



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

Combined Financial Statements

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)



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

## 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, 2013 and 2012, 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 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, 2013 and 2012, and the changes in net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



***Emphasis of Matter***

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

***Other Matters***

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 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 as a whole.

**KPMG LLP**

November 27, 2013

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

Combined Statements of Financial Position

June 30, 2013 and 2012

<b>Assets</b>	<b>2013</b>	<b>2012</b>
Cash and cash equivalents	\$ 16,162,075	25,920,372
Investments (note 2)	64,940,489	48,626,605
Accounts receivable, net (note 3)	11,045,396	7,990,153
Contributions receivable, net (note 4)	3,793,076	3,688,885
Prepaid expenses and other assets	548,682	537,755
Notes receivable, net (note 5)	911,994	1,049,996
Receivable due from affiliates, net (note 15)	1,331,631	417,539
Property and equipment, net (note 6)	38,296,302	37,482,796
Deferred rent receivable (note 7)	11,980,704	10,342,755
Investments restricted for long-term purposes (notes 2 and 14)	907,850	907,850
Beneficial interest in assets held by others (note 8)	14,352,531	12,720,208
Total assets	\$ 164,270,730	149,684,914
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 11,786,259	9,309,597
Insurance claims and benefits payable (note 10)	6,169,867	3,943,066
Contributions payable (note 9)	5,217,958	6,489,148
Funds held on behalf of others	8,425,584	7,697,546
Collections held for disbursement	3,288,624	3,560,130
Deferred revenue	570,456	546,234
Notes payable	2,288	10,319
Annuities payable	1,270,229	1,530,192
Accrued liability for Priests' Retirement Plan (note 10(c))	21,099,828	23,157,427
Total liabilities	57,831,093	56,243,659
Net assets:		
Unrestricted:		
Undesignated (note 11)	(2,678,581)	(14,711,583)
Designated (note 11)	47,611,234	47,434,954
Invested in property and equipment (note 6)	38,296,302	37,482,796
Total unrestricted	83,228,955	70,206,167
Temporarily restricted (note 12)	11,038,343	11,605,968
Permanently restricted (note 12)	12,172,339	11,629,120
Total net assets	106,439,637	93,441,255
Total liabilities and net assets	\$ 164,270,730	149,684,914

See accompanying notes to combined financial statements.

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

Combined Statements of Activities  
Years ended June 30, 2013 and 2012

	2013			2012				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Changes in net assets:								
Revenues, gains, and other support:								
Assessments:								
Parish	\$ 9,875,845	—	—	9,875,845	10,151,607	—	—	10,151,607
Education	3,198,068	—	—	3,198,068	3,240,876	—	—	3,240,876
Other	546,100	—	—	546,100	565,500	—	—	565,500
Total assessments	<u>13,620,013</u>	<u>—</u>	<u>—</u>	<u>13,620,013</u>	<u>13,957,983</u>	<u>—</u>	<u>—</u>	<u>13,957,983</u>
Contributions, donations, gifts, and bequests:								
Archbishop's Appeal	10,041,222	2,948,076	—	12,989,298	10,592,062	3,258,885	—	13,850,947
Gifts and bequests	1,386,346	2,203,126	—	3,589,472	2,343,939	5,862,066	—	8,206,005
Total contributions, donations, gifts, and bequests	<u>11,427,568</u>	<u>5,151,202</u>	<u>—</u>	<u>16,578,770</u>	<u>12,936,001</u>	<u>9,120,951</u>	<u>—</u>	<u>22,056,952</u>
Premiums and insurance billings	40,714,062	—	—	40,714,062	36,765,071	—	—	36,765,071
Administrative fees	53,337	—	—	53,337	663,767	—	—	663,767
Interest and investment income (loss), net (note 2)	6,181,736	209,194	—	6,390,930	(726,069)	(10,740)	—	(736,809)
Increase (decrease) in beneficial interest in assets held by others	139,942	1,546,993	543,219	2,230,154	(139,942)	494,022	618,665	972,745
Management fees and computer services	1,299,626	—	—	1,299,626	636,927	—	—	636,927
Tribunal and chancery fees	72,625	—	—	72,625	80,937	—	—	80,937
Special program income	770,001	—	—	770,001	686,585	—	—	686,585
Advertising	490,990	—	—	490,990	539,990	—	—	539,990
Subscriptions	111,570	—	—	111,570	145,994	—	—	145,994
Rental income	3,236,830	—	—	3,236,830	3,329,907	—	—	3,329,907
Net gains on property transactions	279,526	—	—	279,526	16,600	—	—	16,600
Other	170,780	—	—	170,780	48,230	—	—	48,230
Total revenues, gains, and other support	<u>78,568,606</u>	<u>6,907,389</u>	<u>543,219</u>	<u>86,019,214</u>	<u>68,941,981</u>	<u>9,604,233</u>	<u>618,665</u>	<u>79,164,879</u>
Net assets released from restrictions (note 13)	<u>7,475,014</u>	<u>(7,475,014)</u>	<u>—</u>	<u>—</u>	<u>9,123,099</u>	<u>(9,123,099)</u>	<u>—</u>	<u>—</u>
Total revenues, gains, and other support	<u>86,043,620</u>	<u>(567,625)</u>	<u>543,219</u>	<u>86,019,214</u>	<u>78,065,080</u>	<u>481,134</u>	<u>618,665</u>	<u>79,164,879</u>

