

Financial Statements and Report of
Independent Certified Public Accountants

**Archdiocese of Philadelphia -
Office for Financial Services**

June 30, 2017 and 2016

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Report of Independent Certified Public Accountants

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Archdiocese of Philadelphia

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Report on the financial statements

We have audited the accompanying financial statements of the Archdiocese of Philadelphia - Office for Financial Services (“OFS”), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to OFS’ preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OFS’ internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

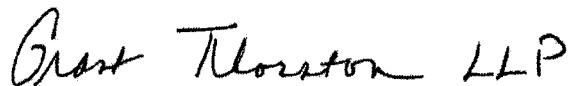
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Archdiocese of Philadelphia - Office for Financial Services as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of matter

We draw attention to Note A to the financial statements, which describes the legal structure of OFS within the Archdiocese of Philadelphia. Our opinion is not modified with respect to this matter.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained in the combining statement of financial position and combining statement of activities and changes in net assets as of and for the year ended June 30, 2017 is presented for purposes of additional analysis, rather than to present the financial position and changes in net assets of the individual organizations, and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Grant Thornton LLP". The signature is written in a cursive, flowing style.

Philadelphia, Pennsylvania

October 20, 2017

STATEMENTS OF FINANCIAL POSITION

June 30,

ASSETS	2017	2016
Cash and cash equivalents	\$ 30,625,048	\$ 37,675,065
Due from Archdiocesan entities, net (Note C)		
Assessments and other amounts due, less allowance for doubtful accounts of \$35,208,119 and \$36,268,029 at June 30, 2017 and 2016, respectively	3,279,044	4,945,023
Loans receivable, less allowance for doubtful accounts of \$9,408,265 and \$9,867,986 at June 30, 2017 and 2016, respectively	36,943,727	42,455,906
Notes receivable from related parties	1,095,000	3,865,444
Interest receivable from related parties	908,564	755,884
Other related party receivables	1,208,584	1,049,521
Prepaid expenses	1,609,458	1,761,852
Real estate and physical plant held for sale (Note B)	3,768,945	5,491,317
Investments (Note D)	90,137,715	128,267,061
Beneficial interest in supporting charitable trusts (Note B)	2,182,463	2,029,270
Real estate and physical plant, less accumulated depreciation of \$31,968,352 and \$30,436,313 at June 30, 2017 and 2016, respectively (Note B)	18,459,166	14,971,827
Total assets	\$ 190,217,714	\$ 243,268,170
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 5,005,869	\$ 3,900,582
Accrued expenses and other payables (Note F)	41,337,399	40,265,327
Deferred revenue (Note B)	843,928	589,994
Deposits - parishes, institutions and related organizations (Note K)	81,241,856	130,431,479
Total liabilities	128,429,052	175,187,382
Net assets		
Unrestricted	24,733,565	29,735,530
Temporarily restricted	11,202,566	14,803,696
Permanently restricted	25,852,531	23,541,562
Total net assets	61,788,662	68,080,788
Total liabilities and net assets	\$ 190,217,714	\$ 243,268,170

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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2017

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, losses and other support				
Parish assessments	\$ 19,152,200	\$ -	\$ -	\$ 19,152,200
Contributions from related parties (Note K)	492,455	-	-	492,455
Collections, bequests and donations	1,716,713	304,446	-	2,021,159
Tuition income	86,503	-	-	86,503
Investment income	1,085,744	111,692	336,007	1,533,443
Interest income	1,326,381	36,238	-	1,362,619
Fees for services	2,259,150	-	-	2,259,150
Intradiocesan income	2,675,066	-	-	2,675,066
Other income (Note M)	5,094,473	-	-	5,094,473
Net loss on sale of real estate and physical plant	(171,153)	-	-	(171,153)
Net assets released from restrictions (Notes O and P)	6,008,919	(4,913,107)	(1,095,812)	-
Net realized and unrealized appreciation on investments and beneficial interest in supporting charitable trusts	1,057,207	859,601	3,070,774	4,987,582
Premium income from Archdiocesan insurance programs	<u>68,820,998</u>	<u>-</u>	<u>-</u>	<u>68,820,998</u>
 Total revenues, gains, losses and other support	 109,604,656	 (3,601,130)	 2,310,969	 108,314,495
Expenses				
Subsidies	1,210,847	-	-	1,210,847
Salaries and wages	9,937,726	-	-	9,937,726
Payroll taxes and fringe benefits	7,160,876	-	-	7,160,876
Purchased services	10,042,002	-	-	10,042,002
Intradiocesan expenses	72,342	-	-	72,342
Support expense	3,594,865	-	-	3,594,865
Interparochial assistance (Note K)	1,844,611	-	-	1,844,611
Depreciation expense	1,540,827	-	-	1,540,827
Interest expense (Note K)	1,365,312	-	-	1,365,312
Withdrawals	681,260	-	-	681,260
Insurance program expenses	<u>70,923,812</u>	<u>-</u>	<u>-</u>	<u>70,923,812</u>
 Total expenses	 <u>108,374,480</u>	 <u>-</u>	 <u>-</u>	 <u>108,374,480</u>
 Change in net assets before other item	 1,230,176	 (3,601,130)	 2,310,969	 (59,985)
Other item				
Non-recurring contribution to pension plans (Note J)	<u>6,232,141</u>	<u>-</u>	<u>-</u>	<u>6,232,141</u>
 Change in net assets	 (5,001,965)	 (3,601,130)	 2,310,969	 (6,292,126)
Net assets				
Beginning of year	<u>29,735,530</u>	<u>14,803,696</u>	<u>23,541,562</u>	<u>68,080,788</u>
 End of year	 <u>\$ 24,733,565</u>	 <u>\$ 11,202,566</u>	 <u>\$ 25,852,531</u>	 <u>\$ 61,788,662</u>

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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2016

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, losses and other support				
Parish assessments	\$ 19,165,000	\$ -	\$ -	\$ 19,165,000
Contributions from related parties (Note K)	418,692	-	-	418,692
Collections, bequests and donations	1,130,016	384,087	-	1,514,103
Tuition income	45,550	-	-	45,550
Investment income	896,723	89,028	267,248	1,252,999
Interest income	1,632,478	73,278	-	1,705,756
Fees for services	3,084,193	-	-	3,084,193
Intradiocesan income	4,970,905	-	-	4,970,905
Other income (Note M)	4,738,517	-	-	4,738,517
Archdiocesan collections	-	10,000	-	10,000
Net gain on sale of real estate and physical plant	10,783,408	-	-	10,783,408
Net assets released from restrictions (Notes O and P)	1,109,913	(432,545)	(677,368)	-
Net realized and unrealized appreciation (depreciation) on investments and beneficial interest in supporting charitable trusts	616,216	(371,376)	(868,923)	(624,083)
Premium income from Archdiocesan insurance programs	<u>71,028,736</u>	<u>-</u>	<u>-</u>	<u>71,028,736</u>
Total revenues, gains, losses and other support	119,620,347	(247,528)	(1,279,043)	118,093,776
Expenses				
Subsidies	1,064,839	-	-	1,064,839
Salaries and wages	10,121,301	-	-	10,121,301
Payroll taxes and fringe benefits	6,914,964	-	-	6,914,964
Purchased services	9,624,327	-	-	9,624,327
Intradiocesan expenses	98,526	-	-	98,526
Support expense	3,814,895	-	-	3,814,895
Interparochial assistance (Note K)	1,732,141	-	-	1,732,141
Depreciation expense	1,729,380	-	-	1,729,380
Interest expense (Note K)	1,690,939	-	-	1,690,939
Withdrawals	180,994	-	-	180,994
Insurance program expenses	<u>70,388,378</u>	<u>-</u>	<u>-</u>	<u>70,388,378</u>
Total expenses	<u>107,360,684</u>	<u>-</u>	<u>-</u>	<u>107,360,684</u>
Change in net assets before other item	12,259,663	(247,528)	(1,279,043)	10,733,092
Other item				
Non-recurring contribution to Lay Employees' Retirement Plan (Note J)	<u>7,566,425</u>	<u>-</u>	<u>-</u>	<u>7,566,425</u>
Change in net assets	4,693,238	(247,528)	(1,279,043)	3,166,667
Net assets				
Beginning of year	<u>25,042,292</u>	<u>15,051,224</u>	<u>24,820,605</u>	<u>64,914,121</u>
End of year	<u>\$ 29,735,530</u>	<u>\$ 14,803,696</u>	<u>\$ 23,541,562</u>	<u>\$ 68,080,788</u>

