

Financial Statements and Report of Independent
Certified Public Accountants

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

June 30, 2012

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Report of Independent Certified Public Accountants

To the Archbishop of Philadelphia
Archdiocese of Philadelphia

Grant Thornton LLP
2001 Market Street, Suite 3100
Philadelphia, PA 19103-7080

T 215.561.4200
F 215.561.1066
GrantThornton.com
[linkd.in/GrantThorntonUS](https://www.linkedin.com/company/grantthorntonus)
twitter.com/GrantThorntonUS

We have audited the accompanying statement of financial position of the Archdiocese of Philadelphia - Office for Financial Services ("OFS") as of June 30, 2012 and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of OFS' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OFS' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules on pages 36 and 37 are presented for purposes of additional analysis and are not a required part of the 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 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 established by the American Institute of Certified Public Accountants. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements taken as a whole.

Grant Thornton LLP

Philadelphia, Pennsylvania

June 18, 2013

STATEMENT OF FINANCIAL POSITION

June 30, 2012

ASSETS	
Cash and cash equivalents	\$ 40,474,409
Due from Archdiocesan entities, net (Note C)	
Assessments, insurance and priests' insurance receivable, less allowance for doubtful accounts of \$36,603,843	13,341,188
Interest receivable from related parties	1,402,162
Notes receivable from related parties	4,090,677
Loans receivable, less allowance for doubtful accounts of \$11,007,033	59,093,415
Other related party receivables	6,065,699
Prepaid expenses	1,172,083
Real estate and physical plant held for sale (Note B)	4,347,448
Investment in the Trustee Account of the Archdiocese of Philadelphia for Estates and Trusts and other investments (Note D)	29,913,497
Beneficial interest in supporting charitable trusts (Note B)	1,930,024
Real estate and physical plant, less accumulated depreciation of \$28,522,026 (Note B)	<u>23,013,865</u>
 Total assets	 <u>\$ 184,844,467</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	\$ 7,116,698
Accrued expenses and other payables (Note F)	49,672,773
Deposits - parishes, institutions and related organizations (Note L)	159,294,623
Note payable to related parties (Note G)	<u>9,200,000</u>
 Total liabilities	 <u>225,284,094</u>
Net assets	
Unrestricted	(72,518,269)
Temporarily restricted	14,688,863
Permanently restricted	<u>17,389,779</u>
 Total net assets	 <u>(40,439,627)</u>
 Total liabilities and net assets	 <u>\$ 184,844,467</u>

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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2012

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, losses and other support				
Parish assessments	\$ 18,967,000	\$ -	\$ -	\$ 18,967,000
Contributions from related parties (Note L)	328,401	-	-	328,401
Collections, bequests and donations	1,637,092	520,092	779,590	2,936,774
Tuition income	243,144	-	-	243,144
Investment income	1,001,703	785,623	-	1,787,326
Interest income	2,602,822	-	-	2,602,822
Fees for services	5,537,523	-	-	5,537,523
Intradiocesan income	3,862,100	-	-	3,862,100
Other income (Note N)	6,541,972	-	-	6,541,972
Net gain on sale of real estate and physical plant	15,756,532	-	-	15,756,532
Net assets released from restrictions (Note P)	1,441,347	(1,441,347)	-	-
Net realized and unrealized depreciation on investments and beneficial interest in supporting charitable trusts	(1,795,504)	(1,391,260)	(38,706)	(3,225,470)
Premium income from Archdiocesan insurance programs	42,952,936	-	-	42,952,936
Total revenues, gains, losses and other support	99,077,068	(1,526,892)	740,884	98,291,060
Expenses				
Subsidies (Note L)	4,183,017	-	-	4,183,017
Salaries and wages	13,799,677	-	-	13,799,677
Payroll taxes and fringe benefits	9,513,327	-	-	9,513,327
Purchased services	29,023,950	-	-	29,023,950
Intradiocesan expenses	1,728,689	-	-	1,728,689
Support expense	15,357,862	-	-	15,357,862
Interparochial assistance	4,396,116	-	-	4,396,116
Depreciation expense	3,751,303	-	-	3,751,303
Interest expense (Note L)	2,083,666	-	-	2,083,666
Insurance program expenses	45,452,567	-	-	45,452,567
Interest rate swap loss	8,946,954	-	-	8,946,954
Total expenses	138,237,128	-	-	138,237,128
Change in net assets before other items	(39,160,060)	(1,526,892)	740,884	(39,946,068)
Transfer of real estate and physical plant and notes payable to the Office of Catholic Education, net (Note B)	2,496,502	-	-	2,496,502
Redesignation of net assets (from) to permanently restricted (Note B)	(55,220)	1,914,620	(1,859,400)	-
Change in net assets	(36,718,778)	387,728	(1,118,516)	(37,449,566)
Net assets				
Beginning of year, as previously reported	29,352,945	3,916,987	1,192,495	34,462,427
Adjustments (Note R)	(65,152,436)	10,384,148	17,315,800	(37,452,488)
Beginning of year, as restated	(35,799,491)	14,301,135	18,508,295	(2,990,061)
End of year	\$ (72,518,269)	\$ 14,688,863	\$ 17,389,779	\$ (40,439,627)

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

STATEMENT OF CASH FLOWS

Year ended June 30, 2012

Cash flows from operating activities	
Change in net assets	\$ (37,449,566)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Net gain on sale of real estate and physical plant	(15,756,532)
Depreciation expense	3,751,303
Transfer of real estate and physical plant and notes payable to the Office of Catholic Education, net	(2,496,502)
Bad debt expense	5,963,691
Net unrealized loss on investments	5,953,438
Net realized gains on investments	(2,766,675)
Net depreciation in beneficial interest in supporting charitable trusts	38,707
Interest rate swap loss	8,946,954
Contributions received restricted for long-term investment	(779,590)
Changes in assets and liabilities	
Due from/to Archdiocesan entities	(23,149,230)
Prepaid expenses	710,879
Accounts payable	1,439,943
Accrued expenses and other payables	19,209,892
Net cash used in operating activities	<u>(36,383,288)</u>
Cash flows from investing activities	
Purchase of real estate and physical plant	(1,054,133)
Proceeds from sales of real estate and physical plant	17,021,967
Receipt of funds held by trustee	58,933
Purchase of investments in the Trustee Account of the Archdiocese of Philadelphia for Estates and Trusts and other investments	(1,321,883)
Proceeds from sale of investments in the Trustee Account of the Archdiocese of Philadelphia for Estates and Trusts and other investments	77,900,886
Purchase of beneficial interest in supporting charitable trusts	(779,590)
Change in deposits - parishes, institutions and related organizations	(23,495,003)
Loans made and interest paid to parishes	(13,642,575)
Repayment of loans and interest paid to parishes	12,457,696
Issuance of related party loan receivable	(6,466,471)
Repayment of related party loan receivable	3,470,794
Net cash provided by investing activities	<u>64,150,621</u>
Cash flows from financing activities	
Issuance of related party loan payable	80,824,053
Payments on notes payable to Office of Catholic Cemeteries	(100,000)
Repayment of bonds	(71,917,097)
Settlement of interest rate swap	(9,895,000)
Contributions received restricted for long-term investment	779,590
Net cash used in financing activities	<u>(308,454)</u>
Net increase in cash and cash equivalents	27,458,879
Cash and cash equivalents	
Beginning of year	<u>13,015,530</u>
End of year	<u>\$ 40,474,409</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 the OFS unrestricted and donor-restricted resources available for support of the Archdiocesan operations including:

