u>123,151,807</u>	<u>83,228,955</u>	<u>11,038,343</u>	<u>12,172,339</u>	<u>106,439,637</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, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Increase in net assets	\$ 16,712,170	12,998,382
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,463,223	1,334,416
Net gain on sale of property	(9,800)	(279,526)
Loss on impairment of asset	—	534,540
Bad debt expense	509,021	1,646,949
Receipt of contribution of stock	(438,260)	(364,098)
Receipt of contributed property	(5,800)	—
Net unrealized and realized investment gains	(11,342,457)	(7,074,276)
Decrease (increase) in assets:		
Accounts receivable	(1,816,765)	(4,785,831)
Contributions receivable	(148,233)	(104,191)
Prepaid expenses and other assets	(1,459,728)	(10,927)
Deferred rent receivable	(1,614,246)	(1,637,949)
Receivable due from affiliate	949,102	(1,106,151)
Beneficial interest in assets held by others	(1,177,606)	(1,632,323)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(2,594,974)	2,476,662
Insurance claims payable	2,545,643	2,226,801
Contributions payable	433,009	(1,271,190)
Payable due to affiliate	345,254	—
Funds held on behalf of others	1,089,178	728,038
Collections held for disbursement	(406,551)	(271,506)
Deferred revenue	(110,242)	24,222
Annuities payable	179,914	(259,963)
Accrued liability for priests' retirement plan	695,174	(2,057,599)
Net cash provided by operating activities	3,797,026	1,114,480
Cash flows from investing activities:		
Purchases of investments	(1,298,640)	(10,739,516)
Proceeds from sale of investments	446,763	1,864,006
Proceeds from sale of property	9,800	345,066
Purchase of property and equipment	(3,324,352)	(2,748,002)
Principal payments received on notes receivable	166,218	463,054
Amounts disbursed for notes receivable	(54,679)	(49,354)
Net cash used in investing activities	(4,054,890)	(10,864,746)
Cash flows from financing activity:		
Principal payments on notes payable	(2,288)	(8,031)
Net cash used in financing activity	(2,288)	(8,031)
Net decrease in cash and cash equivalents	(260,152)	(9,758,297)
Cash and cash equivalents at beginning of year	16,162,075	25,920,372
Cash and cash equivalents at end of year	\$ 15,901,923	16,162,075
Supplemental disclosure of noncash transactions and other cash flow information:		
Cash paid during the year for interest	\$ 56	343

See accompanying notes to combined financial statements.

**THE CENTRAL PASTORAL ADMINISTRATION OF
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Notes to Combined Financial Statements

June 30, 2014 and 2013

(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 four centrally administered corporations: Priests' Pass Through and Care Fund, Propagation of the Faith, Carroll Publishing, and Redemptoris Mater Seminary. Collectively, these are referred to as the Central Pastoral Administration.

The geographic territory encompassed by the Archdiocese comprises 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 have been prepared in accordance with U.S. generally accepted accounting principles on the accrual basis of accounting.

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 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

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.

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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 managers, 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) on March 29, 2012. Pursuant to this agreement, the Central Pastoral Administration transferred its long-term investments to CITW effective April 2, 2012. The pooled investments of CITW are managed by independent investment managers, and the securities are held by bank custodians. CITW is invested in a diversified portfolio consisting of cash equivalents, domestic and foreign equity and fixed income securities, bonds, money market funds, private equity, balanced and closed end mutual funds, hedge funds, and U.S. government and agency securities. The investment in CITW is reported at estimated fair values utilizing net asset value (NAV). The Central Pastoral Administration reviews and evaluates the NAVs provided by the general partner and fund managers and believes that the valuation methods and assumptions used in determining the NAVs are reasonable.

(e) Receivables and Allowances

Accounts receivable represent amounts due mainly from related entities for assessments, premiums, newspaper subscriptions, and other.

Contributions receivable represent unconditional promises to give and are expected to be received in less than one year.

Notes receivable mainly represent loans to parishes and related entities.

Receivables are stated at the amount management expects to collect on the combined statements of financial position. The Central Pastoral Administration follows a policy to calculate the probable uncollectible amount reserving anywhere from 50% to 100% based on the other parties' ability to pay. This allowance for uncollectible receivable is adjusted through a provision for bad debt expense.

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(f) *Property and Equipment*

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

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, 5-10 years; and automobiles, 5 years.

(g) *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 entities and annuities administered by the Central Pastoral Administration for the benefit of other Archdiocesan entities.

(h) *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.

(i) *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.

Management annually reviews its tax provision and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

(j) *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.

(k) *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

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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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 840, *Leases*. Revenues for recoveries from tenants for other costs are recognized in the period in which the related expenses are incurred.

(l) *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 multi-employer plan for laypersons.

(m) *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.

(n) *Concentration of Credit Risk*

The Central Pastoral Administration invests in various investment securities. Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the combined statements of financial position.

(o) *Estimates*

The preparation of combined 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(p) *Reclassifications*

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

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(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, *Fair Value Measurement*, 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

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 investments, effective April 2, 2012, to CITW. Pursuant to this agreement, legal title of the assets was transferred to CITW and the Central Pastoral Administration holds an interest in the NAVs of the investments in CITW. The Central Pastoral Administration owns only its interest in CITW and has no claim on the interest held by other participants in CITW and no other participants have a claim on the Central Pastoral Administration's interest in CITW. The following table shows classification of investments by level of the fair value hierarchy in CITW as of June 30:

	<u>2014</u>	<u>2013</u>
Level 1	67.7%	69.1%
Level 2	16.9	27.4
Level 3	15.4	3.5

The Central Pastoral Administration also held investments outside of CITW as of June 30, 2014 and 2013. These investments included domestic and foreign equity, which trade on a daily basis and are disclosed as Level 1. Other investments included oil rights and certificates of deposit that do not trade on a daily basis. The oil rights are appraised by a certified appraiser on an annual basis based on observable market inputs and are disclosed as Level 2. The certificates of deposit mature in 11 months and are disclosed as Level 2.

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Finally, domestic money market funds are included in Level 2 of the fair value hierarchy as the values are based on observable market information.

The following is a summary of the fair value measurements of Central Pastoral Administration's investments within the fair value hierarchy as of June 30:

	<u>2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Investment in CITW	\$ 63,346,673	—	51,841,334	11,505,339
Equity securities – domestic	13,155,225	13,155,225	—	—
Money market funds – domestic	956,762	—	956,762	—
Other investment – domestic	1,022,273	—	1,022,273	—
	<u>\$ 78,480,933</u>	<u>13,155,225</u>	<u>53,820,369</u>	<u>11,505,339</u>
	<u>2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Investment in CITW	\$ 65,802,408	—	63,499,324	2,303,084
Equity securities – domestic	14,931	14,931	—	—
Other investment – domestic	31,000	—	31,000	—
	<u>\$ 65,848,339</u>	<u>14,931</u>	<u>63,530,324</u>	<u>2,303,084</u>

The fair value of other financial instruments, principally cash and cash equivalents, receivables, and accounts payable approximates their carrying value at June 30, 2014 and 2013 because of the short maturity of these items.

The Central Pastoral Administration used the 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 \$63,346,673 and \$65,802,408 at June 30, 2014 and 2013, respectively, is estimated using the NAV. There are no unfunded commitments for this investment.

There were no transfers and reclassifications of assets between Level 1, Level 2, or Level 3 as of June 30, 2014 or 2013.