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

STATEMENTS OF CASH FLOWS

Year ended June 30,

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ (6,292,126)	\$ 3,166,667
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net loss (gain) on sale of real estate and physical plant	171,153	(10,783,408)
Depreciation expense	1,540,827	1,729,380
Bad debt recovery	(1,391,227)	(1,660,936)
Net unrealized (gain) loss on investments	(4,271,926)	226,484
Net realized loss on investments	167,272	175,190
Net (appreciation) depreciation in beneficial interest in supporting charitable trusts	(153,193)	171,912
Changes in assets and liabilities		
Due from Archdiocesan entities	2,288,328	5,630,130
Prepaid expenses	152,394	422,800
Accounts payable	1,105,287	(163,518)
Accrued expenses and other payables	1,072,072	(5,530,553)
Deferred revenue	<u>253,934</u>	<u>(11,054)</u>
Net cash used in operating activities	<u>(5,357,205)</u>	<u>(6,626,906)</u>
Cash flows from investing activities		
Capital expenditures	(5,028,166)	(544,401)
Proceeds from sales of real estate and physical plant	1,551,219	3,826,138
Purchase of investments	(2,669,673)	(13,583,401)
Proceeds from sale of investments	44,903,673	28,176,734
Payments received on note receivable from Office of Catholic Education	-	59,572
Loans made to parishes	(258,552)	(21,654)
Repayment of loans	<u>5,863,815</u>	<u>7,207,767</u>
Net cash provided by investing activities	<u>44,362,316</u>	<u>25,120,755</u>
Cash flows from financing activities		
Change in deposits - parishes, institutions and related organizations	<u>(46,055,128)</u>	<u>(1,035,586)</u>
Net cash used in financing activities	<u>(46,055,128)</u>	<u>(1,035,586)</u>
Net (decrease) increase in cash and cash equivalents	(7,050,017)	17,458,263
Cash and cash equivalents		
Beginning of year	<u>37,675,065</u>	<u>20,216,802</u>
End of year	<u>\$ 30,625,048</u>	<u>\$ 37,675,065</u>
<u>Non-cash investing and financing activity</u>		
Payment on note receivable from related parties based on assumption of deposit liability - Office of Catholic Education	<u>\$ 2,767,858</u>	<u>\$ -</u>
Payments on loans receivable based on assumption of deposit liability - Other	<u>\$ 366,637</u>	<u>\$ -</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE A - ORGANIZATION

The Archdiocese of Philadelphia (the “Archdiocese”) was proclaimed a Catholic diocese in 1808 and raised to an Archdiocese in 1875. The Archdiocese oversees the activities of the Roman Catholic Church (the “Church”) for the five counties of Philadelphia, Bucks, Chester, Delaware and Montgomery in the southeastern part of the Commonwealth of Pennsylvania and is operated in accordance with the provisions of the 1983 Code of Canon Law, as amended, of the Church. The Archdiocese of Philadelphia - Office for Financial Services (“OFS”) provides programs and services to the parishes, schools and other related ecclesiastical entities in the territory of the Archdiocese. OFS is considered to be a component of the Archdiocese of Philadelphia and not a separate legal entity.

The accompanying financial statements include the following funds which operate under the auspices of OFS:

General Fund - Includes the accounts of separate ministry departments of the Archdiocese. The fund also includes all of the OFS unrestricted and donor-restricted resources available for support of the Archdiocesan operations including:

- Resources invested in plant facilities (land, property and equipment).
- Interparochial Cooperation Commission (“IPCC”) to provide support for the benefit of financially struggling parishes.
- Assisted living support for retired priests residing in the Villa St. Joseph and Regina Coeli residences.

Custodian Fund - Includes funds received, via special collections, and held by the Archdiocese for the beneficiaries of those special collections. All collected funds received are remitted to the beneficiary or used solely to support the individual mandate of the specific special collection. OFS does not have variance power as it relates to these funds and as such records a related payable at the time of receipt.

Archdiocese of Philadelphia Risk Insurance Trust (“Risk Insurance Trust”) - Represents the risk management program of the Archdiocese, including property, general liability, workers’ compensation and auto insurance policies covering substantially all participating Archdiocesan entities, as well as the management and administration of the program and all related claims.

Archdiocese of Philadelphia Welfare Benefits Trust (“Welfare Benefits Trust”) - Represents the medical benefits program of the Archdiocese, including health, dental prescription and vision insurance coverages for substantially all participating Archdiocesan entities, as well as the management and administration of the program.

Archdiocese of Philadelphia Deposit and Loan Program Trust Fund (“Deposit and Loan Program Trust”) - Represents a cooperative deposit and lending program established primarily for the benefit of the parishes and other Archdiocesan entities. This trust replaced the existing Trust and Loan Fund as of September 1, 2014, at which time the assets and liabilities of the Trust and Loan Fund were assigned to and assumed by the Deposit and Loan Program Trust. Effective February 17, 2017, the Trustees of the Deposit and Loan Program Trust instituted a moratorium on accepting deposits, opening new accounts and making new loans under the program.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE A - ORGANIZATION - Continued

Additionally, the Trustees implemented a distribution from the Deposit and Loan Program Trust of parish cemetery perpetual care funds and endowment funds so that these balances could be more appropriately invested. Cash distributions, equal to 20% of depositor balances, were also made to each depositor.

The accompanying financial statements do not include the assets, liabilities or activities of the more than 200 parishes located in the territory of the Archdiocese, except for parish deposits maintained in the Deposit and Loan Program Trust and other receivables set forth in the accompanying financial statements. The parishes are separate canonical operating entities distinct from the offices and funds included herein. The parishes maintain separate accounts and their respective assets in their own names, and carry out their own programs. Other ecclesiastical entities and organizations, which are related to, but operated separately and distinctly from OFS, are also not included in the accompanying financial statements.

The excluded financial reporting entities include, but are not limited to, the following:

- Archdiocese of Philadelphia Office of Catholic Education - Diocesan High Schools (“OCE”)
- Archdiocese of Philadelphia Office of Catholic Education - Administration Account (“OCE”)
- Archdiocese of Philadelphia Office of Catholic Education - Schools of Special Education (“SPED”)
- The Philadelphia Theological Seminary of St. Charles Borromeo (a Pennsylvania civil corporation; a.k.a. St. Charles Borromeo Seminary)
- Catholic Health Care Services of the Archdiocese of Philadelphia (a Pennsylvania civil corporation; “CHCS”)
- Catholic Social Services (a Pennsylvania civil corporation) and affiliated nonprofit organizations
- Catholic Charities of the Archdiocese of Philadelphia (a Pennsylvania civil corporation; a.k.a. Catholic Charities Appeal of the Archdiocese of Philadelphia)
- Heritage of Faith - Vision of Hope (a Pennsylvania civil corporation; “HOF~VOH”)
- The Archdiocese of Philadelphia - Office of Catholic Cemeteries (“Cemeteries Office”)
- The Archdiocese of Philadelphia - Philadelphia Catholic Cemeteries LLC
- Archdiocese of Philadelphia Cemetery Permanent Lot Care Fund Irrevocable Trust

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

2. Financial Statement Presentation

Information regarding the financial position and activities of OFS is reported according to three classes of net assets based on the existence or absence of donor-imposed restrictions as follows: unrestricted, temporarily restricted and permanently restricted net assets.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Unrestricted net assets are free of donor-imposed restrictions.

Temporarily restricted net assets include gifts, pledges, trusts, remainder interests, income and appreciation, for which donor imposed restrictions have not been met. Such restrictions include purpose restrictions where donors have specified the purpose for which the net assets are to be spent, and/or time restrictions imposed by donors or implied by the nature of the gift.

Permanently restricted net assets include gifts, pledges, trusts, and remainder interests, which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

3. Cash and Cash Equivalents

OFS considers all unrestricted highly liquid investments with an original maturity of three months or less, and which are not held as components of its respective investment portfolio, to be cash equivalents. At June 30, 2017, OFS has cash balances on deposit with financial institutions that exceeded the balance insured by the Federal Deposit Insurance Corporation ("FDIC") of \$250,000. OFS has not experienced any losses in such accounts and does not believe it is subject to significant credit risk.

4. Due from/to Archdiocesan Entities

Assessments and other amounts due:

The balance includes outstanding amounts due from Archdiocesan entities (parishes and other related ecclesiastical entities) related to:

- **Parish Assessments:** An assessment is levied on parishes and certain other Archdiocesan entities to: fund the work of the Archbishop and the operations and support functions of the pastoral center; subsidize the IPCC parishes; and maintain the apostolic ministries and programs shared by the whole local Church.
- **Risk Insurance:** Risk insurance billings for property, general liability, workers' compensation, and auto and disability insurance coverage provided to parishes and other Archdiocesan entities by the Risk Insurance Trust.
- **Medical Benefits:** Billings for health, dental, prescription and vision provided to parishes and other Archdiocesan entities by the Welfare Benefits Trust.

Loans Receivable:

Loans are made to parishes and other Archdiocesan entities through the Deposit and Loan Program Trust. Loans are due in varying amounts over terms not more than 25 years. The loans to parishes bear interest using the simple interest rate method on principal amounts outstanding. Except in arrangements which have been specifically negotiated, at both June 30, 2017 and 2016, the variable interest rate on outstanding loans is 4.50%. Specifically negotiated rates range from 2.00% to 3.25%.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Notes Receivable from Related Parties:

The notes receivable balance is comprised of notes that were due from OCE and St. John Neumann Place, L.P. ("SJNPLP"). The note due from OCE related to funds loaned by OFS in connection with the payoff of the Series 2001 and 2008 Revenue Bonds in June 2012. The OCE note was restructured in June 2014 and was paid in full in December 2016.

