

Catholic Diocese of Pittsburgh Central Administration Fund

Financial Statements and
Supplementary Information

Years Ended June 30, 2015 and 2014 with
Independent Auditor's Report

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Pittsburgh | Harrisburg | Butler

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Catholic Diocese of Pittsburgh Central Administration Fund

YEARS ENDED JUNE 30, 2015 AND 2014

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Independent Auditor's Report

Most Reverend David A. Zubik
Bishop of the Catholic Diocese of Pittsburgh

We have audited the accompanying financial statements of the Catholic Diocese of Pittsburgh Central Administration Fund (Central Administration Fund), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities 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 audits 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 the entity's 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Central Administration Fund as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the accompanying financial statements are not intended to present all funds and related entities of the Diocese at June 30, 2015 and 2014 and, thus, do not represent a comprehensive financial report. This report includes only the financial statements for the Central Administration Fund. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed in the table of contents (Schedules 1 – 7) is presented for purposes of additional analysis and is 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, including comparing and reconciling such 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Restriction of Use

This report is intended solely for the information and use of the Bishop of the Catholic Diocese of Pittsburgh and management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Maheer Duessel

Pittsburgh, Pennsylvania
February 26, 2016

**Catholic Diocese of Pittsburgh
Central Administration Fund**

Statements of Financial Position

June 30, 2015 and 2014

| | 2015 | 2014 |
|--|----------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 53,415 | \$ 1,614,384 |
| Investments: | | |
| For own account | 12,653,368 | 11,883,870 |
| Held for others | 6,774,080 | 6,261,431 |
| Accounts receivable | 2,509,126 | 1,512,081 |
| Loans receivable, net of allowance totaling \$222,231 for 2015 and 2014 | 76,280 | 36,486 |
| Accrued interest receivable | 34,388 | 76,804 |
| Deferred charges | 58,863 | 58,763 |
| Due from other Diocesan funds | 1,218,105 | 375,329 |
| Due from capital campaign | 5,627,597 | 5,276,676 |
| Total Assets | \$ 29,005,222 | \$ 27,095,824 |
| Liabilities | | |
| Accounts payable | \$ 1,301,220 | \$ 876,822 |
| Deferred income - Parish Share Program | 6,230,083 | 6,468,247 |
| Deferred income - other | 1,502,488 | 1,501,038 |
| Donations and deposits held for others | 6,774,080 | 6,261,431 |
| Scholastic Opportunity Scholarships payable | 4,958,776 | 4,273,108 |
| Other liabilities | 1,024,631 | 557,755 |
| Due to other Diocesan funds | 1,491,355 | 1,448,635 |
| Total Liabilities | 23,282,633 | 21,387,036 |
| Net Assets | | |
| Unrestricted | 3,477,243 | 3,792,337 |
| Temporarily restricted | 1,537,632 | 1,208,737 |
| Permanently restricted | 707,714 | 707,714 |
| Total Net Assets | 5,722,589 | 5,708,788 |
| Total Liabilities and Net Assets | \$ 29,005,222 | \$ 27,095,824 |

See accompanying notes to financial statements.