The investments of CITW comprise three portfolios: Traditional, Semiliquid, 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 at the valuation date. The Semiliquid portfolio is valued at the beginning of each quarter and can be redeemed

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with 30 days' notice after quarter-end. The Illiquid portfolio is valued at the beginning of each quarter and does not have redemption frequency.

Investment income consists of the following for the years ended June 30:

	2014	2013
Interest and dividends	\$ 88,197	92,896
Realized gains and (losses), net	317,244	(479)
Unrealized gains, net	11,025,213	7,074,755
Less:		
Investment (income) allocated to funds held on behalf of others	(1,096,553)	(741,333)
Investment management fees	—	(34,909)
Investment income	\$ 10,334,101	6,390,930

(3) Accounts Receivable

Accounts receivable are summarized as follows at June 30:

	Gross	2014 Allowance for doubtful accounts	Totals
Accounts receivable:			
Assessments	\$ 1,043,966	(119,966)	924,000
Insurance	17,953,147	(8,292,987)	9,660,160
Trade	1,112,059	(350,357)	761,702
Other	4,899,225	(3,962,385)	936,840
	\$ 25,008,397	(12,725,695)	12,282,702
		2013	
		Allowance for doubtful accounts	
Accounts receivable:			
Assessments	\$ 1,051,966	(119,966)	932,000
Insurance	14,614,426	(7,183,537)	7,430,889
Trade	1,547,180	(543,553)	1,003,627
Other	6,651,100	(4,972,220)	1,678,880
	\$ 23,864,672	(12,819,276)	11,045,396

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Of the gross accounts receivable, \$22,895,268 and \$21,102,532 as of June 30, 2014 and 2013, respectively, is due from related parties including parishes and Archdiocesan-related corporations and institutions (note 15).

(4) Contributions Receivable

Contributions receivable are expected to be received at June 30 as follows:

	<u>2014</u>	<u>2013</u>
Less than one year	\$ 4,942,146	4,771,415
Less allowance for uncollectible contributions receivable	<u>(1,000,837)</u>	<u>(978,339)</u>
	<u>\$ 3,941,309</u>	<u>3,793,076</u>

(5) Notes Receivable

Notes receivable are summarized as follows at June 30:

	<u>2014</u>	<u>2013</u>
Parishes	\$ 2,377,464	2,438,536
Related corporations	466,506	516,869
Other	<u>33,551</u>	<u>33,655</u>
	2,877,521	2,989,060
Less allowance for uncollectible notes receivable	<u>(2,023,500)</u>	<u>(2,077,066)</u>
	<u>\$ 854,021</u>	<u>911,994</u>

(6) Property and Equipment

Property and equipment are summarized as follows at June 30:

	<u>2014</u>	<u>2013</u>
Land	\$ 9,409,273	9,412,973
Future parish sites	845,398	845,387
Buildings	41,143,450	36,735,828
Furniture and equipment	4,426,458	3,996,372
Automobiles	794,554	748,838
Software	3,121,151	3,044,744
Construction in progress	<u>104,080</u>	<u>1,752,350</u>
Property and equipment, gross	59,844,364	56,536,492
Less accumulated depreciation	<u>(19,681,133)</u>	<u>(18,240,190)</u>
Property and equipment, net	<u>\$ 40,163,231</u>	<u>38,296,302</u>

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Depreciation expense was \$1,463,223 and \$1,334,416 for the years ended June 30, 2014 and 2013, 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 receives \$1 million per year through 2099 (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.

The Archdiocese also entered into a ground lease arrangement through 2102 using land owned by St. Patrick's parish. Fifty percent 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 \$13,594,950 and \$11,980,704 at June 30, 2014 and 2013, 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 \$5,339,959 and \$4,815,058 at June 30, 2014 and 2013, 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:

	Future minimum rental to be received	Amounts to be paid to St. Matthew's	Net rental
2015	\$ 1,523,000	(576,000)	947,000
2016	1,547,000	(584,500)	962,500
2017	1,572,000	(593,500)	978,500
2018	1,597,000	(602,500)	994,500
2019	1,623,000	(611,500)	1,011,500
Thereafter	<u>274,435,000</u>	<u>(95,770,000)</u>	<u>178,665,000</u>
	<u>\$ 282,297,000</u>	<u>(98,738,000)</u>	<u>183,559,000</u>

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(8) Beneficial Interest in Assets Held by Others

The Central Pastoral Administration has a beneficial interest in certain net assets held by the Catholic Education Foundation and 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 is as follows:

	2014	2013
Seminarian and clergy education	\$ 3,675,187	3,395,159
Ministry programs	11,854,950	10,957,372
	\$ 15,530,137	14,352,531

Approximately \$11.3 million represents permanently restricted net assets at both June 30, 2014 and 2013. Approximately \$4.2 million and \$3.1 million represents temporarily restricted net assets at June 30, 2014 and 2013, respectively.

(9) Contributions Payable

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

	2014	2013
Less than one year	\$ 5,162,615	4,607,399
One year to five years	312,000	362,000
Greater than five years	176,352	254,345
	5,650,967	5,223,744
Less unamortized discount using a discount rate of 4.125%	—	(5,786)
	\$ 5,650,967	5,217,958

(10) Benefit Plans

(a) Multi-Employer Plan for Lay Persons

The Central Pastoral Administration participates in the Retirement Plan (the Retirement Plan) of the Archdiocese of Washington, a multi-employer defined-benefit pension plan, which was frozen effective December 31, 2012. No further benefits will be accrued. The Plan covers substantially all full-time lay employees of the Archdiocese and other affiliated organizations. To be eligible for participation in the Retirement Plan, an employee must have completed one year of service, be 21 years of age, and regularly work 20 or more hours per week. Information as to vested and nonvested benefits, as well as plan assets and unfunded liabilities, related solely to Central Pastoral Administration is not readily determinable. In accordance with ASC Paragraph 715-30-55-63,

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Central Pastoral Administration accounts for its participation in the Retirement Plan as a multi-employer plan.

(b) *Defined-Contribution Plan*

Effective January 1, 2013, Central Pastoral Administration also participates in a new 403(b) plan, the Archdiocese of Washington Retirement Savings Plan (the Plan). The Plan is a defined-contribution plan covering all employees immediately upon date of hire who regularly work 20 hours or more per week. Participants are eligible to make contributions as salary deductions from 1% to 100% of pay up to a maximum of \$17,500 per year for employees less than 50 years of age and up to \$23,000 for those 50 and older. For the first 4% of salary an employee contributes to the plan, Central Pastoral Administration provides a 50% match. Central Pastoral Administration also provides an annual contribution between 1% and 4% based on years of service, regardless of employee participation in the Plan. Employer contributions vest at a rate of 20% per year for 5 years.

Prior to January 1, 2013, employees of the Central Pastoral Administration participated in a defined contribution 403(b) plan. Since only employees contributed to the plan, there was no employer expense related to the Plan. With the introduction of the new defined-contribution plan, the prior plan was terminated, effective December 31, 2012.