**THE CENTRAL PASTORAL ADMINISTRATION OF  
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Combined Statements of Activities

Years ended June 30, 2013 and 2012

	2013			2012				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Expenses:								
Program services:								
Catholic education	\$ 4,413,623	—	—	4,413,623	6,233,984	—	—	6,233,984
Pastoral ministry and social concerns	7,512,776	—	—	7,512,776	6,739,038	—	—	6,739,038
Ministerial leadership	6,057,426	—	—	6,057,426	4,474,504	—	—	4,474,504
Communications	2,651,794	—	—	2,651,794	2,660,642	—	—	2,660,642
Parish services	1,662,738	—	—	1,662,738	1,354,179	—	—	1,354,179
Insurance and benefits	37,141,276	—	—	37,141,276	35,422,101	—	—	35,422,101
Priests' retirement benefits and medical care	989,456	—	—	989,456	1,800,070	—	—	1,800,070
Propagation of the Faith	271,029	—	—	271,029	269,269	—	—	269,269
Archdiocesan administration	6,672,226	—	—	6,672,226	5,916,463	—	—	5,916,463
Total program services	<u>67,372,344</u>	<u>—</u>	<u>—</u>	<u>67,372,344</u>	<u>64,870,250</u>	<u>—</u>	<u>—</u>	<u>64,870,250</u>
Supporting services:								
General and administrative	4,429,612	—	—	4,429,612	3,248,141	—	—	3,248,141
Fundraising	1,899,353	—	—	1,899,353	1,863,347	—	—	1,863,347
Total supporting services	<u>6,328,965</u>	<u>—</u>	<u>—</u>	<u>6,328,965</u>	<u>5,111,488</u>	<u>—</u>	<u>—</u>	<u>5,111,488</u>
Total expenses	<u>73,701,309</u>	<u>—</u>	<u>—</u>	<u>73,701,309</u>	<u>69,981,738</u>	<u>—</u>	<u>—</u>	<u>69,981,738</u>
Increase in net assets before pension related changes other than net periodic pension cost	12,342,311	(567,625)	543,219	12,317,905	8,083,342	481,134	618,665	9,183,141
Charges other than net periodic benefit cost (note 10(c))	680,477	—	—	680,477	(8,437,546)	—	—	(8,437,546)
Increase (decrease) in net assets	<u>13,022,788</u>	<u>(567,625)</u>	<u>543,219</u>	<u>12,998,382</u>	<u>(354,204)</u>	<u>481,134</u>	<u>618,665</u>	<u>745,595</u>
Net assets at beginning of year	70,206,167	11,605,968	11,629,120	93,441,255	71,762,635	11,124,834	11,010,455	93,897,924
Impact of change of reporting entity (note 1(a))	—	—	—	—	(1,202,264)	—	—	(1,202,264)
Net assets at beginning of year	<u>70,206,167</u>	<u>11,605,968</u>	<u>11,629,120</u>	<u>93,441,255</u>	<u>70,560,371</u>	<u>11,124,834</u>	<u>11,010,455</u>	<u>92,695,660</u>
Net assets at end of year	<u>\$ 83,228,955</u>	<u>11,038,343</u>	<u>12,172,339</u>	<u>106,439,637</u>	<u>70,206,167</u>	<u>11,605,968</u>	<u>11,629,120</u>	<u>93,441,255</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, 2013 and 2012