**Catholic Diocese of Pittsburgh
Central Administration Fund**

Statement of Activities

Year Ended June 30, 2015

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2015 Total |
|--|---------------------|---------------------------|---------------------------|---------------------|
| Revenues: | | | | |
| Parish Share Program Income | \$ 14,570,923 | \$ - | \$ - | \$ 14,570,923 |
| Less St. Anthony School distribution | (306,146) | - | - | (306,146) |
| Less DePaul School distribution | (84,036) | - | - | (84,036) |
| Net Parish Share Program Income available for operations | 14,180,741 | - | - | 14,180,741 |
| Diocesan Programs and Offices | 6,910,581 | 385,470 | - | 7,296,051 |
| Diocesan Foundation Support | 1,783,428 | - | - | 1,783,428 |
| Investment Income | 165,128 | 9,559 | - | 174,687 |
| Catholic Institute Endowment Fund income used for current support | 39,096 | - | - | 39,096 |
| Donations and Bequests | 328,601 | - | - | 328,601 |
| Other Revenue | 1,288,665 | - | - | 1,288,665 |
| Total revenues | 24,696,240 | 395,029 | - | 25,091,269 |
| Net assets released from restrictions | 66,134 | (66,134) | - | - |
| | 24,762,374 | 328,895 | - | 25,091,269 |
| Expenses: | | | | |
| Clergy & Consecrated Life | 2,428,363 | - | - | 2,428,363 |
| Catholic Education & Evangelization | 6,611,109 | - | - | 6,611,109 |
| Parish Life | 688,694 | - | - | 688,694 |
| Leadership Development | 4,238,127 | - | - | 4,238,127 |
| Pastoral Administration | 7,581,847 | - | - | 7,581,847 |
| Pastoral Vicariates | 579,767 | - | - | 579,767 |
| Diocesan Assessments and Pastoral Grants | 2,936,502 | - | - | 2,936,502 |
| Total expenses | 25,064,409 | - | - | 25,064,409 |
| Excess (Deficiency) of Revenues Over Expenses | (302,035) | 328,895 | - | 26,860 |
| Unrealized appreciation on investments | (13,059) | - | - | (13,059) |
| Change in Net Assets | (315,094) | 328,895 | - | 13,801 |
| Net Assets: | | | | |
| Beginning of year | 3,792,337 | 1,208,737 | 707,714 | 5,708,788 |
| End of year | <u>\$ 3,477,243</u> | <u>\$ 1,537,632</u> | <u>\$ 707,714</u> | <u>\$ 5,722,589</u> |

See accompanying notes to financial statements.

**Catholic Diocese of Pittsburgh
Central Administration Fund**

Statement of Activities

Year Ended June 30, 2014

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2014 Total |
|--|---------------------|---------------------------|---------------------------|---------------------|
| Revenues: | | | | |
| Parish Share Program Income | \$ 14,252,200 | \$ - | \$ - | \$ 14,252,200 |
| Less St. Anthony School distribution | (296,886) | - | - | (296,886) |
| Less DePaul School distribution | (74,221) | - | - | (74,221) |
| Net Parish Share Program Income available for operations | 13,881,093 | - | - | 13,881,093 |
| Diocesan Programs and Offices | 6,849,328 | 128 | - | 6,849,456 |
| Diocesan Foundation Support | 1,277,382 | - | - | 1,277,382 |
| Investment Income | 153,571 | 9,465 | - | 163,036 |
| Catholic Institute Endowment Fund income used for current support | 375,329 | - | - | 375,329 |
| Donations and Bequests | 197,973 | - | - | 197,973 |
| Other Revenue | 765,555 | 9,909 | - | 775,464 |
| Total revenues | 23,500,231 | 19,502 | - | 23,519,733 |
| Net assets released from restrictions | 9,908 | (9,908) | - | - |
| | 23,510,139 | 9,594 | - | 23,519,733 |
| Expenses: | | | | |
| Clergy & Consecrated Life | 2,160,455 | - | - | 2,160,455 |
| Catholic Education & Evangelization | 6,503,159 | - | - | 6,503,159 |
| Parish Life | 612,959 | - | - | 612,959 |
| Leadership Development | 3,866,491 | - | - | 3,866,491 |
| Pastoral Administration | 7,170,389 | - | - | 7,170,389 |
| Pastoral Vicariates | 577,133 | - | - | 577,133 |
| Diocesan Assessments and Pastoral Grants | 2,606,984 | - | - | 2,606,984 |
| Total expenses | 23,497,570 | - | - | 23,497,570 |
| Excess (Deficiency) of Revenues Over Expenses | 12,569 | 9,594 | - | 22,163 |
| Unrealized depreciation on investments | 72,931 | - | - | 72,931 |
| Change in Net Assets | 85,500 | 9,594 | - | 95,094 |
| Net Assets: | | | | |
| Beginning of year | 3,706,837 | 1,199,143 | 707,714 | 5,613,694 |
| End of year | <u>\$ 3,792,337</u> | <u>\$ 1,208,737</u> | <u>\$ 707,714</u> | <u>\$ 5,708,788</u> |

See accompanying notes to financial statements.