The Central Pastoral Administration administers the pension plan and the 403(b) plan and records as services revenue an amount equal to the retirement cost for laypersons in the parishes, schools, offices, and other affiliated organizations. The total expense for the Plans for the years ended June 30, 2014 and 2013 was \$12,028,721 and \$10,087,347, respectively, of which approximately \$816,630 and \$747,086, respectively, relates to laypersons 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 Plans represents unpaid contributions, which at June 30, 2014 and 2013 was \$4,278,919 and \$1,626,232, respectively, and is recorded in insurance claims and benefits payable in the accompanying combined statements of financial position. In fiscal year 2014 and 2013, the amounts contributed for the pension plan exceeded the recommended contribution, which represents an asset to the Central Pastoral Administration, totaling \$2,590,000 and \$590,000 as of June 30, 2014 and 2013.

Beginning January 1, 2013, 50% of the retirement cost, net of expenses, will fund the new 403(b) plan and the other 50% will be used to fund the deficit of the frozen defined benefit plan.

(c) *Priests' Retirement Plan*

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

The actuarial present value of accumulated plan benefits is determined by the Priest Retirement Plan's actuary using actuarial assumptions to reflect the time value of money, probability of payment, and cost-of-living adjustments. The assets are held in a separate Priests' Retirement Benefit Trust and are invested in CITW. The accrued benefit cost is recorded by the Central Pastoral

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Administration and is included in the combined statements of financial position as accrued liability for priests' retirement plan.

	Year ended June 30, 2014		
	Retirement benefit	Post- retirement medical	Total
Change in benefit obligation:			
Benefit obligation at beginning of year	\$ 30,705,591	12,781,982	43,487,573
Service cost	537,830	285,016	822,846
Interest cost	1,468,830	707,948	2,176,778
Actuarial loss	2,665,055	2,798,633	5,463,688
Benefits paid	(1,437,493)	(1,048,031)	(2,485,524)
Benefit obligation at end of year	33,939,813	15,525,548	49,465,361
Change in plan assets:			
Fair value of plan assets at beginning of year	22,387,745	—	22,387,745
Actual return on plan assets	3,782,614	—	3,782,614
Employer contributions	2,937,493	1,048,031	3,985,524
Benefits paid	(1,437,493)	(1,048,031)	(2,485,524)
Fair value of plan assets at end of year	27,670,359	—	27,670,359
Accrued benefit cost	\$ 6,269,454	15,525,548	21,795,002

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	Year ended June 30, 2013		
	Retirement benefit	Post- retirement medical	Total
Change in benefit obligation:			
Benefit obligation at beginning of year	\$ 29,918,525	11,738,361	41,656,886
Service cost	559,375	245,606	804,981
Interest cost	1,430,307	625,638	2,055,945
Actuarial loss	169,841	1,284,331	1,454,172
Benefits paid	(1,372,457)	(1,111,954)	(2,484,411)
Benefit obligation at end of year	30,705,591	12,781,982	43,487,573
Change in plan assets:			
Fair value of plan assets at beginning of year	18,499,459	—	18,499,459
Actual return on plan assets	2,388,286	—	2,388,286
Employer contributions	2,872,457	1,111,954	3,984,411
Benefits paid	(1,372,457)	(1,111,954)	(2,484,411)
Fair value of plan assets at end of year	22,387,745	—	22,387,745
Accrued benefit cost	\$ 8,317,846	12,781,982	21,099,828

The following table shows the classification of investments by level of the fair value hierarchy of CITW as of June 30:

	2014	2013
Level 1	67.7%	69.1%
Level 2	16.9	27.4
Level 3	15.4	3.5

The following is a summary of the fair value measurement of the Priest Retirement Plan's investments within the fair value hierarchy as of June 30:

	2014	Level 1	Level 2	Level 3
Investment in CITW	27,670,359	1,265,956	22,417,338	3,987,065
	2013	Level 1	Level 2	Level 3
Investment in CITW	22,387,745	(234,044)	21,830,026	791,763

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Level 1 includes accounts receivable of \$1,265,956 and accounts payable of \$234,044 as of June 30, 2014 and 2013, respectively.

The following table sets forth the amounts recognized in the combined financial statements as of and for the year ended June 30, 2014:

	Year ended June 30, 2014		
	Retirement benefit	Post- retirement medical	Total
Charges other than net periodic benefit cost:			
Net loss for period	\$ 284,883	2,470,340	2,755,223
Amortization of net loss	(204,937)	(24,060)	(228,997)
Amortization of prior service cost	(119,972)	—	(119,972)
Charges other than net periodic benefit cost	\$ (40,026)	2,446,280	2,406,254
Items not yet recognized as a component of net periodic pension/benefit cost:			
Net loss	\$ 6,955,942	3,204,749	10,160,691
Prior service cost	923,777	—	923,777
Items not yet recognized as a component of net periodic pension/benefit cost	\$ 7,879,719	3,204,749	11,084,468
Actuarial assumptions used:			
End of year benefit obligation	4.25%	4.50%	
Net periodic benefit cost	5.00	5.25	
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, 2013:

	Year ended June 30, 2013		
	Retirement benefit	Post- retirement medical	Total
Charges other than net periodic benefit cost:			
Net loss (gain) for period	\$ (1,070,228)	923,289	(146,939)
Amortization of net loss	(395,686)	(17,880)	(413,566)
Amortization of prior service cost	(119,972)	—	(119,972)
Charges other than net periodic benefit cost	\$ (1,585,886)	905,409	(680,477)
Items not yet recognized as a component of net periodic pension/benefit cost:			
Net loss	\$ 6,875,996	758,469	7,634,465
Prior service cost	1,043,749	—	1,043,749
Items not yet recognized as a component of net periodic pension/benefit cost	\$ 7,919,745	758,469	8,678,214
Actuarial assumptions used:			
End of year benefit obligation	5.00%	5.25%	
Net periodic benefit cost	4.75	4.75	
Weighted average expected long-term rate of return	6.50	—	

The amount expected to be amortized into net periodic benefit cost over the next fiscal year relating to net loss of the postretirement plan is \$101,299, and the amount expected to be amortized of the net loss for the retirement benefit plan is \$218,391. Amounts to be amortized into net periodic benefit cost over the next fiscal year relating to prior service cost of the retirement plan total \$119,972.

For measurement purposes, a 7.5% annual rate of increase in per capita cost of covered healthcare benefits was assumed for 2014. The rate is assumed to decrease to 5% for 2022 and remain at that level thereafter. Long-term care costs are assumed to be \$34,887 per year per covered participant.

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Estimated future benefit payments as of June 30, 2014 are as follows:

	<u>Retirement benefit</u>	<u>Postretirement medical</u>
Years ending June 30:		
2015	\$ 1,734,000	996,000
2016	1,799,000	1,025,000
2017	1,843,000	963,000
2018	1,907,000	1,012,000
2019	1,946,000	1,053,000
2020–2024	10,133,000	5,745,000

In addition, it is expected that costs relating to the O’Boyle Residence of approximately \$320,000 will be incurred annually. The residence expenses are not considered an ongoing obligation of the postretirement benefit plan; rather they are considered annual expenses as incurred.