	<b>2013</b>	<b>2012</b>
Cash flows from operating activities:		
Increase in net assets	\$ 12,998,382	745,595
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	1,334,416	1,008,073
Net gain on sale of property	(279,526)	(16,600)
Loss on impairment of asset	534,540	—
Bad debt expense	1,646,949	392,540
Receipt of contribution of stock	(364,098)	(204,561)
Receipt of contributed property	—	(3,000)
Net unrealized and realized investment (gains) losses	(7,074,276)	1,205,041
Gain on forgiven note payable	—	(1,280,815)
Decrease (increase) in assets:		
Accounts receivable	(4,785,831)	1,925,833
Contributions receivable	(104,191)	365,741
Prepaid expenses and other assets	(10,927)	70,449
Deferred rent receivable	(1,637,949)	2,947,204
Receivable due from affiliate	(1,106,151)	(1,603,824)
Beneficial interest in assets held by others	(1,632,323)	(238,800)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	2,476,662	1,757,285
Insurance claims payable	2,226,801	(265,022)
Contributions payable	(1,271,190)	204,941
Funds held on behalf of others	728,038	1,543,148
Collections held for disbursement	(271,506)	(244,456)
Deferred revenue	24,222	341,580
Annuities payable	(259,963)	(180,445)
Accrued liability for Priests' Retirement Fund	(2,057,599)	5,961,142
Net cash provided by operating activities	1,114,480	13,410,041
Cash flows from investing activities:		
Purchases of investments	(10,739,516)	(45,527,942)
Proceeds from sale of investments	1,864,006	35,381,925
Proceeds from sale of property	345,066	16,600
Purchase of property and equipment	(2,748,002)	(5,931,151)
Principal payments received on notes receivable	463,054	549,504
Amounts disbursed for notes receivable	(49,354)	(238,940)
Net cash used in investing activities	(10,864,746)	(15,750,004)
Cash flows from financing activities:		
Principal payments on notes payable	(8,031)	(6,995)
Net cash used in financing activities	(8,031)	(6,995)
Net decrease in cash and cash equivalents	(9,758,297)	(2,346,958)
Cash and cash equivalents at beginning of year	25,920,372	28,267,330
Cash and cash equivalents at end of year	\$ 16,162,075	25,920,372
Supplemental disclosure of noncash transactions and other cash flow information:		
Cash paid during the year for interest	\$ 343	688

See accompanying notes to combined financial statements.

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

June 30, 2013 and 2012

**(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 the 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 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 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.

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.

**(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 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.

**(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

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not reported is accrued. Pension benefits payable consist of the unpaid required contributions to the multiemployer plan for laypersons.

**(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, 5-10 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 (note 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 Topic 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, 2013. 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. The following table shows classification of investments by level of the fair value hierarchy for the Trust as of June 30:

	<u>2013</u>	<u>2012</u>
Level 1	69.1%	68.7%
Level 2	27.4	27.6
Level 3	3.5	3.7

The Central Pastoral Administration also held investments outside of the Trust as of June 30, 2013 and 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 that 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, domestic money market funds are included in Level 2 of the fair value hierarchy as the values are based on observable market information.

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Investments as shown on the combined statements of financial position at June 30 were as follows:

	<b>2013</b>	<b>2012</b>
Investments	\$ 64,940,489	48,626,605
Investments restricted for long-term purposes	907,850	907,850
	<b>\$ 65,848,339</b>	<b>49,534,455</b>

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, 2013 and 2012:

	<b>2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Assets:				
Investment in CITW	\$ 65,802,408	—	63,499,324	2,303,084
Equity securities:				—
Domestic	14,931	14,931	—	—
International	—	—	—	—
Money market funds – domestic	—	—	—	—
Other investment – domestic	31,000	—	31,000	—
	<b>\$ 65,848,339</b>	<b>14,931</b>	<b>63,530,324</b>	<b>2,303,084</b>
	<b>2012</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Assets:				
Investment in CITW	\$ 49,468,383	—	47,631,698	1,836,685
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	—
	<b>\$ 49,534,455</b>	<b>18,710</b>	<b>47,679,060</b>	<b>1,836,685</b>

The fair value of other financial instruments, principally cash and cash equivalents, accounts receivable, and accounts payable approximates their carrying value at June 30, 2013 and 2012 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 \$65,802,408 and \$49,468,383 at June 30, 2013 and 2012, respectively, is estimated using the net asset value. There are no unfunded commitments for this investment.

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There are no transfers and reclassifications of assets between Level 1, Level 2 or Level 3.