**Catholic Diocese of Pittsburgh
Central Administration Fund**

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

| | 2015 | 2014 |
|---|--------------------|---------------------|
| Cash Flows From Operating Activities: | | |
| Change in net assets | \$ 13,801 | \$ 95,094 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Unrealized depreciation (appreciation) on investments | 13,059 | (72,931) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (997,045) | 528,180 |
| Accrued interest | 42,416 | (24,171) |
| Due to/from other Diocesan Funds | (800,056) | 485,007 |
| Due from capital campaign | (350,921) | (2,380,335) |
| Deferred charges | (100) | (32,360) |
| Accounts payable | 424,398 | 426,897 |
| Deferred income | (236,714) | (1,554,453) |
| Scholastic Opportunity Scholarships payable | 685,668 | (14,597) |
| Other liabilities | 466,876 | (100,163) |
| | (738,618) | (2,643,832) |
| Cash Flows From Investing Activities: | | |
| Net (increase) decrease in investments | (1,295,206) | 4,665,290 |
| (Increase) decrease in loans receivable | (39,794) | 10,000 |
| | (1,335,000) | 4,675,290 |
| Cash Flows From Financing Activities: | | |
| Increase (decrease) in donations and deposits held for others | 512,649 | (471,692) |
| | (1,560,969) | 1,559,766 |
| (Decrease) Increase in Cash | | |
| | 1,614,384 | 54,618 |
| Cash: | | |
| Beginning of year | 1,614,384 | 54,618 |
| End of year | \$ 53,415 | \$ 1,614,384 |

See accompanying notes to financial statements.

Catholic Diocese of Pittsburgh

Central Administration Fund

Notes to Financial Statements

Years Ended June 30, 2015 and 2014

1. Significant Accounting Policies

Description and Purpose

The accompanying financial statements include the assets, liabilities, net assets, and financial activities of the Central Administration Fund of the Catholic Diocese of Pittsburgh (Diocese). The Central Administration Fund includes unrestricted and certain temporarily and permanently restricted resources available for support of Diocesan operations.

The Central Administration Fund is maintained by the Diocese and is listed in the Official Catholic Directory (OCD). This listing provides exemption from federal income tax for all Catholic institutions listed in the OCD for that year.

The following funds are related to the Diocese but not directly involved in the Central Administration Fund operations and are not included in the accompanying audited financial statements:

- *Catholic Institute Endowment Fund* – includes endowment and quasi-endowment funds. Endowment funds are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and only the income be utilized. While quasi-endowment funds are established for the same purpose as endowment funds, any portion of quasi-endowment funds may be expended.

The Bishop of the Diocese has stipulated that all income earned on certain funds held by the Catholic Institute Endowment Fund be used for support of Diocesan operations. The Bishop's stipulation was made with the understanding that all legal restrictions regarding the use of such funds would be met. As a result, \$39,096 and \$375,329 at June 30, 2015 and 2014, respectively, have been included in unrestricted revenue of the Central Administration Fund.