- Resources for future property acquisitions and amounts invested in plant facilities (land, property and equipment).
- Interparochial Cooperation Commission ("IPCC") to provide support for the benefit of financially struggling parishes.

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.

Insurance Fund - Represents the risk management program of the Archdiocese, including property, general liability, workmens' 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.

Trust and Loan Fund - Represents a cooperative deposit and lending program established primarily for the benefit of the parishes.

Priests' Auto Insurance Fund - OFS is entrusted with the billing, financial reporting and management of the funds for this plan. The plan provides automobile insurance for active and retired priests of the Archdiocese.

Priests' Health Insurance Fund - OFS is entrusted with the billing, financial reporting and management of the funds for this plan. The plan provides health insurance for active and retired priests of the Archdiocese.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE A - ORGANIZATION - Continued

The accompanying financial statements do not include the assets, liabilities or activities of the more than 250 parishes located in the territory of the Archdiocese, except for parish deposits maintained in the Trust and Loan Fund 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")
- Catholic Standard and Times Publishing Company (a Pennsylvania civil corporation; "CS&T")
- The Archdiocese of Philadelphia Catholic Cemeteries Office ("Cemeteries Office")
- The Trustee Account of the Archdiocese of Philadelphia for Estates and Trusts (the "Trustee Account")

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.

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.

Unrestricted net assets are free of donor-imposed restrictions.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2012, OFS has cash balances on deposit with financial institutions that exceeded the balance insured by the Federal Deposit Insurance Corporation ("FDIC") of \$250,000.

4. Due from/to Archdiocesan Entities

Assessments, Insurance and Priests' Insurance Receivable:

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

- Parish Assessment billings: 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 Newman Centers; and maintain the apostolic ministries and programs shared by the whole local Church.
- Risk Management Program billings: Property, general liability, workmens' compensation, auto and disability insurance coverage provided to parishes and other Archdiocesan entities by OFS.
- Priests' Insurance billings: Auto and health insurance coverage provided to parishes and other Archdiocesan entities for the benefit of the respective priests by OFS.

Notes Receivable from Related Parties:

The notes receivable balance is comprised of notes due from OCE and St. John Neumann Place, L.P., ("SJNPLP"). The note due from OCE relates to funds loaned by OFS to OCE in connection with the payoff of the Series 2001 and 2008 Revenue Bonds. 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.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Interest Receivable from Related Parties:

The interest receivable balance at June 30, 2012, consists of interest accrued on notes receivable as well as loans receivable due from parishes and other Archdiocesan entities as part of the Trust and Loan program.

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.

Loans Receivable:

Loans are made to parishes and other Archdiocesan entities through the Trust and Loan Fund. 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 June 30, 2012, the variable interest rate on outstanding loans is 4.5%.

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 and type of receivables. The amount of expected impairment is based on management's best estimate.

6. Prepaid Expenses

OFS pays for the risk management insurance program insurance coverage on behalf of parishes and other Archdiocesan entities at the beginning of the respective policy period. The cost of the policies is amortized over the respective policy period.

7. Investment in the Trustee Account of the Archdiocese of Philadelphia for Estates and Trusts and Other Investments

The investment in the Trustee Account and other investments are reported at fair value. The investment in the Trustee Account and other investments held by OFS do not have a readily determinable fair value, and as such, have elected to use the net asset value per share (the "NAV") as calculated on the reporting entity's measurement date as the fair value of the investment, based on the NAV of the investment as a practical expedient.

Realized gains and losses at the manager level are spread to the participant accounts monthly. Gains and losses created at the participant level due to unit sales are recorded in the specific participant 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.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. Charitable Gift Annuities

The Archdiocese enters into charitable gift annuity arrangements, whereby the Archdiocese of Philadelphia Non-Pension Assets Portfolio ("NPAP") receives assets which are recorded at fair value when received. The assets are included in the investments in the Archdiocese portfolio as of June 30, 2012. 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, 2012 is \$837,828 and is classified in accrued expenses and other payables on the statement 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, 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, 2012, the allocable fair value of the net assets of the trusts is as follows:

Anthony P. Falcone	\$ 1,105,461
William P. Mulvihill	<u>824,563</u>
	<u>\$ 1,930,024</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.

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 years
Equipment	3-5 years

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 year ended June 30, 2012.

Real estate and physical plant and accumulated depreciation at June 30, 2012 consists of:

Land	\$ 1,604,016
Buildings	43,200,406
Building improvements	5,470,848
Equipment	<u>1,260,621</u>
	51,535,891
Accumulated depreciation	<u>(28,522,026)</u>
Real estate and physical plant, net	<u>\$ 23,013,865</u>

Depreciation expense of \$3,751,303 was incurred for the year ended June 30, 2012.

In June 2012, OFS transferred all assets and debt related to the construction of Bishop Shanahan and Pope John Paul II high schools to OCE, resulting in a gain of \$2,496,502 in the statement of activities and changes in net assets.

11. Real Estate and Physical Plant Held for Sale

The OFS has certain buildings and properties no longer in use which are being marketed for sale as of June 30, 2012. The carrying value of assets held for sale previously classified under real estate and physical plant, net, consists of the following at June 30, 2012:

Land	\$ 2,266,337
Buildings	2,042,683
Building improvements	<u>38,428</u>
Real estate and physical plant held for sale	<u>\$ 4,347,448</u>

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 cost of the abatement was estimated 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, 2012, the conditional asset retirement liability is \$2,117,946. Included in the balance at June 30, 2012 is \$81,459 for the accretion of interest and \$-0- of new liabilities related to conditional asset retirement obligations recognized during the year ended June 30, 2012.

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

The statement of financial position includes liabilities with respect to self-insured workmens' compensation, general liability, property liability and auto liability as of June 30, 2012. These obligations represent an estimate of the expected ultimate cost for these claims, less amounts paid to date. OFS 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, OFS' historical loss experience and projected loss development factors. 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 statement of financial position.