The investments of CITW comprise 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 at the monthly valuation date and quarterly. The Semi-liquid portfolio is valued at the beginning of each quarter and can be redeemed 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 (loss) consists of the following for the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 92,896	806,043
Realized gains and (losses), net	(479)	187,476
Unrealized gains and (losses), net	7,074,755	(1,392,517)
Less: investment (income) loss allocated to funds held on behalf of others	(741,333)	97,123
Less: investment management fees	<u>(34,909)</u>	<u>(434,934)</u>
Investment income (loss)	<u>\$ 6,390,930</u>	<u>(736,809)</u>

Investment income (loss) is reported on the combined statements of activities for the years ended June 30, 2013 and 2012 as follows:

	<u>2013</u>	<u>2012</u>
Unrestricted	\$ 6,181,736	(726,069)
Temporarily restricted	<u>209,194</u>	<u>(10,740)</u>
	<u>\$ 6,390,930</u>	<u>(736,809)</u>

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**(3) Accounts Receivable**

Accounts receivable at June 30, 2013 and 2012 comprises the following:

	<b>2013</b>		
	<b>Gross</b>	<b>Allowance for doubtful accounts</b>	<b>Totals</b>
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
	<b>2012</b>		
	<b>Gross</b>	<b>Allowance for doubtful accounts</b>	<b>Totals</b>
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
	\$ 19,192,389	(11,202,236)	7,990,153

Of the gross accounts receivable, \$21,102,532 and \$16,553,441 as of June 30, 2013 and 2012, respectively, is due from related parties including parishes and Archdiocesan-related corporations and institutions (note 15).

**(4) Contributions Receivable**

Contributions receivable at June 30, 2013 and 2012 are expected to be received as follows:

	<b>2013</b>	<b>2012</b>
Less than one year	\$ 4,771,415	4,775,950
Less allowance for uncollectible contributions receivable	(978,339)	(1,087,065)
	\$ 3,793,076	3,688,885

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**(5) Notes Receivable**

Notes receivable at June 30, 2013 and 2012 comprises the following:

	<b>2013</b>	<b>2012</b>
Parishes	\$ 2,438,536	2,823,137
Related corporations	516,869	566,235
Other	33,655	13,389
	2,989,060	3,402,761
Less allowance for uncollectible notes receivable	(2,077,066)	(2,352,765)
	\$ 911,994	1,049,996

**(6) Property and Equipment**

Property and equipment at June 30, 2013 and 2012 comprises the following:

	<b>2013</b>	<b>2012</b>
Land	\$ 9,412,973	9,409,273
Future parish sites	845,387	894,182
Buildings	36,735,828	36,735,828
Furniture and equipment	3,996,372	3,744,919
Automobiles	748,838	733,040
Software	3,044,744	1,601,773
Construction in progress	1,752,350	1,422,317
Property and equipment, gross	56,536,492	54,541,332
Less accumulated depreciation	(18,240,190)	(17,058,536)
Property and equipment, net	\$ 38,296,302	37,482,796

Depreciation expense was \$1,334,416 and \$1,008,073 for the years ended June 30, 2013 and 2012, 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.

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



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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 \$11,980,704 and \$10,342,755 at June 30, 2013 and 2012, 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 \$4,815,058 and \$4,281,770 at June 30, 2013 and 2012, 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>
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
2018	1,597,000	(602,000)	995,000
Thereafter	276,057,000	(96,381,000)	179,676,000
	<u>\$ 283,795,000</u>	<u>(99,304,500)</u>	<u>184,490,500</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, 2013 and 2012 is as follows:

	<b>2013</b>	<b>2012</b>
Seminarian and clergy education	\$ 3,395,159	3,044,920
Ministry programs	10,957,372	9,675,288
	\$ 14,352,531	12,720,208

Of this amount, approximately \$11.3 million and \$10.7 million represents permanently restricted net assets and \$3.1 million and \$2.1 million is temporarily restricted net assets at June 30, 2013 and 2012, respectively.

**(9) Contributions Payable**

Contributions payable at June 30, 2013 and 2012 represent subsidies to be given to certain organizations located within the Archdiocese and are expected to be disbursed as follows:

	<b>2013</b>	<b>2012</b>
Less than one year	\$ 4,607,399	6,444,934
One year to five years	362,000	50,000
Greater than five years	254,345	—
	5,223,744	6,494,934
Less unamortized discount using a discount rate of 4.125%	(5,786)	(5,786)
	\$ 5,217,958	6,489,148

**(10) Benefit Plans**

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

The Central Pastoral Administration participates in the Retirement Plan (the Retirement Plan) of the Archdiocese of Washington, a multiemployer defined-benefit pension plan (the 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

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Pastoral Administration is not readily determinable. In accordance with ASC Paragraph 715-30-55-63, Central Pastoral Administration accounts for its participation in the Retirement Plan as a multiemployer 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 current 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, 2013 and 2012 was \$10,087,347 and \$8,461,080, respectively, of which approximately \$747,086 and \$671,627, 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, 2013 and 2012 was \$1,626,232 and \$662,793, respectively, and is recorded in insurance claims and benefits payable in the accompanying combined statements of financial position. In fiscal year 2013, the amounts contributed for the pension plan exceeded the recommended contribution, which represents an asset to the Central Pastoral Administration, totaling \$590,000 as of June 30, 2013.