(11) Undesignated and Designated Net Assets

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

	<u>2014</u>	<u>2013</u>
Designated for:		
Operations	\$ 26,316,346	21,560,153
Deferred rent receivable (note 7)	8,254,991	7,165,646
Insurance reserves	23,503,794	18,885,435
	<u>\$ 58,075,131</u>	<u>47,611,234</u>

(12) Temporarily and Permanently Restricted Net Assets

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

	<u>2014</u>	<u>2013</u>
Future time periods’ general operations	\$ 3,421,308	2,948,076
Propagation of the Faith	994,381	933,028
Social concerns	5,030,941	4,201,004
Clergy education	1,476,120	2,951,496
Education	6,329	4,739
	<u>\$ 10,929,079</u>	<u>11,038,343</u>

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

	2014	2013
Social concerns	\$ 9,363,768	9,349,450
Clergy education	2,827,184	2,822,889
	\$ 12,190,952	12,172,339

(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 for the years ended June 30 as follows:

	2014	2013
Program services	\$ 4,999,389	4,216,129
Passage of time:		
Archbishop's appeal	2,948,076	3,258,885
	\$ 7,947,465	7,475,014

(14) Endowment Net Assets

Effective January 23, 2008, the District of Columbia enacted the Uniform Prudent Management of Institutional Funds Act (the Act), the provisions of which apply to funds existing on or established after that date. The State of Maryland enacted the Act effective April 14, 2009.

The Finance Council of Central Pastoral Administration has interpreted the Act as allowing the Central Pastoral to spend or accumulate the amount of an endowment fund that the Central Pastoral Administration determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. For accounting and reporting purposes, the 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, the 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 the 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

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of the Central Pastoral Administration, and (7) the investment policies of the Central Pastoral Administration.

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 of 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.

The 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 at June 30 was as follows:

	2014				Total
	Board designated	Unrestricted	Temporarily restricted	Permanently restricted	
Donor-restricted endowment funds	\$ —	—	70,329	907,850	978,179
Designated endowment funds	13,215,616	—	—	—	13,215,616
Total funds	<u>\$ 13,215,616</u>	<u>—</u>	<u>70,329</u>	<u>907,850</u>	<u>14,193,795</u>

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		2013				
		Board designated	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$	—	—	45,606	907,850	953,456
Designated endowment funds		11,443,389	—	—	—	11,443,389
Total funds	\$	11,443,389	—	45,606	907,850	12,396,845

Changes in endowment net assets for the fiscal years ended June 30 were as follows:

		2014				
		Board designated	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$	11,443,389	—	45,606	907,850	12,396,845
Investment return:						
Gains – realized and unrealized		1,785,535	—	157,073	—	1,942,608
Total investment return		13,228,924	—	202,679	907,850	14,339,453
Appropriation of endowment assets		(13,308)	—	(132,350)	—	(145,658)
Endowment net assets, end of year	\$	13,215,616	—	70,329	907,850	14,193,795

		2013				
		Board designated	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$	10,208,699	—	29,289	907,850	11,145,838
Investment return:						
Investment income		1,247,318	—	—	—	1,247,318
Gains – realized and unrealized		—	—	76,519	—	76,519
Total investment return		11,456,017	—	105,808	907,850	12,469,675
Appropriation of endowment assets		(12,628)	—	(60,202)	—	(72,830)
Endowment net assets, end of year	\$	11,443,389	—	45,606	907,850	12,396,845

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From time to time, the fair value of assets associated with individual donor-restricted or board-restricted endowment funds may fall below the level that the donor, the board, 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 are reported in board-designated unrestricted net assets. Based on positive investment returns, there are no deficiencies at June 30, 2014 or 2013.

(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 the transactions with these related parties on the combined statements of financial position and combined statements of activities:

	<u>2014</u>	<u>2013</u>
Accounts receivable, gross	\$ 22,895,268	21,102,532
Investment in CITW	63,346,673	65,802,408
Notes receivable, gross	2,843,970	2,955,405
Receivable due from affiliate, gross	739,471	2,023,308
Beneficial interest in assets held by others	15,530,137	14,352,531
Contributions receivable, gross	520,000	745,000
Accounts payable and accrued expenses	5,781,520	6,620,472
Contributions payable	5,531,576	4,605,591
Funds held on behalf of others	6,353,673	5,443,872
Annuities payable	930,091	859,647
	<u>2014</u>	<u>2013</u>
Revenues:		
Parish assessments	\$ 8,822,762	8,650,313
Special school assessments	3,129,356	3,198,068
Other assessments	561,260	546,100
Special program income	243,900	242,600
Premiums and insurance billings	42,433,923	40,714,062
Gifts and bequests	520,000	630,000
Rental income	1,184,158	1,174,083
Interest income – notes receivable	25,486	19,299
Management fees and computer services	1,528,021	1,244,417
Expenses:		
Catholic education	\$ 2,053,055	1,359,403
Other program service subsidies	3,248,525	3,121,533
Insurance and benefits	677,275	452,556

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

Notes to Combined Financial Statements

June 30, 2014 and 2013

(16) Commitments and Contingencies

(a) Insurance Coverage

The Archdiocese of Washington, and thus the Central Pastoral Administration, participates in a property, general liability, and workers' compensation self-insurance plan whereby certain risks and liabilities are assumed by participating entities. The plan covers property and liability insurance, worker's compensation, and vehicle insurance. Claims are paid to the contracted insurance providers as they are incurred by the insured participants. Under the plan, the first \$50,000 of each loss and total annual losses up to \$525,000 are self-insured. Losses in excess of \$50,000 per occurrence and \$525,000 per year are covered by an excess coverage insurance policy.

Each entity participating in the self-insurance plan is charged its share of the estimated losses, administrative costs, and excess coverage insurance policy premium.

Based on information provided by the plan administrator, Catholic Mutual Group, the Central Pastoral Administration records a reserve for all property and casualty open claims. As of June 30, 2014 and 2013, the loss reserve for open claims was \$1,342,774 and \$1,380,912, respectively.

Catholic Mutual Group has excess liability coverage through the Catholic Umbrella Pool (CUP), of which the Central Pastoral Administration is a member. Prior to June 30, 2014, CUP received modified audit opinions each year due to insufficient evidential matter regarding the provision and reserve for unpaid claims and thus, the Central Pastoral Administration didn't record an investment in CUP as of June 30, 2013. At June 30, 2014, CUP received an unmodified audit opinion. As a result, the Central Pastoral Administration recorded their equity investment in CUP of \$1,500,000 in other assets in the statement of financial position at June 30, 2014.

(b) Legal Contingencies

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, 2014 and 2013. 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.

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

Notes to Combined Financial Statements

June 30, 2014 and 2013

(c) *Revolving Credit Facility*

The Roman Catholic Archbishop of Washington, a corporation sole, maintains three revolving credit facilities with two banks to provide financing for parishes and related entities limited to \$65 million in the aggregate. Lines of credit, letters of credit, and term loans are permitted.

The first and second revolving credit facility provides financing up to \$65 million. The first facility provides up to \$30 million for working capital and standby letters of credit and expires on October 31, 2015. The second facility provides up to \$35 million for term loans and expires on January 31, 2015. At June 30, 2014 and 2013, the Roman Catholic Archbishop of Washington, a corporation sole, is contingently liable for loans outstanding totaling \$18,409,846 and \$21,564,659, respectively, for 41 loans for parishes and other organizations.

The third revolving credit facility provides financing up to \$30 million. The expiration date for this facility is January 30, 2015. Draws on this line of credit at June 30, 2014 and 2013 totaled \$1,192,623 and \$1,342,643, respectively, for four loans for parishes.

(d) *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, 2015.

(17) *Subsequent Events*

In preparing these combined financial statements, the Central Pastoral Administration has evaluated events and transactions for potential recognitions or disclosure through November 25, 2014, the date that the combined 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.