14. 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 parish assessment is 10.5% of the three-year average of the parishes' offertory income. Parish assessments are recognized as revenue in the year to which they relate.

Certain parishes, for a variety of reasons, are struggling financially to meet the needs of their parishioners and receive assistance through the IPCC. This subsidy is used by the parishes to meet operating expenses, fund parish programs and carry out capital improvements.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

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 statement of activities and changes in net assets as net assets released from restrictions.

Insurance Premium Income from Archdiocesan Risk Management Program

The Archdiocese's Office for Insurance Services 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 on a quarterly basis. Unpaid insurance billings are included in amounts due from Archdiocesan entities.

15. Redesignation of Net Assets to Permanently Restricted

Redesignation of net assets results from donors imposing restrictions on previously unrestricted contributions or designating previously unrestricted or temporarily restricted contributions for permanently restricted endowments.

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 United States Conference of Catholic Bishops ("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. The Archdiocese is no longer subject to U.S. federal and state tax examinations for years prior to the year ended June 30, 2008.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

17. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

18. Liquidity

Management believes that the existing liquidity position is adequate to meet current needs (see subsequent events described in footnote B.19 regarding recently completed real estate sale transactions). To address long-term liquidity needs, management has taken steps to reduce OFS costs including a reduction in workforce in June 2012 and other related actions aimed at reducing the operating deficit. Further actions, including asset sales, will be undertaken to further strengthen liquidity and the statement of financial position.

19. Subsequent Events

OFS has evaluated, through June 18, 2013, the date the financial statements were available to be issued, all subsequent events or transactions that may require recognition in the financial statements.

On November 30, 2012, OFS sold the property known as "Villa St. Joseph by the Sea" located in Ventnor, New Jersey and realized net proceeds of \$3,973,000. In addition, OFS received \$152,000 in insurance proceeds on January 31, 2013 for damage sustained at this property as a result of Hurricane Sandy in October 2012.

On December 14, 2012, OFS sold the residence of the Archbishop and realized net proceeds of \$9,982,600. In addition, OFS received \$38,230 in funds held in escrow for certain matters that have been satisfactorily resolved during the year ending June 30, 2013.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE C - DUE FROM ARCHDIOCESAN ENTITIES, NET

A summary of the various receivable balances held by OFS due from Archdiocesan entities at June 30, 2012 is presented as follows:

(a) <u>Assessments, insurance and priests' insurance receivables:</u>	
Assessments due from parishes	\$ 24,277,212
Insurance premiums due from Archdiocesan entities and parishes	20,012,456
Priest auto and health insurance due from Archdiocesan entities and parishes	5,272,843
OFS rent receivable from Archdiocesan entities	282,080
Unemployment compensation premium	<u>100,440</u>
	49,945,031
Allowance for doubtful accounts	<u>(36,603,843)</u>
Assessments, insurance and priests' insurance receivable, less allowance for doubtful accounts	<u>\$ 13,341,188</u>
(b) <u>Interest receivable from related parties:</u>	
Note receivable from OCE	\$ 119,037
Note receivable from SJNPLP	1,158,553
Trust and Loan Fund interest receivable balances	2,772,174
Other interest receivable	<u>146</u>
	4,049,910
Allowance for doubtful accounts	<u>(2,647,748)</u>
Interest receivable from related parties, net of allowance for doubtful accounts	<u>\$ 1,402,162</u>
(c) <u>Notes receivable from related parties:</u>	
OCE (see Note H)	\$ 2,995,677
SJNPLP, bears interest at 6.25%, due in 2036	<u>2,860,000</u>
	5,855,677
Allowance for doubtful accounts	<u>(1,765,000)</u>
Notes receivable from related parties, net of allowance for doubtful accounts	<u>\$ 4,090,677</u>

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE C - DUE FROM ARCHDIOCESAN ENTITIES, NET - Continued

On May 31, 2012, the Archdiocese of Philadelphia created a promissory note to the Trust and Loan Fund of the Archdiocese of Philadelphia. The balance of this promissory note at June 30, 2012 is \$78,870,710. The promissory note is collateralized by specific pledged real estate assets documented in the May 31, 2012 promissory note. As pledged assets are sold or monetized, net proceeds from the transactions will be 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 remaining pledged properties are at least equal to the remaining obligation. The promissory note is recorded as an asset and liability on the general ledgers of the Trust and Loan and General Funds, respectively, and is eliminated within the OFS statement of financial position at June 30, 2012. The statement of activities and changes in net assets impact of this promissory note is reflected in the combining statement of activities and changes in net assets of both the General Fund and the Trust and Loan Fund as an intradiocesan transfer and eliminates within the OFS statement of activities and net changes in net assets.

(d) Loans receivable:

The Archdiocese maintains a centralized lending program through its Trust and Loan Fund. The loans receivable consists of loans made by the Trust and Loan Fund to parishes and other Archdiocesan entities (see Note B). The amount due from parishes and other Archdiocesan entities at June 30, 2012 is as follows:

Loans receivable, principally due from parishes	\$ 70,100,448
Less: allowance for doubtful accounts	<u>(11,007,033)</u>
Loans receivable, net of allowance for doubtful accounts	<u>\$ 59,093,415</u>

Credit quality of loan receivables:

The Office for Financial Services receives loan requests from parishes and other Archdiocesan entities. These loans, when approved, are made through the Trust and Loan Fund. All loans requests are subject to a due diligence review of the requesting parish's ability to support future loan payments. This review is performed by the Office of Parish Service and Support. Upon completion of this due diligence, the loan request is presented to the College of Counselors, for approval.

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.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE C - DUE FROM ARCHDIOCESAN ENTITIES, NET - Continued

Gross loans receivable	\$ 70,100,448
Less: allowance for doubtful accounts:	
Beginning of year, as restated	(9,897,974)
Increases to allowance	<u>(1,109,059)</u>
End of year	<u>(11,007,033)</u>
Loans receivable, net	<u>\$ 59,093,415</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, 2012 is comprised of:

Intradiocesan charges for utilities, payroll processing, and other items, net	\$ 3,215,513
Due from Catholic Charities Appeal	1,480,074
Investment services administrative fee	396,121
Suppressed parishes	366,448
Due from HOF~VOH	339,249
Other related party receivables	<u>268,294</u>
Total other related party receivables	<u>\$ 6,065,699</u>

NOTE D - INVESTMENT IN THE TRUSTEE ACCOUNT OF THE ARCHDIOCESE OF PHILADELPHIA FOR ESTATES AND TRUSTS AND OTHER INVESTMENTS

The total investments of OFS at June 30, 2012 are detailed as follows:

Investment in the Trustee Account	\$ 28,156,336
Investment in the Trust of Josephine Nalle Unitrust	1,583,561
Mutual funds	<u>173,600</u>
Total investments	<u>\$ 29,913,497</u>

Investment in the Trustee Account

The investment in the Trustee Account consists of investments in the NPAP and other investment accounts. For administrative and other needs, the Archdiocese formed the NPAP to pool together certain investments in order to more efficiently manage the investments of various entities and related organizations within the Archdiocese of Philadelphia. The investments in the NPAP are held by a custodian and are managed based on sub-accounts as follows:

Equity Sub-Account (or "fund") - Invests in common stocks and is managed by multiple investment managers.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE D - INVESTMENT IN THE TRUSTEE ACCOUNT OF THE ARCHDIOCESE OF PHILADELPHIA FOR ESTATES AND TRUSTS AND OTHER INVESTMENTS - Continued

Fixed Income Sub-Account (or "fund") - Invests in mutual funds, corporate obligations, United States Treasury obligations and municipal obligations and is managed by multiple investment managers.

Liquidity Sub-Account (or "fund") - Investments are liquid in nature and are used to buy and sell units of the equity and fixed income funds or for expected short-term needs.

The Trustee Account is unitized on a periodic basis to allow for the investment, at unit value, by entities in the NPAP. OFS' investment in the Trustee Account is stated at unit value.

Other investments consist of investments held in investment accounts outside of the NPAP.

The Investment Committee of the Archdiocese has primary responsibility for determining the asset investment allocations to be used. Management is responsible for ensuring that asset investment allocations among the funds are maintained as determined by the Investment Committee.

At June 30, 2012, OFS' investments are summarized and classified as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Investment in the Trustee Account	\$ 2,619,792	\$ 10,076,790	\$ 15,459,754	\$ 28,156,336
Investment in the Trust of Josephine Nalle				
Unitrust	-	1,583,561	-	1,583,561
Mutual funds	-	173,600	-	173,600
	<u>\$ 2,619,792</u>	<u>\$ 11,833,951</u>	<u>\$ 15,459,754</u>	<u>\$ 29,913,497</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.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE E - FAIR VALUE MEASUREMENTS - Continued

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.

Fair value measurements of investments in entities that calculate NAV, per share, or its equivalent as of June 30, 2012 are as follows:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Investment in the Trustee Account (a)	\$ 28,156,336	\$ -	daily	1 day
Investment in the Trust of Josephine Nalle Unitrust (b)	1,583,561	-	daily	1 day

(a) A pooled investment portfolio comprised of equity and fixed income securities. The primary objective of the Trustee Account is preservation of capital while reducing, to the greatest extent possible, the possibility of loss. The investment strategy and long-term asset allocation for the Trustee Account take into consideration the specific spending requirements and the present and future needs of the Archdiocese and its respective participating Ecclesiastical Organizations. Therefore, the desired minimum rate of return is equal to the Consumer Price Index ("CPI"), plus three percent (3%) on an annualized basis. The fair values are estimated using the NAV per share of the investments.

(b) The Trust of Josephine Nalle Unitrust is comprised of cash, equity and fixed income securities held with Wells Fargo. The NAV is derived based on the ending market value of the trust assets as reported by Wells Fargo on June 30, 2012. The investment strategy is a balanced appreciation model that focuses on capital growth with income.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

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, 2012:

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant inputs supported by little or no market activity (Level 3)	Total fair value
Assets				
Investments:				
Investment in the Trustee Account	\$ -	\$ 28,156,336	\$ -	\$ 28,156,336
Investment in the Trust of Josephine Nalle Unitrust	-	1,583,561	-	1,583,561
Mutual funds	173,600	-	-	173,600
Beneficial interest in supporting charitable trusts	-	-	1,930,024	1,930,024
Total of assets at June 30, 2012	<u>\$ 173,600</u>	<u>\$ 29,739,897</u>	<u>\$ 1,930,024</u>	<u>\$ 31,843,521</u>

The following table present assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2012:

<u>Investment type</u>	<u>Beneficial interest in supporting charitable trusts</u>
Beginning balance, as restated	\$ 1,189,141
Gains (realized and unrealized)	44,972
Losses (realized and unrealized)	(83,679)
Purchases	<u>779,590</u>
	<u>\$ 1,930,024</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE F - ACCRUED EXPENSES AND OTHER PAYABLES

Accrued expenses and other payables are comprised of the following at June 30, 2012:

Self-insurance reserves (see Note I)	\$ 42,274,601
Conditional asset retirement obligation	2,117,946
Accrued legal and accounting fees	1,623,523
Accrued severance	997,982
Charitable gift annuities	828,999
Insurance loan payable	598,958
Collection for the Black and Indian missions	344,423
Amount due for Priests' Plan and LERP	334,421
Reimbursement to the Seminary	172,990
Other	<u>378,930</u>
	<u>\$ 49,672,773</u>

NOTE G - NOTE PAYABLE TO RELATED PARTIES

On June 30, 2003, OFS entered into a loan agreement with the Cemeteries Office. The note payable resulting from this agreement carries a fixed interest rate of 1.75% per annum. At June 30, 2012, the outstanding balance was \$9,200,000. In September 2010, the loan agreement with the Office of Catholic Cemeteries was amended. The amended loan agreement changed the principal loan payments on the remaining note as indicated in the table below with a balloon payment of \$8,500,000 due during the fiscal year ending June 30, 2020.

2013	\$ 100,000
2014	100,000
2015	100,000
2016	100,000
Thereafter	<u>8,800,000</u>
Total	<u>\$ 9,200,000</u>

Bond Payable

In June 2012, the Archdiocese of Philadelphia and related entities entered into several term loan agreements with participating Archdiocesan entities to retire outstanding external debt obligations. These retired obligations include the Variable Rate Revenue Bonds Series of 2008 issued through the Montgomery County Industrial Development Authority totaling \$47,007,923; the Variable Rate Revenue Bonds Series of 2001 issued through the Chester County Industrial Development Authority totaling \$50,708,547; and costs associated with terminating various interest rate swap transactions associated with these obligations totaling \$15,750,000. As of the date of this transaction, OFS reflected a bond payable balance of \$70,917,097 and an interest rate swap liability of \$9,895,000 on its statement of financial position. During the year ended June 30, 2012, OFS received \$1,000,000 from OCE, which was used to make a principal payment on the outstanding balance, which was \$71,917,097 as of June 30, 2011. These obligations reflect the balances owed related to the construction of Bishop Shanahan and Pope John

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE G - NOTE PAYABLE TO RELATED PARTIES - Continued

Paul II high schools. The balance of the obligation due under the bond arrangement and for the interest rate swap were reflected on the financial statements of CHCS, St. Gabriel's System and St. Francis-St. Joseph Homes for Children. The transaction, consummated in June 2012, resulted in interdiocesan notes receivable and notes payable totaling \$80,824,053 among various participating Archdiocesan entities. The outstanding balances due from OCE to the entities noted below at June 30, 2012 are as follows:

To OFS	\$ 2,995,677
To Cemeteries Office	2,995,677
To CHCS	48,643,053
To Catholic Social Services	<u>22,611,715</u>
 Total	 \$ <u>77,246,122</u>

As of the effective date of the transaction, the obligation created was transferred to OCE. Further details regarding the notes receivable due to OFS are presented in Note H.