Beginning January 1, 2013, it is anticipated that 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 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 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

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June 30, 2013 and 2012, are invested in corporate bonds, equity securities, and money market investments and are considered plan assets at June 30, 2013 and 2012.

	<b>Year ended June 30, 2013</b>		
	<b>Retirement benefit</b>	<b>Post- retirement medical</b>	<b>Total</b>
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

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	<b>Year ended June 30, 2012</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	\$ 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 loss	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
<b>Change in plan assets:</b>			
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 paid	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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The following table sets forth the amounts recognized in the combined financial statements as of and for the year ended June 30, 2013:

	<b>Year ended June 30, 2013</b>		
	<b>Retirement benefit</b>	<b>Post- retirement medical</b>	<b>Total</b>
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 (gain)	\$ 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	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, 2012:

	Year ended June 30, 2012		
	Retirement benefit	Post- retirement medical	Total
Charges other than net periodic benefit cost:			
Net loss (gain) 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	\$ 6,997,871	1,439,675	8,437,546
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	\$ 9,505,631	(146,940)	9,358,691
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	—	

There is no amount expected to be amortized into net periodic benefit cost over the next fiscal year relating to net loss of the postretirement plan and there is \$241,462 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 retirement plan total \$119,972.

For measurement purposes, an 8% annual rate of increase in per capita cost of covered healthcare benefits was assumed for 2013. The rate is assumed to decrease to 5% for 2018 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, 2013 are as follows:

	<u>Retirement benefit</u>	<u>Postretirement medical</u>
Years ending June 30:		
2014	\$ 1,716,701	741,377
2015	1,788,234	785,550
2016	1,841,449	632,856
2017	1,880,686	667,001
2018	1,937,095	706,310
2019 – 2023	10,120,169	3,919,560

In 2014, the Central Pastoral Administration expects to contribute to the Plan \$1,716,701 for retirement benefits and \$741,377 for postretirement benefits. In addition, in 2014, it is expected that costs relating to the O’Boyle Residence of approximately \$335,000 will be incurred. 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, 2013 and 2012 as follows:

	<u>2013</u>	<u>2012</u>
Designated for:		
Operations	\$ 21,560,153	21,810,339
Deferred rent receivable (note 7)	7,165,646	10,342,755
Insurance reserves	18,885,435	15,281,860
	<u>\$ 47,611,234</u>	<u>47,434,954</u>

The undesignated balance of \$(2,678,581) and \$(14,711,583) includes the net deficit of the Priests’ Pass Through and Care Fund of \$12,969,573 and \$17,049,526.



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

The following summarizes the nature of the temporarily restricted net assets at June 30, 2013 and 2012 and the purposes for which such net assets may be used:

	<u>2013</u>	<u>2012</u>
Future time periods' general operations	\$ 2,948,076	3,258,885
Propagation of the faith	933,028	935,403
Social concerns	4,201,004	3,103,254
Clergy education	2,951,496	4,308,426
Education	4,739	—
	<u>\$ 11,038,343</u>	<u>11,605,968</u>

The following summarizes the nature of the permanently restricted net assets at June 30, 2013 and 2012 and the purposes for which the income or a portion of income on such net assets may be used:

	<u>2013</u>	<u>2012</u>
Social concerns	\$ 9,349,450	8,931,589
Clergy education	2,822,889	2,697,531
	<u>\$ 12,172,339</u>	<u>11,629,120</u>

**(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:

	<u>2013</u>	<u>2012</u>
Program services	\$ 4,216,129	5,791,473
Passage of time:		
Archbishop's appeal	3,258,885	3,331,626
	<u>\$ 7,475,014</u>	<u>9,123,099</u>

**(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

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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 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 Board, 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.

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Endowment net assets composition by type of fund as of June 30, 2013 and 2012 was as follows:

		<b>2013</b>				
		<b>Board designated</b>	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
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
		<b>2012</b>				
		<b>Board designated</b>	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$	—	—	29,289	907,850	937,139
Designated endowment funds		10,208,699	—	—	—	10,208,699
Total funds	\$	10,208,699	—	29,289	907,850	11,145,838

Changes in Endowment Net Assets for the Fiscal Years ended June 30, 2013 and 2012:

		<b>2013</b>				
		<b>Board- designated</b>	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
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/(losses) (realized and unrealized)		—	—	76,519	—	76,519
Total investment return		11,456,017	—	105,808	907,850	12,469,675
Contributions		—	—	—	—	—
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

**THE CENTRAL PASTORAL ADMINISTRATION OF  
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June 30, 2013 and 2012

	2012				Total
	Board designated	Unrestricted	Temporarily restricted	Permanently restricted	
Endowment net assets, beginning of year	\$ 344,927	—	32,956	907,850	1,285,733
Investment return:					
Investment income	(345,047)	—	(8,625)	—	(353,672)
Gains/(losses) (realized and unrealized)	208,819	—	4,958	—	213,777
Total investment return	208,699	—	29,289	907,850	1,145,838
Contributions	10,000,000	—	—	—	10,000,000
Endowment net assets, end of year	\$ 10,208,699	—	29,289	907,850	11,145,838

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 that are reported in board-designated unrestricted net assets was \$27,145 as of June 30, 2012.