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

Combined Schedule of Financial Position

June 30, 2014

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	\$ 15,791,923	100,000	10,000	—	—	—	15,901,923
Accounts receivable, net	2,398,871	9,135,175	—	524,984	4,300	219,372	12,282,702
Contributions receivable, net	3,941,309	—	—	—	—	—	3,941,309
Prepaid expenses and other assets	204,740	1,696,366	24,168	—	13,806	69,330	2,008,410
Notes receivable, net	849,541	—	—	4,480	—	—	854,021
Receivable due from affiliates	369,741	29,660	—	—	—	—	399,401
Investments	44,421,961	22,258,369	—	10,797,656	1,002,947	—	78,480,933
Due from (to) others	(1,314,295)	1,026,940	(110,748)	—	252,133	145,970	—
Property and equipment, net	40,055,238	—	80,676	—	—	27,317	40,163,231
Deferred rent receivable	13,594,950	—	—	—	—	—	13,594,950
Beneficial interest in assets held by others	15,530,137	—	—	—	—	—	15,530,137
Total assets	<u>\$ 135,844,116</u>	<u>34,246,510</u>	<u>4,096</u>	<u>11,327,120</u>	<u>1,273,186</u>	<u>461,989</u>	<u>183,157,017</u>
Liabilities and Net Assets							
Liabilities:							
Accounts payable and accrued expenses	\$ 8,726,096	298,590	—	83,835	11,018	71,746	9,191,285
Insurance claims payable	—	8,715,510	—	—	—	—	8,715,510
Contributions payable	4,081,576	—	—	1,500,000	69,391	—	5,650,967
Payable due to affiliates	308,238	—	—	2,299	4,096	30,621	345,254
Funds held on behalf of others	9,513,947	—	—	—	815	—	9,514,762
Collections held for disbursement	2,698,655	—	—	—	183,418	—	2,882,073
Deferred revenue	138,934	228,616	—	—	11,864	80,800	460,214
Annuities payable	1,450,143	—	—	—	—	—	1,450,143
Net accrued liability for priests' retirement plan	—	—	—	21,795,002	—	—	21,795,002
Total liabilities	<u>26,917,589</u>	<u>9,242,716</u>	<u>—</u>	<u>23,381,136</u>	<u>280,602</u>	<u>183,167</u>	<u>60,005,210</u>
Net assets:							
Unrestricted:							
Undesignated	12,174,302	1,500,000	(80,676)	(12,051,717)	—	251,505	1,793,414
Designated	34,571,337	23,503,794	—	—	—	—	58,075,131
Invested in property and equipment	40,055,238	—	80,676	—	—	27,317	40,163,231
Total unrestricted	<u>86,800,877</u>	<u>25,003,794</u>	<u>—</u>	<u>(12,051,717)</u>	<u>—</u>	<u>278,822</u>	<u>100,031,776</u>
Temporarily restricted	9,934,698	—	—	—	994,381	—	10,929,079
Permanently restricted	12,190,952	—	—	—	—	—	12,190,952
Total net assets	<u>108,926,527</u>	<u>25,003,794</u>	<u>—</u>	<u>(12,051,717)</u>	<u>994,381</u>	<u>278,822</u>	<u>123,151,807</u>
Total liabilities and net assets	<u>\$ 135,844,116</u>	<u>34,246,510</u>	<u>—</u>	<u>11,329,419</u>	<u>1,274,983</u>	<u>461,989</u>	<u>183,157,017</u>

See accompanying independent auditors' report.

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

Combined Schedule of Financial Position

June 30, 2013

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	\$ 16,052,075	100,000	10,000	—	—	—	16,162,075
Accounts receivable, net	3,424,369	6,896,393	—	534,496	937	189,201	11,045,396
Contributions receivable, net	3,793,076	—	—	—	—	—	3,793,076
Prepaid expenses and other assets	221,233	271,365	3,034	—	342	52,708	548,682
Notes receivable, net	907,514	—	—	4,480	—	—	911,994
Receivable due from affiliates	1,305,189	26,442	—	—	—	—	1,331,631
Investments	39,688,338	17,407,475	—	7,820,075	932,451	—	65,848,339
Due from (to) others	(1,226,044)	888,885	312,465	(165,036)	205,652	(15,922)	—
Property and equipment, net	38,171,340	—	90,309	—	—	34,653	38,296,302
Deferred rent receivable	11,980,704	—	—	—	—	—	11,980,704
Beneficial interest in assets held by others	14,352,531	—	—	—	—	—	14,352,531
Total assets	<u>\$ 128,670,325</u>	<u>25,590,560</u>	<u>415,808</u>	<u>8,194,015</u>	<u>1,139,382</u>	<u>260,640</u>	<u>164,270,730</u>
Liabilities and Net Assets							
Liabilities:							
Accounts payable and accrued expenses	\$ 11,153,160	103,549	413,520	63,760	2,506	49,764	11,786,259
Insurance claims payable	—	6,169,867	—	—	—	—	6,169,867
Contributions payable	5,149,804	—	—	—	68,154	—	5,217,958
Funds held on behalf of others	8,424,769	—	—	—	815	—	8,425,584
Collections held for disbursement	3,153,745	—	—	—	134,879	—	3,288,624
Deferred revenue	39,114	431,709	—	—	—	99,633	570,456
Notes payable	—	—	2,288	—	—	—	2,288
Annuities payable	1,270,229	—	—	—	—	—	1,270,229
Net accrued liability for priests' retirement plan	—	—	—	21,099,828	—	—	21,099,828
Total liabilities	<u>29,190,821</u>	<u>6,705,125</u>	<u>415,808</u>	<u>21,163,588</u>	<u>206,354</u>	<u>149,397</u>	<u>57,831,093</u>
Net assets:							
Unrestricted:							
Undesignated	10,304,711	—	(90,309)	(12,969,573)	—	76,590	(2,678,581)
Designated	28,725,799	18,885,435	—	—	—	—	47,611,234
Invested in property and equipment	38,171,340	—	90,309	—	—	34,653	38,296,302
Total unrestricted	77,201,850	18,885,435	—	(12,969,573)	—	111,243	83,228,955
Temporarily restricted	10,105,315	—	—	—	933,028	—	11,038,343
Permanently restricted	12,172,339	—	—	—	—	—	12,172,339
Total net assets	<u>99,479,504</u>	<u>18,885,435</u>	<u>—</u>	<u>(12,969,573)</u>	<u>933,028</u>	<u>111,243</u>	<u>106,439,637</u>
Total liabilities and net assets	<u>\$ 128,670,325</u>	<u>25,590,560</u>	<u>415,808</u>	<u>8,194,015</u>	<u>1,139,382</u>	<u>260,640</u>	<u>164,270,730</u>

See accompanying independent auditors' report.