The note due from SJNPLP represents a second mortgage due to OFS for property acquired by SJNPLP, used to create affordable housing which qualifies for federal low-income housing tax credits. The 30-year mortgage bears interest at 6.25% compounded annually through December 2036.

Interest Receivable from Related Parties:

The interest receivable balance consists of interest accrued on notes receivable, as well as loans receivable due from parishes and other Archdiocesan entities as part of the Deposit and Loan Program Trust.

Other Related Party Receivables:

Other related party receivables consist of amounts due to OFS from parishes and other related ecclesiastical entities for inter-diocesan charges due for rent, utilities and various other items that have been paid by OFS on behalf of a separate Archdiocesan entity.

5. Allowance for Doubtful Accounts

OFS provides for an allowance for doubtful accounts when information available indicates that it is probable that a receivable has been impaired. The allowance for doubtful accounts is provided based upon management's judgments including such factors as prior collection history, economic condition of the counterparty and type of receivable. The amount of expected impairment is based on management's best estimate.

6. Prepaid Expenses

Prepaid expenses consist primarily of amounts in the Risk Insurance Trust. The Risk Insurance Trust pays risk insurance premiums for coverage obtained on behalf of parishes and other Archdiocesan entities at the beginning of the respective policy periods. This cost is amortized over the respective policy period.

7. Investments

SEI, a provider of institutional asset management services, created two publicly traded Catholic Values mutual funds: the Catholic Values Equity Fund and the Catholic Values Fixed Income Fund ("Catholic Values Funds"), which provide Catholic institutions with high quality investment products that align with their core values, without sacrificing diversification or return potential. Specifically, the Catholic Values Funds align with the investment directives set forth by the United States Conference of Catholic Bishops ("USCCB"). The Archdiocese appointed SEI Private Trust Company to act as custodian (the "Custodian") of the investments, which consist of certain cash and securities and are more fully described in Notes D and E. Investment allocation decisions are the responsibility of the applicable Archdiocesan entity's board or finance council.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments are reported at fair value. Realized gains and losses are reported to the participating entities monthly. Gains and losses realized by the participating entities as a result of sales are recorded in their specific accounts. Unrealized gains and losses are included in the statement of activities and changes in net assets as net appreciation or depreciation in the fair value of investments.

8. Charitable Gift Annuities

The Archdiocese is responsible for processing the annuity payments for charitable gift annuities. These assets are included in the investments in the Catholic Values Funds described above at June 30, 2017 and 2016. Periodic annuity payments are made to the donor or their beneficiaries until death. Upon receipt of the assets, a liability is recorded at the present value of the estimated future payments to be distributed over the donor's and/or other beneficiaries' expected life, based on the GAM-2000 Mortality Tables and discount rates set when the annuity agreement is established, which range between 3.08% and 6.17%. The liability at June 30, 2017 and 2016 was \$402,646 and \$390,263, respectively, and is classified in accrued expenses and other payables on the statements of financial position.

9. Beneficial Interest in Supporting Charitable Trusts

The Archdiocese is the sole beneficiary of the income of individual trusts established by Anthony P. Falcone, held in perpetuity by a third party, and William P. Mulvihill, also held in perpetuity by a third party. The supporting charitable trusts require the income to be paid to the Archdiocese. The beneficial interest in the supporting charitable trusts is recorded at the fair value of the assets. At June 30, 2017 and 2016, the allocable fair value of the net assets of the trusts was as follows:

	<u>2017</u>	<u>2016</u>
Anthony P. Falcone	\$ 1,303,495	\$ 1,195,017
William P. Mulvihill	<u>878,968</u>	<u>834,253</u>
	<u>\$ 2,182,463</u>	<u>\$ 2,029,270</u>

The underlying investments of the beneficial interest in the supporting charitable trusts consist of government obligations, corporate obligations, mutual funds and equity securities. OFS receives statements from each of the trustees, which detail the fair value of each investment in the supporting charitable trusts.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. Real Estate and Physical Plant

Land, buildings, building improvements and equipment are capitalized at cost, or their fair market value if donated. Depreciation for fixed assets is computed on a straight-line basis over the estimated useful lives, which are as follows:

Buildings	30 years
Building improvements	15 - 20 years
Equipment	3 - 15 years

The legal title of certain real estate and improvements is held in the name of the Archdiocese in trust for the exclusive benefit and charitable use of parishes or related ecclesiastical entities within the territory of the Archdiocese. The Archdiocese has legal title, but does not have any proprietary, equitable or beneficial interest in any such real property and improvements. Each parish or related ecclesiastical entity is a separate juridical person and is the owner and holder of the proprietary, beneficial and equitable interest in its personal and real property and related improvements which, in all events, is subject to the provisions of canon law. Accordingly, such real property and improvements and any other assets and associated liabilities of the parishes within the territory of the Archdiocese are not included in the accompanying financial statements. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected future cash flows from the use of the asset and its eventual disposition are less than the carrying amount of the asset, an impairment loss is recognized and measured using the asset's fair value. No impairment losses were recognized for the years ended June 30, 2017 and 2016.

Real estate and physical plant and accumulated depreciation at June 30, 2017 and 2016 consist of:

	<u>2017</u>	<u>2016</u>
Land	\$ 1,058,767	\$ 1,058,767
Buildings	39,355,617	34,804,848
Building improvements	7,661,084	7,119,055
Equipment	2,352,050	2,237,723
Construction in progress	<u>-</u>	<u>187,747</u>
	50,427,518	45,408,140
Accumulated depreciation	<u>(31,968,352)</u>	<u>(30,436,313)</u>
Real estate and physical plant, net	<u>\$ 18,459,166</u>	<u>\$ 14,971,827</u>

Depreciation expense of \$1,540,827 and \$1,729,380 was incurred for the years ended June 30, 2017 and 2016, respectively.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. Real Estate and Physical Plant Held for Sale

OFS has certain buildings and properties no longer in use which are being marketed for sale as of June 30, 2017 and 2016. The carrying value of assets held for sale previously classified under real estate and physical plant, net, consists of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ -	\$ 1,724,484
Buildings	<u>3,768,945</u>	<u>3,766,833</u>
Real estate and physical plant, net	<u>\$ 3,768,945</u>	<u>\$ 5,491,317</u>

12. Conditional Asset Retirement Obligation

OFS has recognized the cost associated with the eventual remediation and abatement of asbestos and other regulated substances located within the construction of OFS' real estate and physical plant. The estimated cost of the abatement was determined by a third-party firm that conducted a survey for asbestos identification and prepared contractor estimates for the cost of potential remediation consistent with management's future remediation plans. As of June 30, 2017 and 2016, the conditional asset retirement liability is \$322,444 and \$310,042, respectively. Included in the balance at June 30, 2017 and 2016 is \$12,402 and \$11,925, respectively, for the accretion of interest and \$-0- of new liabilities related to conditional asset retirement obligations recognized during each of the years ended June 30, 2017 and 2016. During the year ended June 30, 2016, the Mary Immaculate Center was sold, resulting in the recovery of unamortized accretion of \$2,004,119, which is included in the gain on sale of real estate.

OFS considers a conditional asset retirement an obligation that includes a legal obligation associated with the retirement of a tangible long-lived asset in which the timing and/or method of settling the obligation is conditional on a future event that may or may not be within the control of OFS. Recognition of a liability is required for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated, even if conditional on a future event. The Archdiocese records the fair value of a liability for a legal obligation associated with an asset retirement in the period in which the obligation is incurred. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized.

13. Self-Insurance Reserves

Risk Insurance Trust

The statements of financial position include liabilities with respect to self-insured general liability, property liability and auto liability claims as of June 30, 2017 and 2016. These obligations represent an estimate of the expected ultimate cost for these claims, less amounts paid to date. The Risk Insurance Trust estimates the required reserves for such claims on a non-discounted basis utilizing an actuarial method that is based upon various assumptions which include, but are not limited to, historical loss experience and projected loss development factors.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The required liability is also subject to adjustment in the future based upon the changes in claims experience, including changes in the number of incidents and changes in the ultimate cost per incidents. Actual amounts ultimately paid could differ from these estimates. Self-insurance reserves are included in the accrued expenses and other payables caption on the statements of financial position. Effective July 1, 2016, the workers' compensation program, which is included in the Risk Insurance Trust, was converted to a fully insured program, and workers' compensation claims incurred after that date will not require loss reserves. The liability for self-insured workers' compensation claims will be reduced over time as those claims incurred prior to July 1, 2016 are settled.