**(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:

	2013	2012
Accounts receivable, gross	\$ 21,102,532	16,553,411
Investment in CITW	65,802,408	49,468,383
Notes receivable, gross	2,955,405	3,389,372
Receivable due from affiliate, gross	2,023,308	927,678
Beneficial interest in assets held by others	14,352,531	12,720,208
Contributions receivable	745,000	230,000
Accounts payable and accrued expenses	6,620,472	5,097,129
Contributions payable	4,605,591	6,333,996
Funds held on behalf of others	5,443,872	4,953,995
Annuities payable	859,647	1,096,811

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June 30, 2013 and 2012

	<b>2013</b>	<b>2012</b>
<b>Revenues:</b>		
Parish assessments	\$ 8,650,313	8,893,921
Special school assessments	3,198,068	3,240,876
Other assessments	546,100	565,500
Special program income	242,600	313,907
Premiums and insurance billings	40,714,062	36,765,071
Gifts and contributions	630,000	230,000
Rental income	1,174,083	548,661
Interest income – notes receivable	19,299	34,533
Management fees and computer services	1,244,417	562,843
	\$ 56,418,942	51,155,312
<b>Expenses:</b>		
Catholic education	\$ 1,359,403	3,447,028
Other program service subsidies	3,121,533	3,003,605
Insurance and benefits	452,556	570,333
	\$ 4,933,492	7,020,966

**(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 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 5.47% for fiscal year 2013.

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. For calendar years 2012 and 2011, CUP provides liability coverage for its members equal to 64.3% of \$3,500,000 in excess of \$1,500,000. For calendar year 2013, CUP provides liability coverage for its members equal to 58.3% 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.

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June 30, 2013 and 2012

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, 2013 and 2012. 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 limited to \$65 million in the aggregate. Lines of credit, letters of credit, and term loans are permitted.

- (1) The first revolving credit facility provides financing up to \$65 million. Interest is calculated, at the discretion of the borrower, under one of the following methods:
  - (a) a floating rate at 150 basis points over the 90-day LIBOR;
  - (b) a fixed rate at 150 basis points over the equivalent term U.S. Treasury note yield up to 10 years; or
  - (c) 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 June 30, 2013 and 2012, the Roman Catholic Archbishop of Washington, a corporation sole, is contingently liable for loans outstanding totaling \$21,564,659 and \$23,737,145, respectively, for 41 and 43 loans for parishes and other organizations.

- (2) The second revolving credit facility provides financing up to \$65 million. Interest is calculated, at the discretion of the borrower, under one of the following methods:
  - (a) a floating rate at 175 basis points over LIBOR for loan amounts up to \$10 million;
  - (b) 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
  - (c) a floating rate at 150 basis points over LIBOR for loan amounts greater than \$20 million for a term of 5 years or more.

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June 30, 2013 and 2012

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 July 28, 2013. Draws on this line of credit at June 30, 2013 and 2012 totaled \$1,342,623.

**(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, 2013.

**(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:

		<u><b>2012</b></u>
Accounts receivable, net	\$	224,608
Prepaid expense and other assets		58,914
Property and equipment, net		<u>36,226</u>
Total assets	\$	<u><u>319,748</u></u>
Accounts payable and accrued expenses	\$	70,672
Deferred income		107,549
Due to others		<u>1,343,791</u>
Total liabilities		1,522,012
Unrestricted net assets		<u>(1,202,264)</u>
Total liabilities and net assets	\$	<u><u>319,748</u></u>

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 November 27, 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.