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

Combined Schedule of Activities

Year ended June 30, 2014

	<u>Operations</u>	<u>Insurance services</u>	<u>Redemptoris Mater Seminary</u>	<u>Priests' Pass Through & 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:								
Revenue, gains, and other support:								
Assessments:								
Parish	\$ 8,822,762	—	—	—	—	1,237,901	—	10,060,663
Special school assessments	3,129,356	—	—	—	—	—	—	3,129,356
Other	561,260	—	—	—	—	—	—	561,260
Total assessments	12,513,378	—	—	—	—	1,237,901	—	13,751,279
Contributions, donations, gifts, and bequests:								
Archbishop's Appeal	11,625,775	—	—	—	—	—	—	11,625,775
Gifts and bequests	1,703,889	—	21,083	25,645	—	—	—	1,750,617
Total contributions, donations, gifts, and bequests	13,329,664	—	21,083	25,645	—	—	—	13,376,392
Premiums and insurance billings	—	42,835,373	—	3,976,339	—	—	(4,377,789)	42,433,923
Administrative fees	59,985	—	—	—	—	—	—	59,985
Interest and investment income, net	5,644,986	3,011,788	—	1,353,006	—	—	—	10,009,780
Increase in beneficial interest in assets held by others	—	—	—	—	—	—	—	—
Management fees and computer services	4,514,646	—	—	—	—	—	(2,986,625)	1,528,021
Tribunal and chancery fees	86,343	—	—	—	—	—	—	86,343
Special program income	880,896	—	—	—	—	21,157	—	902,053
Advertising	—	—	—	—	—	514,608	—	514,608
Subscriptions	—	—	—	—	—	111,797	—	111,797
Rental income	3,617,032	—	—	—	—	—	(247,700)	3,369,332
Net gains on property transactions	6,800	—	3,000	—	—	—	—	9,800
Other	14,288	1,500,197	—	120	—	5,198	—	1,519,803
Total revenue, gains, and other support	40,668,018	47,347,358	24,083	5,355,110	—	1,890,661	(7,612,114)	87,673,116
Net assets released from restrictions	7,610,385	—	—	—	337,080	—	—	7,947,465
Total unrestricted revenue, gain, and other support	48,278,403	47,347,358	24,083	5,355,110	337,080	1,890,661	(7,612,114)	95,620,581
Expenses:								
Program services:								
Catholic education:								
Tuition assistance and school subsidies	2,104,788	—	—	—	—	—	—	2,104,788
Other programs and administration	3,557,445	226,024	—	—	—	—	(239,540)	3,543,929
Total Catholic education	5,662,233	226,024	—	—	—	—	(239,540)	5,648,717
Pastoral ministry and social concerns	7,947,167	861,157	—	171,873	—	—	(704,004)	8,276,193
Ministerial leadership	5,129,605	193,670	1,530,080	355,954	—	—	(1,164,185)	6,045,124
Communications	1,226,045	247,174	—	—	—	1,740,941	(360,955)	2,853,205
Parish services	1,930,044	118,759	—	—	—	—	(169,336)	1,879,467
Insurance and benefits	894,472	38,436,055	—	—	—	—	(2,548,025)	36,782,502
Priests' retirement benefits and medical care	5,126	202,755	—	2,351,057	—	—	(853,400)	1,705,538
Propagation of the Faith	2,990	33,871	—	18,081	340,527	—	(91,264)	304,205
Archdiocesan administration	7,203,441	361,700	—	115,077	—	—	(1,132,949)	6,547,269
Total program services	30,001,123	40,681,165	1,530,080	3,012,042	340,527	1,740,941	(7,263,658)	70,042,220

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

Combined Schedule of Activities

Year ended June 30, 2014

	<u>Operations</u>	<u>Insurance services</u>	<u>Redemptoris Mater Seminary</u>	<u>Priests' Pass Through & 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	\$ 3,637,792	436,495	—	8,438	—	—	(230,459)	3,852,266
Fundraising	2,523,678	111,339	—	—	—	—	(117,997)	2,517,020
Total supporting services	6,161,470	547,834	—	8,438	—	—	(348,456)	6,369,286
Total expenses	36,162,593	41,228,999	1,530,080	3,020,480	340,527	1,740,941	(7,612,114)	76,411,506
Transfers:								
Transfer operations net assets to Priests' Pass Through & Care Fund	(500,000)	—	—	500,000	—	—	—	—
Temporarily restricted net assets expended	(510,786)	—	—	489,480	3,447	17,859	—	—
Subsidize Redemptoris Mater Seminary	(1,505,997)	—	1,505,997	—	—	—	—	—
Total transfers	(2,516,783)	—	1,505,997	989,480	3,447	17,859	—	—
Pension-related changes other than net period pension cost	—	—	—	(2,406,254)	—	—	—	(2,406,254)
Increase (decrease) in unrestricted net assets	9,599,027	6,118,359	—	917,856	—	167,579	—	16,802,821
Changes in temporarily restricted net assets:								
Contributions, donations, gifts, and bequests:								
Archbishop's Appeal	3,421,308	—	—	—	—	—	—	3,421,308
Gifts and bequests	2,094,483	—	—	—	241,215	—	—	2,335,698
Total contributions, donations, gifts, and bequests	5,515,791	—	—	—	241,215	—	—	5,757,006
Investment income, net	167,103	—	—	—	157,218	—	—	324,321
Increase in beneficial interest in assets held by others	1,756,874	—	—	—	—	—	—	1,756,874
Net assets released from restrictions	(7,610,385)	—	—	—	(337,080)	—	—	(7,947,465)
Increase (decrease) in temporarily restricted net assets	(170,617)	—	—	—	61,353	—	—	(109,264)
Changes in permanently restricted net assets:								
Increase in beneficial interest in assets held by others	18,613	—	—	—	—	—	—	18,613
Increase in permanently restricted net assets	18,613	—	—	—	—	—	—	18,613
Change in net assets	9,447,023	6,118,359	—	917,856	61,353	167,579	—	16,712,170
Net assets at beginning of year	99,479,504	18,885,435	—	(12,969,573)	933,028	111,243	—	106,439,637
Net assets at end of year	\$ 108,926,527	25,003,794	—	(12,051,717)	994,381	278,822	—	123,151,807

See accompanying independent auditors' report.

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

Combined Schedule of Activities

Year ended June 30, 2013

	<u>Operations</u>	<u>Insurance services</u>	<u>Redemptoris Mater Seminary</u>	<u>Priests' Pass Through & 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:								
Revenue, gains, and other support:								
Assessments:								
Parish	\$ 8,650,313	—	—	—	—	1,225,532	—	9,875,845
Special school assessments	3,198,068	—	—	—	—	—	—	3,198,068
Other	546,100	—	—	—	—	—	—	546,100
Total assessments	12,394,481	—	—	—	—	1,225,532	—	13,620,013
Contributions, donations, gifts, and bequests:								
Archbishop's Appeal	10,041,222	—	—	—	—	—	—	10,041,222
Gifts and bequests	1,351,545	—	26,052	8,749	—	—	—	1,386,346
Total contributions, donations, gifts, and bequests	11,392,767	—	26,052	8,749	—	—	—	11,427,568
Premiums and insurance billings	—	40,956,943	—	3,679,490	—	—	(3,922,371)	40,714,062
Administrative fees	53,337	—	—	—	—	—	—	53,337
Interest and investment income, net	4,298,176	1,500,476	—	383,084	—	—	—	6,181,736
Increase in beneficial interest in assets held by others	139,942	—	—	—	—	—	—	139,942
Management fees and computer services	4,096,849	—	—	—	—	—	(2,797,223)	1,299,626
Tribunal and chancery fees	72,625	—	—	—	—	—	—	72,625
Special program income	749,770	—	—	—	—	20,231	—	770,001
Advertising	—	—	—	—	—	490,990	—	490,990
Subscriptions	—	—	—	—	—	111,570	—	111,570
Rental income	3,473,280	—	—	—	—	—	(236,450)	3,236,830
Net gains on property transactions	266,554	—	12,972	—	—	—	—	279,526
Other	140,360	7,055	—	—	—	23,365	—	170,780
Total revenue, gains, and other support	37,078,141	42,464,474	39,024	4,071,323	—	1,871,688	(6,956,044)	78,568,606
Net assets released from restrictions	7,117,749	—	—	—	357,265	—	—	7,475,014
Total unrestricted revenue, gain, and other support	44,195,890	42,464,474	39,024	4,071,323	357,265	1,871,688	(6,956,044)	86,043,620
Expenses:								
Program services:								
Catholic education:								
Tuition assistance and school subsidies	1,409,403	—	—	—	—	—	—	1,409,403
Other programs and administration	3,229,632	—	—	—	—	—	(225,412)	3,004,220
Total Catholic education	4,639,035	—	—	—	—	—	(225,412)	4,413,623
Pastoral ministry and social concerns	8,119,152	—	—	—	—	—	(606,376)	7,512,776
Ministerial leadership	5,528,707	—	1,551,433	—	—	—	(1,022,714)	6,057,426
Communications	1,162,014	—	—	—	—	1,855,923	(366,143)	2,651,794
Parish services	1,820,383	—	—	—	—	—	(157,645)	1,662,738
Insurance and benefits	732,709	38,860,899	—	—	—	—	(2,452,332)	37,141,276
Priests' retirement benefits and medical care	4,587	—	—	1,719,838	—	—	(734,969)	989,456
Propagation of the Faith	2,676	—	—	—	357,266	—	(88,913)	271,029
Archdiocesan administration	7,681,666	—	—	—	—	—	(1,009,440)	6,672,226
Total program services	29,690,929	38,860,899	1,551,433	1,719,838	357,266	1,855,923	(6,663,944)	67,372,344