Welfare Benefits Trust

The statements of financial position include self-insurance liabilities with respect to the medical insurance program as of June 30, 2017 and 2016. These obligations represent an estimate of the expected ultimate cost for claims incurred but not paid ("IBNP"). The Welfare Benefits Trust estimates the required reserves for such claims on a non-discounted basis utilizing a development method which assumes that the progression of claim payment follows runoff patterns that are assumed to remain stable over time. The results, produced by the development method, were adjusted for months where the data was deemed noncredible. These adjustments were made using the projection method, which is based on the change in costs per exposure unit over time. The medical estimate is based on historical incurred and paid claims data for the 48-month periods ended June 30, 2017 and 2016. Self-insurance reserves are included in the accrued expenses and other payables caption on the statements of financial position.

14. Deferred Revenue

Deferred revenue includes \$755,328 and \$521,622 at June 30, 2017 and 2016, respectively, for medical insurance invoices billed by the Welfare Benefits Trust in June for the July coverage period. The revenue associated with these billings was recognized in July. Other deferred revenue totals \$88,600 and \$68,372 at June 30, 2017 and 2016, respectively.

15. Revenue, Gains, Losses and Other Support

Parish Assessments

Parishes within the territory of the Archdiocese are assessed a fee to help support the mission of the Church in Philadelphia and the four surrounding counties as permitted by canon law. The annual parish assessment for the fiscal year ended June 30, 2017 is based upon 10.5% of the parish operating income for the year ended June 30, 2015. The annual parish assessment for the year ended June 30, 2016 is based upon 10.5% of the parish operating income for the fiscal year ended June 30, 2014. Operating income includes Sunday collections, other parish collections, church socials and donations, interest, dividends, rental income and net cemetery income.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Pledges/Contributions

Unconditional promises to give (i.e., pledges) are recorded as receivables and revenues at fair value at the date the promise is received within the appropriate net asset category. Donor-restricted gifts that are received and either spent or deemed spent within the same year are reported as unrestricted revenues. Gifts of long-lived assets received without donor restrictions are reported at fair value as unrestricted revenue. Gifts specified for the acquisition or construction of long-lived assets are reported as unrestricted net assets when the assets are placed in service.

Classification of Gifts

OFS reports gifts of cash and other assets as restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Premium Income from Archdiocesan Insurance Program

The Risk Insurance Trust acts on behalf of participating Archdiocesan entities and parishes to procure adequate insurance coverage. The costs of the premiums and related expenses are billed to the participating entities. Unpaid insurance billings are included in amounts due from Archdiocesan entities.

16. Income Tax Status

The Archdiocese is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code through its inclusion in the USCCB group ruling and listing in the Official Catholic Directory.

The Archdiocese follows the accounting guidance for uncertainties in income tax positions which requires that a tax position be recognized or not recognized based on a “more likely than not” threshold. This applies to positions taken or expected to be taken in a tax return. The Archdiocese does not believe its financial statements include any material uncertain tax positions. Any interest and penalties, if applicable, would be recorded in support expenses. The Archdiocese is no longer subject to U.S. federal and state tax examinations for years prior to the year ended June 30, 2014.

17. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

18. Liquidity

Management believes that the existing liquidity position is adequate to meet current needs. To address long-term liquidity needs, management has taken steps to reduce OFS operating costs. Further actions, including asset sales, have been and will continue to be undertaken to further strengthen liquidity and the statement of financial position.

19. Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. The reclassifications had no impact on total net assets or change in net assets.

20. New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*, to improve financial reporting by creating common revenue recognition guidance. The core principle of this guidance is that an entity should recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services at the date the performance obligation has occurred. ASU 2014-09 is effective for periods beginning after December 15, 2017. An entity will apply this update using either a full retrospective application, which applies the standard to each prior period presented, or under the modified retrospective application, in which an entity recognizes the cumulative effect of initially applying the new standard as an adjustment to the opening statement of financial position at the date of initial application. OFS has not determined the impact of ASU 2014-09 at this time.

In August 2016, the FASB issued a new standard related to the presentation of financial statements of not-for-profit entities. This standard intends to make certain improvements to the current reporting requirements for not-for-profit entities including: (1) the presentation for two classes of net assets at the end of the period, rather than the currently required three classes, as well as the annual change in each of the two classes; (2) the removal of the requirement to present or disclose the indirect method (reconciliation) when using the direct method for the statement of cash flows; and (3) the requirement to provide various enhanced disclosures relating to various not-for-profit specific topics. The new standard is effective for annual financial statements beginning after December 15, 2017. OFS has not determined the impact of the new standard at this time.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE C - DUE FROM ARCHDIOCESAN ENTITIES, NET

A summary of the various receivable balances held by OFS due from Archdiocesan entities at June 30, 2017 and 2016 is presented as follows:

(a) Assessments and other amounts due:

	<u>2017</u>	<u>2016</u>
Assessments due from parishes	\$ 16,226,374	\$ 18,411,148
Risk and medical insurance premiums due from Archdiocesan entities and parishes	22,260,789	22,750,704
Miscellaneous receivables	<u>-</u>	<u>51,200</u>
	38,487,163	41,213,052
Allowance for doubtful accounts	<u>(35,208,119)</u>	<u>(36,268,029)</u>
Assessments and other amounts due, less allowance for doubtful accounts	<u>\$ 3,279,044</u>	<u>\$ 4,945,023</u>

(b) Loans receivable:

The Archdiocese maintains a centralized lending program through its Deposit and Loan Program Trust. The loans receivable consist of loans made by the Deposit and Loan Program Trust to parishes and other Archdiocesan entities (see Notes A and B). The amount due from parishes and other Archdiocesan entities at June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Loans receivable, principally due from parishes	\$ 46,351,992	\$ 52,323,892
Less: allowance for doubtful accounts	<u>(9,408,265)</u>	<u>(9,867,986)</u>
Loans receivable, net of allowance for doubtful accounts	<u>\$ 36,943,727</u>	<u>\$ 42,455,906</u>

Credit quality of loans receivable:

Prior to the moratorium described in Note A regarding the Deposit and Loan Program Trust, OFS received loan requests from parishes and other Archdiocesan entities. These loans, when approved, were made through the Deposit and Loan Program Trust. All loan requests were subject to a due diligence review of the requesting parish's ability to support future loan payments. This review was performed by the Office for Parish Service and Support. Upon completion of this due diligence, the loan request was presented to the College of Counselors for approval.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE C - DUE FROM ARCHDIOCESAN ENTITIES, NET - Continued

Allowances for doubtful accounts are established for all loans to parishes and other Archdiocesan entities based upon prior collection experience and current factors specific to each entity that, in management's opinion, may influence the entities' ability to repay the loan. All loan balances deemed to be impaired are adjusted to the net realizable value at the time this determination is established.

	<u>2017</u>	<u>2016</u>
Gross loans receivable	\$ 46,351,992	\$ 52,323,892
Less: allowance for doubtful accounts:		
Beginning of year	(9,867,986)	(11,357,600)
Decreases to allowance	<u>459,721</u>	<u>1,489,614</u>
End of year	<u>(9,408,265)</u>	<u>(9,867,986)</u>
Loans receivable, net	<u>\$ 36,943,727</u>	<u>\$ 42,455,906</u>
 (c) <u>Notes receivable from related parties:</u>		
	<u>2017</u>	<u>2016</u>
Note receivable due from OCE	\$ -	\$ 2,770,444
SJNPLP, bears interest at 6.25%, due in 2036	<u>2,860,000</u>	<u>2,860,000</u>
	2,860,000	5,630,444
Allowance for doubtful accounts	<u>(1,765,000)</u>	<u>(1,765,000)</u>
Notes receivable from related parties, net of allowance for doubtful accounts	<u>\$ 1,095,000</u>	<u>\$ 3,865,444</u>

Note receivable due from OCE

In June 2012, OCE entered into a term note agreement totaling \$3,000,000 with OFS. The term note carried a fixed interest rate of 4% per annum and was amortized over 30 years commencing on June 1, 2012. During December 2017, OCE paid off the term note in full.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE C - DUE FROM ARCHDIOCESAN ENTITIES, NET - Continued

On May 31, 2012, the Archdiocese of Philadelphia created a promissory note to the Deposit and Loan Program Trust of the Archdiocese. On May 20, 2013, the promissory note was amended to increase the note to \$82,000,000. The balance of this promissory note at June 30, 2017 and 2016 was \$41,689,805 and \$43,532,482, respectively. The promissory note is collateralized by specific pledged real estate assets as documented in the May 31, 2012 promissory note, as amended. As pledged assets are sold or monetized, net proceeds from the transactions are used to fulfill the obligation acknowledged via the promissory note. If a transaction for any of the pledged properties results in net proceeds in excess of \$20 million, the Archdiocese has discretion to use the excess for another purpose so long as the value for remaining pledged properties is at least equal to the remaining obligation.

During the year ended June 30, 2017, the Archdiocese used \$1,842,677 from a combination of proceeds received on the sale of pledged properties and other amounts received related to pledged properties to further pay down this promissory note. The promissory note is recorded as an asset and liability on the financial statements of the Deposit and Loan Program Trust and General Fund, respectively, and is eliminated within the OFS statements of financial position at June 30, 2017 and 2016.