NOTE H - NOTES RECEIVABLE FROM RELATED PARTIES

Notes Receivable due to OFS from OCE

In June 2012, OCE entered into two term loan agreements with OFS. The first term note totaled \$3,000,000 and the second term note totaled \$3,466,471. OFS has the right to secure these loans with a lien against the assets of OCE that are in possession of the Archdiocese of Philadelphia. The first term note carries a fixed interest rate of 4% per annum and is amortized over 30 years maturing on June 1, 2015. The second term note due to OFS of \$3,466,471 was retired via payment in full by OCE on June 30, 2012.

The future principal payments relating to the note receivable outstanding at June 30, 2012 are as follows:

Year ending June 30, 2013 (required principal payment made by OCE in June 2012)	\$ -
Year ending June 30, 2014	54,738
Year ending June 30, 2015	56,961
Balloon debt payment due June 1, 2015	<u>2,883,978</u>
	 \$ <u>2,995,677</u>

In conjunction with the retirement of the Series 2001 Bonds and the Series 2008 Bonds, the Archdiocese has also retired the associated letters of credit.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE I - COMMITMENTS AND CONTINGENCIES

1. Claims

Presently, the Archdiocese is a party to certain lawsuits, seeking compensatory damages and other types of relief.

Lawsuits and Grand Jury Report - Historically, a number of lawsuits have been brought against the Archdiocese relating to alleged sexual abuse by clergy, most of which have been dismissed by Pennsylvania courts as being beyond the applicable statute of limitations. Nine civil cases alleging sexual abuse by clergy were filed in the Philadelphia Court of Common Pleas in 2011 shortly after the issuance of a February 2011 grand jury report issued by the Philadelphia District Attorney's Office. One case was filed as a Writ of Summons in Chester County in March 2012. Eight additional cases were filed in Philadelphia in September 2012. One of the cases filed in September 2012 involves claims by two separate plaintiffs. One additional case was filed against multiple defendants, including the Archdiocese, in April 2013, alleging a sexual assault by a priest of the Pauline Order against an adult woman. None of the outstanding cases have advanced significantly in the litigation process. The cases filed in 2011 were stayed pending resolution of related criminal cases, and as noted, the other cases were only recently filed. The stays in each case are currently being lifted, and discovery is proceeding. However, legal discovery has not advanced materially for the outstanding cases.

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 nineteen 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 adverse 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 liability coverage have deductibles of \$50,000 and \$250,000, per occurrence, respectively. Workmens' compensation policies are written with a deductible of \$500,000, per claim. There are certain special policies with lower per claim deductibles and some policies without deductibles. To the extent of these deductibles, the Archdiocese is self-insured. The Archdiocese 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, 2012 are covered under large deductible or self-insured retention programs. The Archdiocese also retains risks related to general liability uninsured deductibles per accident or occurrence that are subject to annual aggregate limits. The workmens' compensation and general liability reserve is based upon the estimated ultimate claims cost less the actual payments made through June 30, 2012. The estimated ultimate claims cost is calculated as of March 31, 2012 and considers incurred and paid losses

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE I - COMMITMENTS AND CONTINGENCIES - Continued

and retention amounts to determine loss development factors. Fourth quarter claims information is reviewed by the actuaries to determine if any changes in payment patterns or severity should be considered for adjustment to the March 31, 2012 amounts. The estimated reserve liability is comprised of both a limited case outstanding reserve and an estimated development.

The Archdiocese also retains self-insurance risks related to property, boiler and machinery liability, automobile liability and automobile physical damage liability on a per accident or occurrence basis that are subject to annual aggregate limits. The property, boiler and machinery liability and the automobile liability is based upon the estimated ultimate incurred claims cost less the actual payments made through June 30, 2012. A cost level adjustment factor is applied for property and boiler and machinery calculations utilizing the Boeckh building cost index. All losses are deemed to be fully developed within 24 months. A bodily injury and physical damage index is utilized in the determining the automobile liability. The index was obtained from the Insurance Services Office, Inc. ("ISO") average claim severity data published in 2010. Severities prior to 2003 and after 2008 are estimated by Willis based on ISO fitted trend estimates.

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 year ended June 30, 2012, the combined reimbursement totaled \$127,012. As of June 30, 2012, the potential Priest Student Loan balance outstanding totaled \$513,036.

NOTE J - 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.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE J - CONCENTRATION OF CREDIT INCLUDING CREDIT RISK - Continued

OFS was exposed during fiscal year 2012 to interest rate risk relating to the bonds payable resulting from adverse movements in the market interest rates during the period from July 1, 2011 through June 1, 2012. The Archdiocese had entered into interest rate swap contracts to protect against such adverse movements in the interest rates. Interest rate swaps are contracts whereby counterparties exchange different rates of interest on a specified notional amount for a specified period of time. The payment flows are usually netted against each other, with the difference being paid by one party to the other. As described more fully in Note G, on June 1, 2012, the bonds payable and the associated interest rate swap agreements were retired and paid in full.

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 K - PENSION PLANS

The Archdiocese Priests' Retirement Plan and Trust ("Priests' Plan") and the Archdiocese Lay Employees Retirement Plan ("LERP") 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.

1. Priests' Plan

For financial reporting purposes within these financial statements, the Priests' Plan is accounted for as a multiemployer plan. Expenses are recognized as contributions are made in accordance with established provisions followed by all the parishes and participating entities within the territory of the Archdiocese. The contributions by OFS to the Priests' Plan totaled \$351,867 for the year ended June 30, 2012.

The actuarially determined present value of accumulated plan benefits at June 30, 2012 for priest pension, retiree health insurance, retiree auto insurance and life insurance totaled \$90,409,704. At June 30, 2012, the net assets available to provide for these benefits totaled \$491,868.