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

Combined Schedule of Activities

Year ended June 30, 2013

	<u>Operations</u>	<u>Insurance services</u>	<u>Redemptoris Mater Seminary</u>	<u>Priests' Pass Through & 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	\$ 4,642,387	—	—	—	—	—	(212,775)	4,429,612
Fundraising	1,978,678	—	—	—	—	—	(79,325)	1,899,353
Total supporting services	6,621,065	—	—	—	—	—	(292,100)	6,328,965
Total expenses	36,311,994	38,860,899	1,551,433	1,719,838	357,266	1,855,923	(6,956,044)	73,701,309
Transfers:								
Transfer operations net assets to Priests' Pass Through & Care Fund	(500,000)	—	—	500,000	—	—	—	—
Temporarily restricted net assets expended	(564,918)	—	—	547,991	—	16,927	—	—
Subsidize Redemptoris Mater Seminary	(1,512,409)	—	1,512,409	—	—	—	—	—
Total transfers	(2,577,327)	—	1,512,409	1,047,991	—	16,927	—	—
Pension-related changes other than net period pension cost	—	—	—	680,477	—	—	—	680,477
Increase (decrease) in unrestricted net assets	5,306,569	3,603,575	—	4,079,953	(1)	32,692	—	13,022,788
Changes in temporarily restricted net assets:								
Contributions, donations, gifts, and bequests:								
Archbishop's Appeal	2,948,076	—	—	—	—	—	—	2,948,076
Gifts and bequests	1,973,470	—	—	—	229,656	—	—	2,203,126
Total contributions, donations, gifts, and bequests	4,921,546	—	—	—	229,656	—	—	5,151,202
Investment income, net	83,959	—	—	—	125,235	—	—	209,194
Increase in beneficial interest in assets held by others	1,546,993	—	—	—	—	—	—	1,546,993
Net assets released from restrictions	(7,117,749)	—	—	—	(357,265)	—	—	(7,475,014)
Increase (decrease) in temporarily restricted net assets	(565,251)	—	—	—	(2,374)	—	—	(567,625)
Changes in permanently restricted net assets:								
Increase in beneficial interest in assets held by others	543,219	—	—	—	—	—	—	543,219
Increase in permanently restricted net assets	543,219	—	—	—	—	—	—	543,219
Change in net assets	5,284,537	3,603,575	—	4,079,953	(2,375)	32,692	—	12,998,382
Net assets at beginning of year	94,194,967	15,281,860	—	(17,049,526)	935,403	78,551	—	93,441,255
Net assets at end of year	\$ 99,479,504	18,885,435	—	(12,969,573)	933,028	111,243	—	106,439,637

See accompanying independent auditors' report.

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

Combined Schedule of Functional Expenses

Year ended June 30, 2014

	Program services							
	Catholic education	Pastoral ministry & social concerns	Ministerial leadership	Redemptoris Mater Seminary	Communi- cations	Carroll Publishing Company	Parish services	
Salaries and benefits:								
Compensation of clergy and religious	\$ —	630,525	408,112	82,470	—	—	—	—
Benefits – clergy	—	520,607	719,896	259,466	—	—	—	—
Salaries and wages – laypersons	1,836,249	1,401,567	416,050	24,553	654,527	917,640	816,760	517,633
Benefits – laypersons	372,903	336,517	87,067	1,843	140,650	228,253	191,415	116,581
Total salaries and benefits	2,209,152	2,889,216	1,631,125	368,332	795,177	1,145,893	1,008,175	634,214
Continuing education and retreats – clergy	—	6,580	1,325,515	435,325	—	—	—	—
Supplies	16,902	46,940	58,822	43,800	3,932	4,115	28,729	5,308
Telephone, postage, and printing	288,214	81,238	89,022	51,024	93,810	240,467	31,190	10,225
Conferences, meetings, and travel	66,734	318,662	313,497	82,100	7,353	22,796	54,859	10,904
Professional fees	314,414	127,876	101,077	11,359	231,952	74,331	143,828	1,718,219
Food and beverages	78,465	65,736	188,684	111,666	579	4,844	161	5,413
Contributions and grants-in-aid	2,010,409	117,610	276,515	17,105	—	—	—	—
Utilities and maintenance	—	905	298,290	223,100	369	—	337,012	—
Interest	—	—	—	56	—	—	—	—
Subsidies	165,269	3,265,238	—	—	—	—	—	—
Other	94,989	422,563	15,631	91,869	10,214	140,581	12,803	780,117
Insurance premiums	—	—	—	—	—	—	—	14,667,261
Claims and benefits	—	—	—	—	—	—	—	18,805,340
Total expenses before allocation	5,244,548	7,342,564	4,298,178	1,435,736	1,143,386	1,633,027	1,616,757	36,637,001
Allocation of property operations and financial, computer, and personnel	404,169	933,629	311,210	—	76,792	—	262,710	145,501
Total expenses after allocation	\$ 5,648,717	8,276,193	4,609,388	1,435,736	1,220,178	1,633,027	1,879,467	36,782,502