- *Plant Fund* – includes liquid assets of cash, investments, and real estate, buildings, and equipment used in Diocesan operations. Capital expenditures are paid by the Plant Fund and not reflected in the Central Administration Fund statements. Plant Fund revenues and expenditures are not reported within the Central Administration Fund financial statements.
 - *Parish Deposit & Loan Fund Trust* – represents resources from a cooperative investment and lending program administered by the Diocese for the mutual benefit of parishes. Funds are not available for Diocesan operations. The Parish Deposit & Loan Fund Trust has separate legal status from the Diocese.
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Catholic Diocese of Pittsburgh

Central Administration Fund

Notes to Financial Statements

Years Ended June 30, 2015 and 2014

- *Institutional Deposit & Loan Fund Trust* – represents resources from a cooperative investment and lending program administered by the Diocese for the mutual benefit of institutions within the Diocese. Funds are not available for Diocesan operations. The Institutional Deposit & Loan Fund Trust has separate legal status from the Diocese.
 - *Parish Common Fund Trust* – serves as a long-term investment fund vehicle for various participating parishes within the Diocese. Funds are not available for Diocesan operations. The Parish Common Fund Trust has separate legal status from the Diocese.
 - *Institutional Common Fund Trust* – serves as a long-term investment fund vehicle for various participating religious institutions within the Diocese. Funds are not available for Diocesan operations. The Institutional Common Fund Trust has separate legal status from the Diocese.
 - *Catholic Diocese of Pittsburgh Foundation (Foundation)* – was created in October 1984 for the purpose of establishing a permanent endowment fund with which to stabilize, improve, and develop educational, social, and pastoral programs throughout the Diocese. The Foundation has separate legal status from the Diocese.
 - *Insurance Office Fund* – is operated by the Diocese for the purpose of administering and placing insurance coverage for parishes, Diocesan programs, and other Catholic organizations operating in the Diocese.
 - *Catholic Employers Benefits Plan Delaware Trust* – is an asset protection trust whose purpose is to safeguard the assets available to pay out claims, reserves, and operating costs on behalf of employers whose employees are Benefit Plan participants. Funds are not available for Diocesan operations. The Catholic Employers Benefits Plan Delaware Trust has separate legal status from the Diocese.
 - *Missions Office Fund* – was created in the 1920s to direct missionary work from the Diocese. The Missions Office acts as an intermediary for persons and institutions contributing monies to needed appeals, missions, and missionaries throughout the world.
 - *Gift Annuity Fund* – was created to assist donors with long-term planned giving. The gift annuity program involves a contract between the Diocese and the contributor. In return for a donation of cash or other assets, the Diocese agrees to pay a fixed yearly amount for life, a portion of which is tax free, to the contributor or to another designated person. The contributor receives a charitable tax-deduction and favorable tax treatment on long-term capital gain assets.
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Notes to Financial Statements

Years Ended June 30, 2015 and 2014

- *Toner Institute* - provides grants to other non-profit organizations for the training and education of needy children.
- *Scholastic Opportunity Scholarship Fund* – is a 501(c)(3) preschool and kindergarten through grade 12 tuition assistance program, which distributes funds to needy families with children in Catholic schools in the Diocese of Pittsburgh without regard to race, color, sex, religion, or national origin.

The accompanying financial statements are not intended to present all funds and related entities of the Diocese at June 30, 2015 and 2014 and, thus, do not represent a comprehensive financial report. This report includes only the financial statements for the Central Administration Fund.

Basis of Presentation

The financial statements of the Central Administration Fund have been prepared on the accrual basis of accounting. Net asset balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

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

Temporarily restricted net assets – Temporarily restricted gifts, grants, and bequests are recorded as additions to temporarily restricted net assets in the period received. When restricted net assets are expended for their stipulated purpose or elapse of time, temporarily restricted net assets become unrestricted net assets and are reported in the statements of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that require the principal of the gift to be maintained permanently by the Central Administration Fund with the income earned thereon to be used based on the donors' stipulations.

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 estimates and assumptions that affect reported amounts in the financial statements and accompanying notes. Actual results could differ from the estimates and assumptions used.