2. Lay Employees Retirement Plan

The eligible lay employees of the OFS are covered under the LERP, which is a defined benefit pension plan that covers substantially all lay employees, once age and service requirements are 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. The plan is administered by the trustees of the plan. OFS made annual contributions to the plan at an average rate of 5% of the salaries of the eligible employees for the year ended June 30, 2012. The contribution by OFS was \$690,919 for the year ended June 30, 2012.

The actuarially determined present value of accumulated plan benefits at June 30, 2012 totaled \$629,752,291. At June 30, 2012, the assets available to provide for these benefits totaled \$478,110,134.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE L - RELATED PARTY AMOUNTS AND TRANSACTIONS

OFS entered into transactions with the following related parties:

On June 30, 2003, OFS entered into a loan agreement with the Office of Catholic Cemeteries (Note G). The note is at a fixed interest rate of 1.75%. During the fiscal year ended June 30, 2012, OFS paid \$100,000 of principal on the note payable to the Office of Catholic Cemeteries.

During the year ended June 30, 2012, OFS recorded \$2,187,532 in contributed rent related to the use of facilities owned without charge by CSS and CHCS.

All parish assessments, priest auto and health insurance premiums as well as loans to parishes and other Archdiocesan entities' billings and collections are performed centrally by OFS. All non-priest insurance billings and collections are performed by Porter & Curtis, a commercial insurance broker and risk management services provider located in Media, Pennsylvania.

	<u>Billed</u>	<u>Collected</u>
Parish assessment	\$ 18,967,000	\$ 16,373,584
Priest health insurance ¹	9,189,191	8,152,971
Priest auto insurance ¹	1,321,567	1,159,949
Risk insurance program ¹	32,442,178	31,728,866
Parish loans and interest	13,642,575	12,457,696

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

OFS received \$88,300 during the year ended June 30, 2012 from OCE for information technology support services. An additional \$45,000 was also received from OCE for administrative cost associated with capital projects.

Archdiocesan parishes and agencies deposit funds with OFS for investment purposes. Related deposit funds totaled \$159,294,623 as of June 30, 2012. Deposited funds earned an interest rate of 1.25% for the year ended June 30, 2012. Interest paid on the deposited funds amounted to \$1,990,252 during the year ended June 30, 2012. Total interest expense for the year ended June 30, 2012 was:

Interest paid on deposits	\$ 1,990,252
Interest accretion on conditional asset retirement obligation	81,459
SWAP interest expense through June 1, 2012	<u>11,955</u>
	<u>\$ 2,083,666</u>

Loans are made to parishes and other Archdiocesan entities through the Trust and Loan Fund (see Note C). Except in arrangements which have been specifically negotiated, the interest rate was generally 4.5% for the year ended June 30, 2012. Interest earned on these loans amounted to \$2,456,438 for the year ended June 30, 2012.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE L - RELATED PARTY AMOUNTS AND TRANSACTIONS - Continued

OFS receives funds from certain Archdiocesan offices, agencies and related ecclesiastical organizations, which are reflected as contributions on the statement of activities and changes in net assets. Such funds amounted to:

Estates and Trusts	\$ 273,401
Other	<u>55,000</u>
	<u>\$ 328,401</u>

OFS subsidized certain Archdiocesan offices, agencies and related ecclesiastical ministries. Such subsidies, which are reflected in the accompanying statement of activities and changes in net assets as "subsidies", were paid on behalf of the following:

Villa Saint Joseph	\$ 3,872,813
Hispanic Apostolate	208,000
Other	<u>102,204</u>
	<u>\$ 4,183,017</u>

OFS provided subsidized support for IPCC parishes. This support is reflected as "interparochial assistance" in the accompanying statement of activities and changes in net assets.

Pension	\$ 242,847
Priests' insurance	335,822
Risk management	1,170,619
General and extraordinary subsidy	2,445,882
Capital expenditures	<u>200,946</u>
	<u>\$ 4,396,116</u>

NOTE M - SELF-INSURED UNEMPLOYMENT COMPENSATION

OFS, the Cemeteries Office, St. Charles Borromeo Seminary, Catholic Standard and Times and OCE are pooled into two self-insured unemployment compensation trusts.

The PA Unemployment Comp - Schools Trust ("Schools Trust") is a pooled insurance fund that manages the unemployment compensation process for OFS, SPED, Parish Schools and select non-Archdiocese of Philadelphia schools ("Members"). The processing of claims and billing is performed by the Pennsylvania Catholic Conference ("PACC"). Twice a year, in May and November, the PACC bills the Members. Monthly, the PACC processes bills from the state for actual claims paid to former employees. The PACC then bills the Archdiocese for these claims. For the year ended June 30, 2012, the Schools Trust Members were billed \$2,201,604 and incurred claims totaling \$2,973,071. As of June 30, 2012, the Schools Trust net asset balance totaled \$1,182,657.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE M - SELF-INSURED UNEMPLOYMENT COMPENSATION - Continued

The PA Unemployment Comp - Lay Employees Trust ("Lay Employee Trust") is a pooled insurance fund that manages the unemployment compensation process for OFS, the Cemeteries Office, St. Charles Borromeo Seminary and Catholic Standard and Times, along with administration offices within the Office of Catholic Education ("Members"). The processing of claims and billing is performed by OFS. Twice a year, in May and November, OFS bills the Members. Monthly, OFS processes bills from the state for actual claims paid to former employees. For the year ended June 30, 2012, the Lay Employee Trust Members were billed \$187,550 and incurred claims totaling \$218,485. As of June 30, 2012, the Lay Employee Trust net asset balance was a deficit of (\$410,083).

NOTE N - OTHER INCOME

Other income recognized by OFS is comprised of the following for the year ended June 30, 2012:

Contribution from the Cemeteries Office	\$ 2,000,000
Allocations from Catholic Charities Appeal	1,480,074
Rental income	2,560,053
Other income	<u>501,845</u>
	<u>\$ 6,541,972</u>

NOTE O - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2012:

Archdiocesan ministries support	\$ 6,682,176
Retired priest and religious support	4,574,592
Renovations	2,854,914
Archdiocesan operations support	<u>577,181</u>
	<u>\$ 14,688,863</u>

Permanently restricted net assets at June 30, 2012 are restricted to:

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	\$ 15,272,101
Archdiocesan operations support	2,108,994
Educational assistance	<u>8,684</u>
	<u>\$ 17,389,779</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE P - NET ASSETS RELEASED FROM RESTRICTIONS

During the year ended June 30, 2012, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose of OFS operations support in the amount of \$1,441,347.

NOTE Q - 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.

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, as well as board-designated funds. 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 approximately 5% 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 year ended June 30, 2012 allowed for a 3% draw of the three-year average market value of the permanently restricted endowments, estates and trusts.

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE Q - ENDOWMENTS - Continued

As of June 30, 2012, \$17,389,779 in donor-restricted endowment funds were recorded within permanently restricted net assets.