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

Combined Schedule of Functional Expenses

Year ended June 30, 2014

	Supporting services				Supporting services				Total 2014
	Priests' retire- ment benefits & medical care	Propagation of the Faith	Archdiocesan administration	Subtotal program services	General and administrative	Property operations	Fundraising	Subtotal supporting services	
Salaries and benefits:									
Compensation of clergy and religious	\$ 1,115,127	78,857	420,482	2,735,573	24,874	—	—	24,874	2,760,447
Benefits – clergy	562,126	53,474	345,931	2,461,500	25,645	—	—	25,645	2,487,145
Salaries and wages – laypersons	—	20,431	1,550,247	8,155,657	1,601,548	1,441,660	823,280	3,866,488	12,022,145
Benefits – laypersons	—	8,914	337,749	1,821,892	330,573	344,146	164,275	838,994	2,660,886
Total salaries and benefits	1,677,253	161,676	2,654,409	15,174,622	1,982,640	1,785,806	987,555	4,756,001	19,930,623
Continuing education and retreats – clergy	29,062	20,376	3,880	1,820,738	320	—	—	320	1,821,058
Supplies	—	1,122	85,619	295,289	15,966	59,251	22,057	97,274	392,563
Telephone, postage, and printing	—	962	170,674	1,056,826	39,285	675,627	390,441	1,105,353	2,162,179
Conferences, meetings, and travel	5,126	5,066	243,009	1,130,106	19,899	18,594	16,408	54,901	1,185,007
Professional fees	199,775	322	864,114	3,787,267	213,811	454,943	546,283	1,215,037	5,002,304
Food and beverages	—	137	115,935	571,620	11,077	9,650	20,175	40,902	612,522
Contributions and grants-in-aid	1,500,000	86,391	993,821	5,001,851	3,881	—	40	3,921	5,005,772
Utilities and maintenance	—	—	323,982	1,183,658	33	966,215	—	966,248	2,149,906
Interest	—	—	91,213	91,269	—	—	—	—	91,269
Subsidies	—	—	34,877	3,465,384	—	—	—	—	3,465,384
Other	177,110	28,153	(101,269)	1,672,761	15,784	1,095,752	218,809	1,330,345	3,003,106
Insurance premiums	—	—	—	14,667,261	—	—	—	—	14,667,261
Claims and benefits	(1,882,788)	—	—	16,922,552	—	—	—	—	16,922,552
Total expenses before allocation	1,705,538	304,205	5,480,264	66,841,204	2,302,696	5,065,838	2,201,768	9,570,302	76,411,506
Allocation of property operations and financial, computer, and personnel	—	—	1,067,005	3,201,016	1,549,570	(5,065,838)	315,252	(3,201,016)	—
Total expenses after allocation	\$ 1,705,538	304,205	6,547,269	70,042,220	3,852,266	—	2,517,020	6,369,286	76,411,506

See accompanying independent auditors' report.

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

Combined Schedule of Functional Expenses

Year ended June 30, 2013

	Program services							
	Catholic education	Pastoral ministry & social concerns	Redemptoris Mater Seminary	Ministerial leadership	Communi- cations	Carroll Publishing Company	Parish services	
Salaries and benefits:								
Compensation of clergy and religious	\$ —	713,823	78,835	301,818	—	—	—	—
Benefits – clergy	—	91,001	22,464	110,126	—	—	—	—
Salaries and wages – laypersons	1,636,724	1,339,376	24,000	418,500	643,594	941,209	801,069	463,106
Benefits – laypersons	125,093	102,378	1,854	31,885	36,620	81,783	72,144	50,482
Total salaries and benefits	1,761,817	2,246,578	127,153	862,329	680,214	1,022,992	873,213	513,588
Continuing education and retreats – clergy	—	6,822	450,189	1,242,952	—	—	—	—
Supplies	27,639	60,953	40,777	57,585	4,853	7,708	31,068	4,770
Telephone, postage, and printing	195,248	175,251	46,743	88,957	93,697	292,961	24,485	13,550
Conferences, meetings, and travel	39,445	247,752	89,503	118,936	8,359	28,775	46,724	2,892
Professional fees	383,376	233,578	9,279	95,497	201,245	65,550	115,478	1,611,855
Food and beverages	67,219	55,196	102,746	185,910	346	3,109	468	845
Contributions and grants-in-aid	2,514,690	108,394	16,950	1,621,453	—	—	—	—
Utilities and maintenance	—	11,262	278,055	206,991	—	397	317,269	61
Interest	—	—	343	—	—	—	—	—
Subsidies	(1,035,599)	3,117,443	—	—	—	—	—	—
Other	79,727	371,605	84,301	38,130	14,126	155,250	6,993	657,909
Insurance premiums	—	—	—	—	—	—	—	13,826,382
Claims and benefits	—	—	—	—	—	—	—	20,372,602
Total expenses before allocation	4,033,562	6,634,834	1,246,039	4,518,740	1,002,840	1,576,742	1,415,698	37,004,454
Allocation of property operations and financial, computer, and personnel	380,061	877,942	—	292,647	72,212	—	247,040	136,822
Total expenses after allocation	\$ 4,413,623	7,512,776	1,246,039	4,811,387	1,075,052	1,576,742	1,662,738	37,141,276

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

Combined Schedule of Functional Expenses

Year ended June 30, 2013

	Program services				Supporting services			Total 2013	
	Priests' retire- ment benefits & medical care	Propagation of the Faith	Archdiocesan administration	Subtotal program services	General and administrative	Property operations	Fundraising		Subtotal supporting services
Salaries and benefits:									
Compensation of clergy and religious	\$ 1,448,854	65,124	365,319	2,973,773	25,016	—	—	25,016	2,998,789
Benefits – clergy	397,904	11,250	50,276	683,021	4,225	—	—	4,225	687,246
Salaries and wages – laypersons	—	29,730	1,350,834	7,648,142	1,738,178	1,352,782	590,653	3,681,613	11,329,755
Benefits – laypersons	—	2,463	129,256	633,958	129,482	100,580	33,856	263,918	897,876
Total salaries and benefits	1,846,758	108,567	1,895,685	11,938,894	1,896,901	1,453,362	624,509	3,974,772	15,913,666
Continuing education and retreats – clergy	65,666	10,965	4,870	1,781,464	550	—	—	550	1,782,014
Supplies	56	528	53,638	289,575	24,774	66,397	18,332	109,503	399,078
Telephone, postage, and printing	665	1,822	157,360	1,090,739	66,761	594,069	382,604	1,043,434	2,134,173
Conferences, meetings, and travel	4,587	6,212	188,941	782,126	16,909	16,932	5,527	39,368	821,494
Professional fees	359,202	—	1,061,377	4,136,437	264,780	587,624	344,812	1,197,216	5,333,653
Food and beverages	—	218	113,231	529,288	11,055	17,986	25,405	54,446	583,734
Contributions and grants-in-aid	—	117,179	1,691,889	6,070,555	2,372	4,000	500	6,872	6,077,427
Utilities and maintenance	—	—	123,131	937,166	1,103	883,069	120	884,292	1,821,458
Interest	—	—	65,403	65,746	—	—	—	—	65,746
Subsidies	—	—	29,090	2,110,934	—	—	—	—	2,110,934
Other	89,644	25,538	284,249	1,807,472	16,073	1,811,429	201,096	2,028,598	3,836,070
Insurance premiums	—	—	—	13,826,382	—	—	—	—	13,826,382
Claims and benefits	(1,377,122)	—	—	18,995,480	—	—	—	—	18,995,480
Total expenses before allocation	989,456	271,029	5,668,864	64,362,258	2,301,278	5,434,868	1,602,905	9,339,051	73,701,309
Allocation of property operations and financial, computer, and personnel	—	—	1,003,362	3,010,086	2,128,334	(5,434,868)	296,448	(3,010,086)	—
Total expenses after allocation	\$ 989,456	271,029	6,672,226	67,372,344	4,429,612	—	1,899,353	6,328,965	73,701,309

See accompanying independent auditors' report.