(d) Interest receivable from related parties:

	<u>2017</u>	<u>2016</u>
Note receivable from SJNPLP	\$ 2,563,101	\$ 2,253,210
Deposit and Loan Program Trust	<u>1,911,084</u>	<u>1,805,386</u>
	4,474,185	4,058,596
Allowance for doubtful accounts	<u>(3,565,621)</u>	<u>(3,302,712)</u>
Interest receivable from related parties, net of allowance for doubtful accounts	<u>\$ 908,564</u>	<u>\$ 755,884</u>

(e) Other related party receivables:

OFS maintains receivable balances due from other related Archdiocesan entities. The balance of other related party receivables at June 30, 2017 and 2016 is comprised of:

	<u>2017</u>	<u>2016</u>
Archdiocesan payroll receivable	\$ 429,691	\$ 470,011
Property sale proceeds	401,652	-
Intra-diocesan charges for utilities and other items, net	237,449	234,516
Other	<u>139,792</u>	<u>344,994</u>
Total other related party receivables	<u>\$ 1,208,584</u>	<u>\$ 1,049,521</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE D - INVESTMENTS

The total investments of OFS at June 30, 2017 and 2016 are detailed as follows:

	<u>2017</u>	<u>2016</u>
Investment in SEI Catholic Values Funds	\$ 88,302,193	\$ 126,515,816
Investment in the Trust of Josephine Nalle Unitrust	1,622,579	1,549,050
Mutual funds	<u>212,943</u>	<u>202,195</u>
Total investments	<u>\$ 90,137,715</u>	<u>\$ 128,267,061</u>

Investment in SEI Catholic Values Funds

Investments held at SEI are reported at fair value and consist of the following:

Catholic Values Equity Fund (or "equity fund") - Invests in common stocks and is managed by SEI. The equity fund is valued at the closing price of the traded fund.

Catholic Values Fixed Income Fund (or "fixed income fund") - Invests in mutual funds, corporate obligations, United States Treasury obligations and municipal obligations and is managed by SEI. The fixed income fund is valued at the closing price of the traded fund.

Cash Plus (or "fund") - Investments are liquid in nature and invested in short duration U.S. government bonds.

At June 30, 2017, OFS' investments are summarized and classified as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Investment in SEI Catholic Values Funds	\$ 55,940,337	\$ 8,707,295	\$ 23,654,561	\$ 88,302,193
Investment in the Trust of Josephine Nalle Unitrust	-	1,622,579	-	1,622,579
Mutual funds	<u>-</u>	<u>212,943</u>	<u>-</u>	<u>212,943</u>
	<u>\$ 55,940,337</u>	<u>\$ 10,542,817</u>	<u>\$ 23,654,561</u>	<u>\$ 90,137,715</u>

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE D - INVESTMENTS - Continued

At June 30, 2016, OFS' investments are summarized and classified as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Investment in SEI Catholic Values Funds	\$ 97,104,597	\$ 7,914,434	\$ 21,496,785	\$ 126,515,816
Investment in the Trust of Josephine Nalle Unitrust	-	1,549,050	-	1,549,050
Mutual funds	<u>-</u>	<u>202,195</u>	<u>-</u>	<u>202,195</u>
	<u>\$ 97,104,597</u>	<u>\$ 9,665,679</u>	<u>\$ 21,496,785</u>	<u>\$ 128,267,061</u>

NOTE E - FAIR VALUE MEASUREMENTS

Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities as of the measurement date.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3 Inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair value calculations may not be indicative of net realizable value or reflective of future fair values. Furthermore, although OFS believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE E - FAIR VALUE MEASUREMENTS - Continued

The following table presents the fair values of the investments held by OFS by level within the fair value hierarchy, as of June 30, 2017:

	Quoted prices in active markets <u>(Level 1)</u>	Significant other observable inputs <u>(Level 2)</u>	Significant inputs supported by little or no market activity <u>(Level 3)</u>	Total fair value <u> </u>
Assets				
Investments				
Investment in SEI Catholic Values Funds	\$ 88,302,193	\$ -	\$ -	\$ 88,302,193
Investment in the Trust of Josephine Nalle Unitrust	-	-	1,622,579	1,622,579
Mutual funds	212,943	-	-	212,943
Beneficial interest in supporting charitable trusts	<u>-</u>	<u>-</u>	<u>2,182,463</u>	<u>2,182,463</u>
Total assets at June 30, 2017	<u>\$ 88,515,136</u>	<u>\$ -</u>	<u>\$ 3,805,042</u>	<u>\$ 92,320,178</u>

The following table presents the fair values of the investments held by OFS by level within the fair value hierarchy, as of June 30, 2016:

	Quoted prices in active markets <u>(Level 1)</u>	Significant other observable inputs <u>(Level 2)</u>	Significant inputs supported by little or no market activity <u>(Level 3)</u>	Total fair value <u> </u>
Assets				
Investments				
Investment in SEI Catholic Values Funds	\$ 126,515,816	\$ -	\$ -	\$ 126,515,816
Investment in the Trust of Josephine Nalle Unitrust	-	-	1,549,050	1,549,050
Mutual funds	202,195	-	-	202,195
Beneficial interest in supporting charitable trusts	<u>-</u>	<u>-</u>	<u>2,029,270</u>	<u>2,029,270</u>
Total assets at June 30, 2016	<u>\$ 126,718,011</u>	<u>\$ -</u>	<u>\$ 3,578,320</u>	<u>\$ 130,296,331</u>

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE E - FAIR VALUE MEASUREMENTS - Continued

The following table presents assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2017 and 2016:

<u>Charitable Trusts</u>	<u>Level 3</u>
Balance, June 30, 2015	\$ 3,896,389
Change in fair value	<u>(318,069)</u>
Balance, June 30, 2016	3,578,320
Change in fair value	<u>226,722</u>
Balance, June 30, 2017	<u>\$ 3,805,042</u>

NOTE F - ACCRUED EXPENSES AND OTHER PAYABLES

Accrued expenses and other payables are comprised of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Self-insurance reserves (see Note H)	\$ 36,563,015	\$ 35,141,042
IBNP reserve Welfare Benefits Trust	3,036,000	3,535,000
Conditional asset retirement obligation	322,444	310,042
Charitable gift annuities	402,646	390,263
Accrued legal and professional fees	613,434	505,231
Other	<u>399,860</u>	<u>383,749</u>
	<u>\$ 41,337,399</u>	<u>\$ 40,265,327</u>

NOTE G - LINE OF CREDIT

In March 2015, the Archdiocese entered into an unsecured line of credit agreement with PNC Bank, which allows for borrowings up to \$3,000,000 at an interest rate equal to the Daily LIBOR plus 150 basis points. The interest rate at June 30, 2017 was 2.7%. In addition, the Archdiocese is required to pay a commitment fee of 15 basis points per annum on the average daily balance of the line of credit that was not disbursed and not cancelled during the previous quarter. There were no borrowings on the line of credit during the year ended June 30, 2017.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE H - COMMITMENTS AND CONTINGENCIES

1. Claims

Historically, a number of lawsuits have been brought against the Archdiocese seeking compensatory damages, punitive damages and other types of relief relating to alleged sexual abuse by clergy. Most of the cases have been dismissed by Pennsylvania courts as being beyond the applicable statute of limitations. Currently, the Archdiocese is a defendant in five such cases.

Two cases are pending in the Court of Common Pleas of Philadelphia County, Pennsylvania. In both cases, the Archdiocese has not asserted a statute of limitations defense but has pending motion for summary judgment seeking dismissal of the cases on other grounds. If the motions are denied, the court will schedule trials that will likely occur in the beginning of 2018.

The Archdiocese is also a defendant in three other cases. One case was filed in the United States District Court for the Eastern District of Pennsylvania in June 2017. One case was filed in Atlantic County, New Jersey in May 2016. The remaining case was filed in London, Ontario in August 2016. In all three cases, the claims are barred by the statute of limitations under Pennsylvania law, but the plaintiffs are seeking the application of the laws in these other jurisdictions. The Archdiocese has filed a motion to dismiss in the action pending in the United States District Court for the Eastern District of Pennsylvania based upon the statute of limitations. Discovery is ongoing in the cases pending in New Jersey and Canada.

Numerous uncertainties exist regarding the financial impact of the presently pending civil cases, including the potential for amendments to Pennsylvania law regarding the statute of limitations in civil cases involving allegations of sexual abuse of minors. In the event of such changes, the Archdiocese could be subject to additional civil cases, damages and/or settlements. The Archdiocese has put its insurance carriers on notice of the outstanding sexual abuse claims.