**THE CENTRAL PASTORAL ADMINISTRATION OF  
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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
Investments	38,780,488	17,407,475	—	7,820,075	932,451	—	64,940,489
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
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
Investments restricted for long-term purposes	907,850	—	—	—	—	—	907,850
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>
<b>Liabilities and Net Assets</b>							
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 Fund	—	—	—	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	<u>77,201,850</u>	<u>18,885,435</u>	<u>—</u>	<u>(12,969,573)</u>	<u>—</u>	<u>111,243</u>	<u>83,228,955</u>
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 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 Activities

Year ended June 30, 2013

	<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	\$ 8,650,313	—	—	—	—	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 gain on property transactions	266,554	—	12,972	—	—	—	—	279,526
Other	140,360	7,055	—	—	—	23,365	—	170,780
Total revenues, 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 revenues, gains, 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 &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	\$ 4,642,387	—	—	—	—	—	(212,775)	4,429,612
Fundraising	1,978,678	—	—	—	—	—	(79,325)	1,899,353
Total supporting services	<u>6,621,065</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(292,100)</u>	<u>6,328,965</u>
Total expenses	<u>36,311,994</u>	<u>38,860,899</u>	<u>1,551,433</u>	<u>1,719,838</u>	<u>357,266</u>	<u>1,855,923</u>	<u>(6,956,044)</u>	<u>73,701,309</u>
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	<u>(1,512,409)</u>	<u>—</u>	<u>1,512,409</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total transfers	<u>(2,577,327)</u>	<u>—</u>	<u>1,512,409</u>	<u>1,047,991</u>	<u>—</u>	<u>16,927</u>	<u>—</u>	<u>—</u>
Pension-related changes other than net period pension cost	—	—	—	680,477	—	—	—	680,477
Increase (decrease) in unrestricted net assets	<u>5,306,569</u>	<u>3,603,575</u>	<u>—</u>	<u>4,079,953</u>	<u>(1)</u>	<u>32,692</u>	<u>—</u>	<u>13,022,788</u>
Changes in temporarily restricted net assets:								
Contributions, donations, gifts, and bequests:								
Archbishop's Appeal	2,948,076	—	—	—	—	—	—	2,948,076
Gifts and bequests	<u>1,973,470</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>229,656</u>	<u>—</u>	<u>—</u>	<u>2,203,126</u>
Total contributions, donations, gifts, and bequests	<u>4,921,546</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>229,656</u>	<u>—</u>	<u>—</u>	<u>5,151,202</u>
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	<u>(7,117,749)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(357,265)</u>	<u>—</u>	<u>—</u>	<u>(7,475,014)</u>
Increase (decrease) in temporarily restricted net assets	<u>(565,251)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,374)</u>	<u>—</u>	<u>—</u>	<u>(567,625)</u>
Changes in permanently restricted net assets:								
Increase in beneficial interest in assets held by others	<u>543,219</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>543,219</u>
Increase in permanently restricted net assets	<u>543,219</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>543,219</u>
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	<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>
Net assets at end of year	<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>—</u>	<u>106,439,637</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	5,377,237	—	—	—	—	—	(265,749)	5,111,488
Total expenses	33,038,562	37,073,021	1,405,969	2,471,182	350,128	2,118,102	(6,475,226)	69,981,738
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	8,257,935	(10,000,000)	1,223,506	499,869	—	18,690	—	—
Pension-related changes other than net period pension cost	—	—	—	(8,437,546)	—	—	—	(8,437,546)
Increase (decrease) in unrestricted net assets	16,079,930	(10,734,891)	(145,329)	(6,834,729)	—	1,280,815	—	(354,204)
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	8,829,527	—	—	—	291,424	—	—	9,120,951
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	545,879	—	—	—	(64,745)	—	—	481,134
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	618,665	—	—	—	—	—	—	618,665
Change in net assets	17,244,474	(10,734,891)	(145,329)	(6,834,729)	(64,745)	1,280,815	—	745,595
Net assets at beginning of year, as previously reported	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, as revised	76,950,493	26,016,751	145,329	(10,214,797)	1,000,148	(1,202,264)	—	92,695,660
Net assets at end of year	\$ 94,194,967	15,281,860	—	(17,049,526)	935,403	78,551	—	93,441,255

See accompanying independent auditors' report.