Changes in endowment net assets for the year ended June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year, as restated	\$ 59,058	\$ (1,014,704)	\$ 18,508,295	\$ 17,552,649
Investment income	4,823	425,769	-	430,592
Net depreciation (realized and unrealized losses)	<u>(7,514)</u>	<u>(678,779)</u>	<u>(38,706)</u>	<u>(724,999)</u>
Total investment return	(2,691)	(253,010)	(38,706)	(294,407)
Contributions	-	-	779,590	779,590
Appropriation of endowment assets for expenditure	(1,147)	(646,906)	-	(648,053)
Redesignation of net assets (from) to permanently restricted	<u>(55,220)</u>	<u>1,914,620</u>	<u>(1,859,400)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,389,779</u>	<u>\$ 17,389,779</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE R - PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2012, OFS determined that adjustments were necessary to the June 30, 2011 financial statements. The impact of these adjustments on the beginning net assets as of July 1, 2011 is summarized below:

Net assets, as previously reported at July 1, 2011	\$ 34,462,427
a. Inclusion of certain assets - Adjustment to record certain assets not previously recognized in its financial statements. These assets include the following:	
Previously unrecorded note receivable received as consideration in the sale of the St. John Neumann property (\$1,095,000);	
Balances related to the Catholic Life 2000 capital campaign included in the following funds: Assistance for Struggling Parishes (\$10,738,657); Archdiocesan Spirituality Center (\$8,692,784); and Archdiocesan Archival Center (\$2,921,136);	
Trust and loan deposits for certain offices and agencies included in OFS that were not properly reflected as assets in the general fund, and also various estates, funds and trusts that benefit OFS (\$18,083,753); and	
Balances related to the suppressed parish fund, the priests' auto insurance fund and the priests' health insurance fund (\$2,335,345).	
	43,866,675
b. Funds held for charities - The funds collected by parishes to support specific charitable causes are remitted to OFS for distribution to those charities during the fiscal year. These funds were previously recorded by OFS as an increase in temporarily restricted net assets when received and amounts were released from restrictions when funds were paid to charities.	
	(1,808,282)
c. Depreciation - During the fiscal year ended June 30, 2012, OFS adopted Financial Accounting Standards Board ASC No. 958-360-35, <i>Not-for-Profit Entities</i> , which requires not-for-profit organizations to recognize depreciation as a cost of using up the future economic benefits of their long-lived tangible assets. This adjustment represents cumulative depreciation through June 30, 2011.	
	(43,418,052)

(Continued)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE R - PRIOR PERIOD ADJUSTMENT - Continued

d. Fixed assets adjustments - Adjustments to fixed assets as of July 1, 2011 to transfer assets to the appropriate Archdiocesan entities based on asset utilization and to remove assets no longer in service.	\$ (7,776,506)
e. Conditional asset retirement obligation - A conditional asset retirement obligation related to two of OFS' buildings (see Note B).	(1,925,083)
f. Allowance for doubtful accounts - Adjustment to properly record the allowance for doubtful accounts.	<u>(26,391,240)</u>
Net assets, as restated at July 1, 2011	<u>\$ (2,990,061)</u>

The effect of these adjustments on the individual net asset categories of OFS is summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Net assets at July 1, 2011, as previously reported	\$ 29,352,945	\$ 3,916,987	\$ 1,192,495	\$ 34,462,427
Inclusion of certain assets	14,358,445	12,192,430	17,315,800	43,866,675
Funds held for charities	-	(1,808,282)	-	(1,808,282)
Depreciation	(43,418,052)	-	-	(43,418,052)
Fixed assets adjustments	(7,776,506)	-	-	(7,776,506)
Conditional asset retirement obligation	(1,925,083)	-	-	(1,925,083)
Allowance for doubtful accounts	<u>(26,391,240)</u>	<u>-</u>	<u>-</u>	<u>(26,391,240)</u>
Net assets at July 1, 2011, as restated	<u>\$ (35,799,491)</u>	<u>\$ 14,301,135</u>	<u>\$ 18,508,295</u>	<u>\$ (2,990,061)</u>

SUPPLEMENTAL INFORMATION

COMBINING STATEMENT OF FINANCIAL POSITION

June 30, 2012

	General Fund	Custodian Fund	Insurance Fund	Trust and Loan Fund	Priest Auto Insurance Fund	Priest Health Insurance Fund	Eliminations	OFS Total
Assets:								
Cash and cash equivalents	\$ 8,065,474	\$ -	\$ 7,657,239	\$ 24,751,696	\$ -	\$ -	\$ -	\$ 40,474,409
Due from Archdiocesan entities, net	6,201,082	-	5,840,251	-	160,396	1,139,459	-	13,341,188
Assessments, insurance and priests' insurance receivable, net	119,183	-	-	1,306,035	-	(23,056)	-	1,402,162
Interest receivable from related parties	4,090,677	-	-	78,870,710	-	-	(78,870,710)	4,090,677
Notes receivable from related parties	-	-	-	59,093,415	-	-	-	59,093,415
Loans receivable, net	(21,552,710)	2,611,207	24,050,631	14,676,385	(2,373,642)	(2,054,368)	(9,291,804)	6,065,699
Other related party receivables	270	7,175	1,164,638	-	-	-	-	1,172,083
Prepaid expenses	4,347,448	-	-	-	-	-	-	4,347,448
Real estate and physical plant held for sale	32,913,497	-	-	-	-	-	(3,000,000)	29,913,497
Investment in the Trustee Account of the Archdiocese of Philadelphia for Estates and Trusts and other investments	1,930,024	-	-	-	-	-	-	1,930,024
Beneficial interest in supporting charitable trusts	23,013,865	-	-	-	-	-	-	23,013,865
Real estate and physical plant, net								
Total assets	\$ 59,128,810	\$ 2,618,382	\$ 38,712,759	\$ 178,698,241	\$ (2,213,246)	\$ (937,965)	\$ (91,162,514)	\$ 184,844,467
Liabilities:								
Accounts payable	\$ 3,968,729	\$ 2,273,959	\$ 860,165	\$ 8,553	\$ -	\$ 5,292	\$ -	\$ 7,116,698
Accrued expenses and other payables	7,747,840	344,423	43,043,888	115,154	6,000	6,000	(1,590,532)	49,672,773
Deposits - parishes, institutions and related organizations	-	-	-	166,995,895	-	-	(7,701,272)	159,294,623
Note payable to related parties	91,070,710	-	-	-	-	-	(81,870,710)	9,200,000
Total liabilities	102,787,279	2,618,382	43,904,053	167,119,602	6,000	11,292	(91,162,514)	225,284,094
Net assets:								
Unrestricted	(75,737,111)	-	(5,191,294)	11,578,639	(2,219,246)	(949,257)	-	(72,518,269)
Temporarily restricted	14,688,863	-	-	-	-	-	-	14,688,863
Permanently restricted	17,389,779	-	-	-	-	-	-	17,389,779
Total net assets	(43,658,469)	-	(5,191,294)	11,578,639	(2,219,246)	(949,257)	-	(40,439,627)
Total liabilities and net assets	\$ 59,128,810	\$ 2,618,382	\$ 38,712,759	\$ 178,698,241	\$ (2,213,246)	\$ (937,965)	\$ (91,162,514)	\$ 184,844,467