The Archdiocese intends to vigorously defend itself in the pending civil lawsuits. If these cases are not dismissed under the present statute of limitations or on the basis of other legal defenses, management of the Archdiocese believes that it is reasonably possible that it may sustain losses with respect to some or all of the pending lawsuits in excess of amounts insured or accrued. Although the outcome of the current claims cannot be predicted, the resolution of these matters, individually or in the aggregate, could, absent meaningful insurance coverage, have a significant impact on the financial position, changes in net assets, cash flows and/or liquidity of the Archdiocese, thereby impacting its various activities and ministries.

2. Self-Insurance Reserves

Self-Insurance - The principal insurance policies providing Property and General Liability coverage have a deductible of \$50,000 and a self-insured retention ("SIR") of \$250,000 per occurrence, respectively. In addition, the former has an annual aggregate deductible of \$2,500,000. The workers' compensation policy is written with self-insurance retention of \$500,000 per claim. There are certain special policies with lower per claim deductibles or SIR's and some policies with guaranteed cost, first dollar coverage.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE H - COMMITMENTS AND CONTINGENCIES - Continued

The Automobile Liability and Physical Damage coverages are written with SIR's of \$50,000 and \$25,000, respectively, and subject to an annual aggregate SIR of \$1,250,000. To the extent of this deductible and these SIR's, the Risk Insurance Trust is self-insured. The Risk Insurance Trust held retrospectively rated workers' compensation insurance coverage for the periods August 1, 1991 through July 1, 1994. The periods subsequent to July 1, 1994 through June 30, 2016 are covered under large deductible or self-insured retention programs. The reserves for self-insured losses are based upon the estimated ultimate claims costs as estimated by an independent actuary.

The estimated ultimate claims cost is calculated as of June 30, 2017 and 2016 and considers incurred and paid losses and retention amounts to determine loss development factors. The estimated reserve liability is comprised of both a limited case outstanding reserve and estimated development.

Effective July 1, 2016, the workers' compensation program, which is included in the Risk Insurance Trust, was converted to a fully insured program, and workers' compensation claims incurred after that date will not require loss reserves. The liability for self-insured workers' compensation claims will be reduced over time as those claims incurred prior to July 1, 2016 are settled. The workers' compensation and auto obligations are collateralized with surety bonds in favor of the Commonwealth of Pennsylvania.

3. Other

The Archdiocese is involved in numerous other legal proceedings arising out of and incidental to its operations. In management's opinion, the ultimate liability which may arise from these other legal proceedings would not have a material adverse effect on the financial statements of OFS. In addition, the Archdiocese believes that if liability were established, it would have adequate insurance coverage to meet the resulting obligations.

Under the Archdiocese of Philadelphia's Priest Student Loan Policy, priests are reimbursed for payments made toward student debt that was incurred for their studies at St. Charles Borromeo Seminary. The reimbursements are contingent upon loan payments being made by the priest and are limited annually to a maximum repayment amount predetermined by the Archdiocese. The Archdiocese assumes no liability related to the outstanding balances on these loans until payment is made by the priests. Upon payment, the Archdiocese assumes the liability. The reimbursement cost is split evenly between the Archdiocese and St. Charles Borromeo Seminary. During the years ended June 30, 2017 and 2016, the combined reimbursement totaled \$111,062 and \$116,890, respectively. As of June 30, 2017 and 2016, the potential combined outstanding Priest Student Loans totaled \$701,978 and \$613,738, respectively.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE I - CONCENTRATION OF CREDIT INCLUDING CREDIT RISK

Cash, cash equivalents and investments are exposed to various risks, such as interest rate, market volatility and credit. To minimize such risks, the Archdiocese has a diversified investment portfolio managed by several independent investment managers in a variety of asset classes. The Archdiocese regularly evaluates its investments including performance thereof. The Archdiocese maintains its cash and cash equivalents in various bank deposit accounts which, at times, may exceed federally insured limits. The Archdiocese's cash accounts were placed with high credit quality financial institutions. However, due to inherent risks and potential volatility in investment valuations, the amounts reported in the accompanying financial statements can vary substantially from year to year. It is reasonably possible that changes in investments will occur in the near term and such changes could materially affect the amounts reported in the accompanying financial statements. Credit risk with respect to related party receivables originates from the activities of related parties within the Archdiocese such as parishes, which are supported primarily by Catholic parishioners of the Philadelphia area. Related party receivables include accounts receivable from Archdiocesan parishes and loans provided to parties and other related organizations.

NOTE J - PENSION PLANS

The Archdiocese of Philadelphia Lay Employees' Retirement Plan ("LERP"), the Archdiocese of Philadelphia 403(b) retirement plan and the priests' retirement plans are distinct and autonomous benefit plans separately administered by the Archdiocese in trust for each of the plans' beneficiaries and are not part of these financial statements. The plans are funded by contributions from the various participating entities, including parishes. The plans' administrator is OFS.

In December 2016, non-recurring contributions of \$30,000,000 and \$14,000,000 were made to the LERP and priests' retirement plans, respectively. These contributions were funded by the following entities:

<u>Archdiocesan Entity</u>	<u>Contribution</u>
Catholic Health Care Services	\$ 32,000,000
Saint John Vianney Center	3,000,000
Cemeteries Office	2,767,859
Office for Financial Services	<u>6,232,141</u>
Total contributions	<u>\$ 44,000,000</u>

These financial statements include only the contribution that was made by OFS (that is, the \$6,232,141 reflected above). This contribution is shown as the non-recurring contribution to pension plans on the statement of activities and changes in net assets for the year ended June 30, 2017.

During the year ended June 30, 2016, a non-recurring contribution of \$7,566,425 was made to the LERP by OFS.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE J - PENSION PLANS - Continued

1. Priests' retirement plans

For financial reporting purposes within these financial statements, the priests' retirement plans are accounted for as multiemployer plans. Expenses are recognized as contributions are made in accordance with established provisions followed by all parishes and participating entities within the territory of the Archdiocese. The recurring contributions by OFS to the priests' retirement plans totaled \$694,148 and \$710,464, respectively, for the years ended June 30, 2017 and 2016.

The actuarially determined present value of accumulated plan benefits at June 30, 2017 and 2016 for priests' pension, retiree health insurance, retiree auto insurance and life insurance totaled approximately \$100,700,000 and \$98,000,000, respectively. At June 30, 2017 and 2016, the net assets available to provide for these benefits totaled approximately \$106,800,000 and \$85,700,000, respectively.

2. Lay Employees' Retirement Plan - frozen effective June 30, 2014

Through June 30, 2014, the eligible lay employees of OFS were covered under the LERP, which is a defined benefit pension plan that covered substantially all lay employees, once age and service requirements were met, of the Archdiocese, its related ecclesiastical entities, institutions and parishes. For financial reporting purposes within these financial statements, the LERP is accounted for as a multiemployer plan. On June 30, 2014, the Archdiocese froze the LERP. All active employees as of the freeze date retained benefits they had earned through June 30, 2014. After the date of the freeze, accrued pension benefits do not increase for additional service or increases in pay. The plan is administered by the trustees of the plan.

OFS made annual contributions to the plan at an average rate of 5.9% and 4.0%, respectively, of the salaries of eligible employees for the years ended June 30, 2017 and 2016. The recurring contributions by OFS were \$385,305 and \$263,682, respectively, for the years ended June 30, 2017 and 2016.

Estimates of the actuarially determined present value of accumulated plan benefits at June 30, 2017 totaled approximately \$622,000,000. The actuarially determined present value of accumulated plan benefits at June 30, 2016 totaled approximately \$629,000,000. At June 30, 2017 and 2016, the assets available to provide for these benefits totaled approximately \$511,000,000 and \$445,000,000, respectively.

3. Archdiocese of Philadelphia 403(b) Retirement Plan

Effective July 1, 2014, the Archdiocese established a 403(b) defined contribution plan. Under the 403(b) plan and subject to statutory limits, all employees at least 18 years of age are immediately eligible to make voluntary deferred salary contributions into the 403(b) plan. Employer contributions, which cover employees meeting the eligibility requirements below, are discretionary. The following are the eligibility requirements for the employer contributions:

Grandfathered Employees - Any employee who was accruing benefits as an active participant in the LERP as of its freeze date of June 30, 2014 is a grandfathered employee and is eligible to receive employer contributions.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE J - PENSION PLANS - Continued

Non-Grandfathered Employees - Non-grandfathered employees are eligible to receive the employer contributions generally upon completion of 1,000 hours of service in the relevant measurement period.

Vesting in employer contributions is immediate for grandfathered employees who have completed 12 months of service as of June 30, 2014. Vesting in employer contributions for all other employees will take place after the completion of 12 months of service.

During the years ended June 30, 2017 and 2016, the employer contribution rate was 4.5% of base salary for eligible employees. The contributions by OFS into the 403(b) plan totaled \$305,429 and \$307,033 for the years ended June 30, 2017 and 2016, respectively.