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

Combined Schedule of Functional Expenses

Year ended June 30, 2013

	<b>Program services</b>							
	<b>Catholic education</b>	<b>Pastoral ministry &amp; social concerns</b>	<b>Ministerial leadership</b>	<b>Communi- cations</b>	<b>Parish services</b>	<b>Insurance and benefits</b>	<b>Priests' retire- ment benefits &amp; medical care</b>	<b>Propagation of the Faith</b>
Salaries and benefits:								
Compensation of clergy and religious	\$ —	713,823	301,818	—	—	—	1,448,854	65,124
Benefits – clergy	—	91,001	110,126	—	—	—	397,904	11,250
Salaries and wages – laypersons	1,636,724	1,339,376	418,500	643,594	801,069	463,106	—	29,730
Benefits – laypersons	125,093	102,378	31,885	36,620	72,144	50,482	—	2,463
Total salaries and benefits	1,761,817	2,246,578	862,329	680,214	873,213	513,588	1,846,758	108,567
Continuing education and retreats – clergy	—	6,822	1,242,952	—	—	—	65,666	10,965
Supplies	27,639	60,953	57,585	4,853	31,068	4,770	56	528
Telephone, postage, and printing	195,248	175,251	88,957	93,697	24,485	13,550	665	1,822
Conferences, meetings, and travel	39,445	247,752	118,936	8,359	46,724	2,892	4,587	6,212
Professional fees	383,376	233,578	95,497	201,245	115,478	1,611,855	359,202	—
Food and beverages	67,219	55,196	185,910	346	468	845	—	218
Contributions and grants-in-aid	2,514,690	108,394	1,621,453	—	—	—	—	117,179
Utilities and maintenance	—	11,262	206,991	—	317,269	61	—	—
Interest	—	—	—	—	—	—	—	—
Subsidies	(1,035,599)	3,117,443	—	—	—	—	—	—
Other	79,727	371,605	38,130	14,126	6,993	657,909	89,644	25,538
Insurance premiums	—	—	—	—	—	13,826,382	—	—
Claims and benefits	—	—	—	—	—	20,372,602	(1,377,122)	—
Total expenses before allocation	4,033,562	6,634,834	4,518,740	1,002,840	1,415,698	37,004,454	989,456	271,029
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	4,811,387	1,075,052	1,662,738	37,141,276	989,456	271,029

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

Combined Schedule of Functional Expenses

Year ended June 30, 2013

	Program services				Supporting services			Subtotal supporting services	Total 2013
	Archdiocesan administration	Carroll Publishing Company	Redemptoris Mater Seminary	Subtotal program services	General and administrative	Property operations	Fundraising		
Salaries and benefits:									
Compensation of clergy and religious	\$ 365,319	—	78,835	2,973,773	25,016	—	—	25,016	2,998,789
Benefits – clergy	50,276	—	22,464	683,021	4,225	—	—	4,225	687,246
Salaries and wages – laypersons	1,350,834	941,209	24,000	7,648,142	1,738,178	1,352,782	590,653	3,681,613	11,329,755
Benefits – laypersons	129,256	81,783	1,854	633,958	129,482	100,580	33,856	263,918	897,876
Total salaries and benefits	1,895,685	1,022,992	127,153	11,938,894	1,896,901	1,453,362	624,509	3,974,772	15,913,666
Continuing education and retreats – clergy	4,870	—	450,189	1,781,464	550	—	—	550	1,782,014
Supplies	53,638	7,708	40,777	289,575	24,774	66,397	18,332	109,503	399,078
Telephone, postage, and printing	157,360	292,961	46,743	1,090,739	66,761	594,069	382,604	1,043,434	2,134,173
Conferences, meetings, and travel	188,941	28,775	89,503	782,126	16,909	16,932	5,527	39,368	821,494
Professional fees	1,061,377	65,550	9,279	4,136,437	264,780	587,624	344,812	1,197,216	5,333,653
Food and beverages	113,231	3,109	102,746	529,288	11,055	17,986	25,405	54,446	583,734
Contributions and grants-in-aid	1,691,889	—	16,950	6,070,555	2,372	4,000	500	6,872	6,077,427
Utilities and maintenance	123,131	397	278,055	937,166	1,103	883,069	120	884,292	1,821,458
Interest	65,403	—	343	65,746	—	—	—	—	65,746
Subsidies	29,090	—	—	2,110,934	—	—	—	—	2,110,934
Other	284,249	155,250	84,301	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	—	—	—	18,995,480	—	—	—	—	18,995,480
Total expenses before allocation	5,668,864	1,576,742	1,246,039	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	\$ 6,672,226	1,576,742	1,246,039	67,372,344	4,429,612	—	1,899,353	6,328,965	73,701,309

See accompanying independent auditors' report.

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

Combined Schedule of Functional Expenses

Year ended June 30, 2012

	<b>Program services</b>							
	<b>Catholic education</b>	<b>Pastoral ministry &amp; social concerns</b>	<b>Ministerial leadership</b>	<b>Communi- cations</b>	<b>Parish services</b>	<b>Insurance and benefits</b>	<b>Priests' retire- ment benefits &amp; medical care</b>	<b>Propagation of the Faith</b>
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 – laypersons	1,647,813	1,289,307	319,169	590,702	686,292	472,988	—	26,651
Benefits – laypersons	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	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 – laypersons	1,154,058	913,447	24,092	7,124,519	1,438,746	849,023	552,722	2,840,491	9,965,010
Benefits – laypersons	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.