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2012

	Unrestricted				Temporarily Restricted				Permanently Restricted					
	General Fund	Insurance Fund	Trust and Loan Fund	Priest Auto Insurance Fund	Priest Health Insurance Fund	General Fund	Custodian Fund	Trust Fund	Eliminations	Total	General Fund	Trust Fund	Eliminations	Total
Revenues, gains, losses and other support	\$ 18,967,000	\$ -	\$ -	\$ -	\$ -	\$ 18,967,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,967,000
Parish assessments	898,628	-	-	-	-	328,401	-	-	-	-	-	-	-	328,401
Contributions from related parties	1,724,415	(100)	-	-	-	1,637,092	-	-	-	-	-	-	-	2,936,774
Collections, bequests and donations	243,144	-	-	-	-	243,144	-	-	-	-	-	-	-	243,144
Tuition income	361,532	50,884	587,532	174	1,581	1,001,703	6,001	-	-	-	-	-	-	1,787,326
Investment income	236,728	311	2,456,438	-	-	2,602,822	36,100	-	(36,100)	-	-	-	-	2,602,822
Fees for services	9,632,449	-	-	-	-	9,632,449	-	-	-	-	-	-	-	9,632,449
Intradiocean income	5,196,098	-	-	-	-	5,196,098	-	-	-	-	-	-	-	5,196,098
Other income (loss)	10,141,884	88	(50,000)	-	-	10,191,972	-	-	-	-	-	-	-	10,191,972
Net gain on sale of real estate and physical plant	15,756,532	-	-	-	-	15,756,532	-	-	-	-	-	-	-	15,756,532
Net assets released from restrictions	1,477,447	-	-	-	-	1,477,447	(102,322)	(1,375,125)	36,100	(1,441,347)	-	-	-	-
Net realized and unrealized depreciation on investments and beneficial interest in supporting charitable trusts	(220,625)	(136,314)	(1,426,322)	(1,215)	(11,028)	(1,795,504)	(172,022)	(1,219,238)	-	(1,391,260)	(38,706)	-	(38,706)	(3,225,470)
Premium income from Archdiocesan insurance programs	-	32,442,178	-	1,321,567	9,189,191	42,952,936	-	-	-	-	-	-	-	42,952,936
Total revenues, gains, losses and other support	64,415,232	32,357,047	1,567,648	1,320,526	9,179,744	99,077,068	(232,243)	(1,294,649)	-	(1,526,892)	740,884	-	740,884	98,291,060
Expenses	7,733,017	-	-	-	-	4,183,017	-	-	-	-	-	-	-	4,183,017
Subsidies	13,535,422	264,255	-	-	-	13,799,677	-	-	-	-	-	-	-	13,799,677
Salaries and wages	9,460,809	52,518	-	-	-	9,513,327	-	-	-	-	-	-	-	9,513,327
Payroll taxes and fringe benefits	23,974,815	4,932,135	85,000	16,000	-	29,022,950	-	-	-	-	-	-	-	29,022,950
Purchased services	1,685,905	42,784	-	-	-	1,728,689	-	-	-	-	-	-	-	1,728,689
Intradiocean expenses	78,870,710	-	(78,870,710)	-	-	-	-	-	-	-	-	-	-	-
Intradiocean transfers	15,361,164	-	1,360,387	-	-	16,721,551	-	-	-	-	-	-	-	16,721,551
Support expense	4,396,116	-	-	-	-	4,396,116	-	-	-	-	-	-	-	4,396,116
Interparochial assistance	1,622,971	-	2,117,007	78,007	459,274	4,277,259	-	-	-	-	-	-	-	4,277,259
Depreciation expense	3,751,303	-	-	-	-	3,751,303	-	-	-	-	-	-	-	3,751,303
Interest expense	1,427,412	-	-	-	-	1,427,412	-	-	-	-	-	-	-	1,427,412
Withdrawals	1,228,435	-	-	-	-	1,228,435	-	-	-	-	-	-	-	1,228,435
Insurance program expenses	33,476,696	-	-	1,605,600	10,370,271	45,452,567	-	-	-	-	-	-	-	45,452,567
Interest rate swap loss	8,946,954	-	-	-	-	8,946,954	-	-	-	-	-	-	-	8,946,954
Total expenses	170,372,062	40,391,359	(75,308,316)	1,699,607	10,845,545	138,237,128	(9,763,129)	(1,294,649)	-	(1,526,892)	740,884	-	740,884	138,237,128
Change in net assets before other items	(105,956,830)	(8,034,312)	76,875,964	(379,081)	(1,665,801)	(39,160,060)	(232,243)	(1,294,649)	-	(1,526,892)	740,884	-	740,884	(39,946,068)
Transfer of real estate and physical plant and notes payable to the Office of Catholic Education, net	2,496,502	-	-	-	-	2,496,502	-	-	-	-	-	-	-	2,496,502
Redesignation of net assets (from) to permanently restricted	(65,220)	-	-	-	-	(65,220)	-	-	-	-	-	-	-	(65,220)
Change in net assets	(103,515,548)	(8,034,312)	76,875,964	(379,081)	(1,665,801)	(36,718,778)	(232,243)	(1,294,649)	-	(1,914,620)	(1,859,400)	-	(1,859,400)	(1,118,516)
Net assets	27,778,437	2,843,018	(65,297,325)	(1,840,165)	716,544	(35,799,691)	4,997,403	9,303,732	-	14,301,135	1,210,897	-	18,508,295	(2,990,061)
Beginning of year, as restated	(75,737,111)	(5,191,294)	11,578,639	(2,219,246)	(949,257)	(72,518,269)	4,765,160	\$ -	\$ -	\$ 14,688,863	\$ 1,951,781	\$ -	\$ 17,389,779	(40,439,627)
End of year	\$ (47,958,674)	(7,334,312)	(53,718,686)	(3,058,491)	(1,968,711)	(60,730,269)	(2,753,097)	9,303,732	-	(1,914,620)	(1,859,400)	-	(1,859,400)	(40,439,627)