NOTE K - RELATED PARTY AMOUNTS AND TRANSACTIONS

OFS entered into transactions with the following related parties:

During the years ended June 30, 2017 and 2016, OFS recorded \$1,468,372 and \$1,775,739, respectively, in contributed rent related to the use of facilities owned by OFS but used without charge by Catholic Social Services/CHCS. During the years ended June 30, 2017 and 2016, OFS recorded \$-0- and \$66,655, respectively, in contributed rent related to the use of facilities owned by OFS but used without charge by the World Meeting of Families of Philadelphia.

All parish assessments, Risk Insurance Trust billings and collections and other Archdiocesan entities' billings and collections are performed by Porter & Curtis, a commercial insurance broker and risk management services provider located in Media, Pennsylvania. All billings and collections associated with the Welfare Benefits trust medical benefits program are performed by Independence Blue Cross. Billings and collections of loans are performed by OFS on behalf of the Deposit and Loan Program Trust.

	2017		2016	
	Billed	Collected	Billed	Collected
Parish assessment	\$ 19,152,200	\$ 21,336,973	\$ 19,165,000	\$ 21,218,499
Risk Insurance Program ¹	19,753,495	20,294,177	21,777,923	22,247,761
Welfare Benefits Program ¹	49,067,503	49,510,974	49,250,813	49,166,164
Parish loans and interest	1,695,282	7,226,731	1,611,883	8,603,683

¹ These billed amounts are reflected on the statements of activities and changes in net assets under the caption, "Premium income from insurance programs."

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE K - RELATED PARTY AMOUNTS AND TRANSACTIONS - Continued

Archdiocesan parishes and agencies deposit funds with OFS for investment purposes. Related deposit funds totaled \$81,241,856 and \$130,431,479 as of June 30, 2017 and 2016, respectively. Deposited funds earned an interest rate of 1.25% for the years ended June 30, 2017 and 2016. Interest paid on the deposited funds amounted to \$1,352,910 and \$1,679,014 during the years ended June 30, 2017 and 2016, respectively. Total interest expense for the years ended June 30, 2017 and 2016 was as follows:

	<u>2017</u>	<u>2016</u>
Interest paid on deposits	\$ 1,352,910	\$ 1,679,014
Interest accretion on conditional asset retirement obligation	<u>12,402</u>	<u>11,925</u>
	<u>\$ 1,365,312</u>	<u>\$ 1,690,939</u>

Loans were historically made to parishes and other Archdiocesan entities through the Deposit and Loan Program Trust (see Notes A, B and C). Except in arrangements which have been specifically negotiated, the interest rate was generally 4.5%. Interest earned on these loans amounted to \$1,283,438 and \$1,515,396 for the years ended June 30, 2017 and 2016, respectively.

OFS received funds from certain Archdiocesan offices, agencies and related ecclesiastical organizations, which are reflected as contributions on the statements of activities and changes in net assets. For the years ended June 30, such funds amounted to:

	<u>2017</u>	<u>2016</u>
Heritage of Faith ~ Vision of Hope	\$ 236,186	\$ 215,751
Other	<u>256,269</u>	<u>202,941</u>
	<u>\$ 492,455</u>	<u>\$ 418,692</u>

Certain parishes, for a variety of reasons, which are struggling financially as they minister to the needs of their parishioners, receive assistance through the IPCC. This subsidy is used by the parishes to meet operating expenses, fund parish programs and carry out capital improvements. OFS provided subsidized support for IPCC parishes. This support is reflected as “interparochial assistance” in the accompanying statements of activities and changes in net assets.

	<u>2017</u>	<u>2016</u>
Assessment	\$ 746,616	\$ 915,034
Priests’ retirement	106,440	96,554
Priests’ health insurance	41,333	122,400
Risk insurance	265,030	265,658
General and extraordinary subsidy	<u>685,192</u>	<u>332,495</u>
	<u>\$ 1,844,611</u>	<u>\$ 1,732,141</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE L - SELF-INSURED UNEMPLOYMENT COMPENSATION

Prior to the year ended June 30, 2015, the unemployment compensation for various parties within the Archdiocese was funded by two self-insured funds. The two funds were the PA Unemployment Comp - School Fund and the PA Unemployment Comp - Lay Employee Fund. During the year ended June 30, 2016, the two funds were pooled together to provide a pooled insurance fund that manages the unemployment compensation process for Special Education Schools, Parish Schools, select non-Archdiocesan schools, OFS, the Cemeteries Office, St. Charles Borromeo Seminary, and the administrative offices within the Office of Catholic Education (“Members”).

The Pennsylvania Catholic Conference (“PACC”) handles the claims administration and billings for the fund. Twice yearly, in February and May, PACC bills the Members. The funds collected by PACC from the billings are deposited to a bank account maintained by PACC. On a monthly basis, PACC processes claims and then electronically remits payments to the state. Annually, excess funds in the bank account are returned to the School and Lay Employees Fund. For the years ended June 30, 2017 and 2016, the School and Lay Employees Members were billed \$818,069 and \$2,714,342, respectively, and incurred claims totaling \$695,109 and \$710,233, respectively.

NOTE M - OTHER INCOME

Other income recognized by OFS is comprised of the following for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Allocations from the Catholic Charities Appeal	\$ 3,054,769	\$ 2,633,152
Rental income	1,558,780	1,951,684
Other	<u>480,924</u>	<u>153,681</u>
	<u>\$ 5,094,473</u>	<u>\$ 4,738,517</u>

NOTE N - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Archdiocesan ministries support	\$ 4,406,996	\$ 4,484,689
Retired priest and religious support	6,643,104	5,876,033
Renovations	<u>152,466</u>	<u>4,442,974</u>
	<u>\$ 11,202,566</u>	<u>\$ 14,803,696</u>

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE N - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS - Continued

Permanently restricted net assets at June 30, 2017 and 2016 are restricted to:

	<u>2017</u>	<u>2016</u>
Investments to be held in perpetuity, the income from which is expendable to support operations of OFS (reported as other operating income)		
Archdiocesan ministries support	\$ 23,388,198	\$ 21,263,670
Archdiocesan operations support	2,452,284	2,267,075
Educational assistance	<u>12,049</u>	<u>10,817</u>
	<u>\$ 25,852,531</u>	<u>\$ 23,541,562</u>

NOTE O - NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended June 30, 2017 and 2016, net assets were released from donor restrictions by incurring expenses satisfying the specific restricted purpose related to retired priest and religious support, as well as the other purposes listed in Note N, including the Archive Center facility, in the amount of \$6,008,919 and \$1,109,913, respectively.

NOTE P - ENDOWMENTS

OFS' endowments consist of donor-restricted endowment funds established for a variety of purposes. The endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

1. Interpretation of Relevant Law

In accordance with Commonwealth of Pennsylvania Act 141, OFS 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 is classified in permanently restricted net assets. Pennsylvania law permits the Archdiocese to release a percentage, which is elected annually, of the market value of its endowment funds into unrestricted income. The spending rate percentage, between 2% and 7%, is applied to the three-year average of the market value of the endowment funds' assets.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE P - ENDOWMENTS - Continued

2. Return Objectives and Risk Parameters

OFS 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 organization must hold in perpetuity or for a donor-specified period. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of plus 3% over the consumer price index while assuming a moderate level of investment risk. OFS expects its endowment funds, over time, to provide an average rate of return of between 6% and 7% annually. Actual returns in any given year may vary from that amount.

3. Spending Policy

In accordance with state law, net realized and unrealized gains on permanently restricted investments are included as permanently restricted net assets, even absent donor restrictions on the use of gains. Commonwealth of Pennsylvania law permits OFS to adopt a spending policy for endowment earnings, subject to certain limitations. OFS follows the total return concept of endowment investment and spending. Under this concept, a prudent amount of appreciation earned on the investments may be spent in the event that the interest and dividends earned are insufficient to meet that period's spending rate. The Archdiocese's spending policy for the years ended June 30, 2017 and 2016 allowed for a 5% draw of the three-year average market value of the permanently restricted endowments, estates and trusts.

As of June 30, 2017 and 2016, \$25,852,531 and \$23,541,562, respectively, in donor-restricted endowment funds were recorded within permanently restricted net assets.

Changes in endowment net assets for the years ended June 30, 2017 and 2016:

<u>2017</u>	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 23,541,562	\$ 23,541,562
Investment income	-	-	336,007	336,007
Net appreciation (realized and unrealized losses)	<u>-</u>	<u>-</u>	<u>3,070,774</u>	<u>3,070,774</u>
Total investment return	-	-	3,406,781	3,406,781
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>(1,095,812)</u>	<u>(1,095,812)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,852,531</u>	<u>\$ 25,852,531</u>

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE P - ENDOWMENTS - Continued

<u>2016</u>	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 24,820,605	\$ 24,820,605
Investment income	-	-	267,248	267,248
Net depreciation (realized and unrealized losses)	<u>-</u>	<u>-</u>	<u>(868,923)</u>	<u>(868,923)</u>
Total investment return	-	-	(601,675)	(601,675)
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>(677,368)</u>	<u>(677,368)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,541,562</u>	<u>\$ 23,541,562</u>

NOTE Q - SUBSEQUENT EVENTS

OFS has evaluated, through October 20, 2017, the date the financial statements were available to be issued, all subsequent events or transactions that may require recognition in the financial statements. OFS is not aware of any subsequent event which would require recognition or disclosure in the financial statements.

SUPPLEMENTAL INFORMATION

COMBINING STATEMENT OF FINANCIAL POSITION

June 30, 2017

	Total General Fund	Deposit and Loan Program Trust	Risk Insurance Trust	Welfare Benefits Trust	Eliminations	OFS Total
Assets						
Cash and cash equivalents	\$ 5,113,151	\$ 1,234,891	\$ 4,192,655	\$ 20,084,351	\$ -	\$ 30,625,048
Due from Archdiocesan entities, net						
Assessments and other amounts due, less allowance for doubtful accounts of \$35,208,119	823,491	-	1,681,096	774,457	-	3,279,044
Loans receivable, less allowance for doubtful accounts of \$9,408,265	-	36,943,727	-	-	-	36,943,727
Notes receivable from related parties	1,095,000	41,689,805	-	-	(41,689,805)	1,095,000
Interest receivable from related parties	-	908,564	-	-	-	908,564
Other related party receivables	7,184,673	403,653	25,455	-	(6,405,197)	1,208,584
Prepaid expenses	161,278	-	1,409,160	39,020	-	1,609,458
Real estate and physical plant held for sale	3,768,945	-	-	-	-	3,768,945
Investments	47,796,428	11,429,164	30,912,123	-	-	90,137,715
Beneficial interest in supporting charitable trusts	2,182,463	-	-	-	-	2,182,463
Real estate and physical plant, less accumulated depreciation of \$31,968,352	18,459,166	-	-	-	-	18,459,166
Total assets	\$ 86,584,595	\$ 92,609,804	\$ 38,220,489	\$ 20,897,828	\$ (48,095,002)	\$ 190,217,714
Liabilities						
Accounts payable	\$ 4,166,660	\$ (12,864)	\$ 730,044	\$ 144,156	\$ (22,127)	\$ 5,005,869
Accrued expenses and other payables	1,266,074	-	37,015,264	3,056,061	-	41,337,399
Deferred revenue	88,601	-	-	755,327	-	843,928
Deposits - parishes, institutions and related organizations	-	87,624,926	-	-	(6,383,070)	81,241,856
Notes payable to related parties	41,689,805	-	-	-	(41,689,805)	-
Total liabilities	47,211,140	87,612,062	37,745,308	3,955,544	(48,095,002)	128,429,052
Net assets						
Unrestricted	2,318,358	4,997,742	475,181	16,942,284	-	24,733,565
Temporarily restricted	11,202,566	-	-	-	-	11,202,566
Permanently restricted	25,852,531	-	-	-	-	25,852,531
Total net assets	39,373,455	4,997,742	475,181	16,942,284	-	61,788,662
Total liabilities and net assets	\$ 86,584,595	\$ 92,609,804	\$ 38,220,489	\$ 20,897,828	\$ (48,095,002)	\$ 190,217,714

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2017

	Unrestricted					Temporarily Restricted							Permanently Restricted				Grand Total		
	Total General Fund	Deposit and Loan Program Trust	Risk Insurance Trust	Welfare Benefits Trust	Eliminations	Total	General Fund	Custodian Fund	Plant Fund	Deposits and Loan Program Trust	Estates & Trusts Fund	Eliminations	Total	General Fund	Deposit and Loan Program Trust	Estates & Trusts Fund		Total	
Revenues, gains, losses and other support																			
Parish assessments	\$ 19,152,200	\$ -	\$ -	\$ -	\$ -	\$ 19,152,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,152,200	
Contributions from related parties	9,537,328	-	-	-	(9,044,873)	492,455	-	-	-	-	-	-	-	-	-	-	492,455		
Collections, bequests and donations	2,792,353	-	-	-	(1,075,640)	1,716,713	-	-	-	-	-	-	304,446	-	-	-	2,021,159		
Tuition income	86,503	-	-	-	-	86,503	-	-	-	-	-	-	-	-	-	-	86,503		
Investment income	192,141	471,374	422,229	-	-	1,085,744	-	-	-	-	-	-	111,692	-	-	336,007	1,533,443		
Interest income	182,825	1,283,438	-	-	(139,882)	1,326,381	-	-	-	-	-	-	36,238	-	-	-	1,362,619		
Fees for services	3,873,166	-	-	-	(1,614,016)	2,259,150	-	-	-	-	-	-	-	-	-	-	2,259,150		
Intradiocesan income	2,675,066	-	-	-	-	2,675,066	-	-	-	-	-	-	-	-	-	-	2,675,066		
Other income (loss)	5,094,623	(150)	-	-	-	5,094,473	-	-	-	-	-	-	-	-	-	-	5,094,473		
Net loss on sale of real estate and physical plant	(171,153)	-	-	-	-	(171,153)	-	-	-	-	-	-	-	-	-	-	(171,153)		
Net assets released from restrictions	6,008,919	-	-	-	-	6,008,919	(4,475,978)	(2,290)	-	-	-	(434,839)	-	(4,913,107)	-	(1,095,812)	(1,095,812)		
Net realized and unrealized appreciation on investments and beneficial interest in supporting charitable trusts	611,230	95,515	350,462	-	-	1,057,207	84,277	-	-	-	-	-	775,324	-	859,601	153,193	2,917,581		
Premium income from Archdiocesan insurance programs	-	-	19,753,495	49,067,503	-	68,820,998	-	-	-	-	-	-	-	-	-	-	68,820,998		
Total revenues, gains, losses and other support	50,035,201	1,850,177	20,526,186	49,067,503	(11,874,411)	109,604,656	(4,391,701)	(2,290)	-	-	-	792,861	-	(3,601,130)	153,193	-	2,157,776	2,310,969	108,314,495
Expenses																			
Subsidies	4,655,963	-	-	-	(3,445,116)	1,210,847	-	-	-	-	-	-	-	-	-	-	-	-	1,210,847
Salaries and wages	9,937,726	-	-	-	-	9,937,726	-	-	-	-	-	-	-	-	-	-	-	-	9,937,726
Payroll taxes and fringe benefits	7,160,876	-	-	-	-	7,160,876	-	-	-	-	-	-	-	-	-	-	-	-	7,160,876
Purchased services	9,944,063	97,939	-	-	-	10,042,002	-	-	-	-	-	-	-	-	-	-	-	-	10,042,002
Intradiocesan expenses	72,342	-	-	-	-	72,342	-	-	-	-	-	-	-	-	-	-	-	-	72,342
Support expense	5,683,093	(504,345)	-	-	(1,583,883)	3,594,865	-	-	-	-	-	-	-	-	-	-	-	-	3,594,865
Interparochial assistance	1,844,611	-	-	-	-	1,844,611	-	-	-	-	-	-	-	-	-	-	-	-	1,844,611
Depreciation expense	1,540,827	-	-	-	-	1,540,827	-	-	-	-	-	-	-	-	-	-	-	-	1,540,827
Interest expense	12,402	1,492,792	-	-	(139,882)	1,365,312	-	-	-	-	-	-	-	-	-	-	-	-	1,365,312
Withdrawals	7,383,413	3,377	-	-	(6,705,530)	681,260	-	-	-	-	-	-	-	-	-	-	-	-	681,260
Insurance program expenses	-	-	28,927,620	41,996,192	-	70,923,812	-	-	-	-	-	-	-	-	-	-	-	-	70,923,812
Total expenses	48,235,316	1,089,763	28,927,620	41,996,192	(11,874,411)	108,374,480	-	-	-	-	-	-	-	-	-	-	-	-	108,374,480
Change in net assets before other item	1,799,885	760,414	(8,401,434)	7,071,311	-	1,230,176	(4,391,701)	(2,290)	-	-	-	792,861	-	(3,601,130)	153,193	-	2,157,776	2,310,969	(59,985)
Other item																			
Non-recurring contribution to pension plans	6,232,141	-	-	-	-	6,232,141	-	-	-	-	-	-	-	-	-	-	-	-	6,232,141
Change in net assets	(4,432,256)	760,414	(8,401,434)	7,071,311	-	(5,001,965)	(4,391,701)	(2,290)	-	-	-	792,861	-	(3,601,130)	153,193	-	2,157,776	2,310,969	(6,292,126)
Net assets																			
Beginning of year	6,750,614	4,237,328	8,876,615	9,870,973	-	29,735,530	6,572,285	2,290	1,497,738	-	6,731,383	-	14,803,696	2,051,026	-	21,490,536	23,541,562	68,080,788	
End of year	\$ 2,318,358	\$ 4,997,742	\$ 475,181	\$ 16,942,284	\$ -	\$ 24,733,565	\$ 2,180,584	\$ -	\$ 1,497,738	\$ -	\$ 7,524,244	\$ -	\$ 11,202,566	\$ 2,204,219	\$ -	\$ 23,648,312	\$ 25,852,531	\$ 61,788,662	