Catholic Diocese of Pittsburgh

Central Administration Fund

Notes to Financial Statements

Years Ended June 30, 2015 and 2014

Financial Instruments

The carrying values of cash, accounts receivable, loans receivable, and accounts payable are reasonable estimates of fair value due to the short-term nature of these financial instruments.

Concentration of Credit Risk

Financial instruments which potentially expose the Central Administration Fund to concentrations of credit risk include cash, investments, accounts receivable, and loans receivable. As a matter of policy, the Central Administration Fund only maintains cash balances with financial institutions having a high credit quality. Concentration of credit risk for investments is mitigated by the diversification of issuers. Concentration of credit risk for accounts receivable and loans receivable is generally limited due to the dispersion of these balances over a wide creditor base.

Investments

Investments at June 30, 2015 and 2014 are comprised primarily of cash and cash equivalents (75% and 84%, respectively), corporate bonds (5% and 6%, respectively), governmental and municipal bonds (19% and 10%, respectively), and other investments (1% and 0%, respectively). The Central Administration Fund records investments at fair value and intends to hold the debt securities until maturity. Any gain or loss on the sale of investments is based on the specific identification method.

Although the Central Administration Fund's investments are invested in a variety of financial instruments, the related fair values, as presented in the financial statements, are subject to various market risks including changes in the equity markets, the interest rate environment, and economic conditions. Due to the level of risk associated with investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the fair value of investments reported in the accompanying statements of financial position could materially change in the near-term.

Fair Value Measurement

In accordance with accounting principles generally accepted in the United States of America, all investments of the Central Administration Fund as of June 30, 2015 and 2014 are measured at Level 1 inputs for fair value measurement. Level 1 input is defined as "measuring the value at quoted prices available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active

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Central Administration Fund

Notes to Financial Statements

Years Ended June 30, 2015 and 2014

market provides the most reliable fair value measurement because it is directly observable to the market.”

Due from Capital Campaign

Amounts due from capital campaign at June 30, 2015 and 2014 include \$4,904,927 and \$5,068,316, respectively, of administrative expenses incurred by the Catholic Diocese of Pittsburgh Our Campaign for The Church Alive! (Campaign), which were initially paid by the Central Administration Fund. The Campaign provides for an administrative allocation equal to 7% of cash collections, from which the Central Administration Fund will be reimbursed. In addition, the due from capital campaign balance at June 30, 2015 and 2014 includes \$722,670 and \$208,360, respectively, of grant funds due to be transferred to the Central Administration Fund.

Due from other Diocesan funds

The due from other Diocesan funds includes \$375,329 at June 30, 2014, due from the Catholic Institute Endowment Fund and \$1,218,104 at June 30, 2015 from the Insurance Fund.

Liabilities

Amounts included in donations and deposits held for others and other liabilities at June 30, 2015 and 2014 represent funds accounted for by the Central Administration Fund that are not available for operational use. The Central Administration Fund acts merely as an agent in the collection and disbursement of these funds, as they provide no direct benefit to the Diocese.

Deferred Income and Charges - Parish Share Program

The 2015 Parish Share Program Goal receipts collected as of June 30, 2015 will be used to fund Diocesan operations in the 2016 fiscal year. These are recorded as deferred income upon receipt and recognized as revenue in the subsequent fiscal year. The costs incurred as of June 30, 2015 related to these deferred revenues are also deferred and are included in deferred charges in the statements of financial position.

Catholic Diocese of Pittsburgh Central Administration Fund

Notes to Financial Statements

Years Ended June 30, 2015 and 2014

Cash and Cash Equivalents

The Central Administration Fund considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. The Central Administration Fund maintains its cash in bank accounts that, at times, may exceed federally insured limits. The Central Administration Fund does not believe it is exposed to any significant credit risk related to cash and cash equivalents.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

2. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are comprised of the following as of June 30:

| | <u>2015</u> | <u>2014</u> |
|------------------------------------|---------------------|---------------------|
| Temporarily restricted net assets: | | |
| Memorial Funds | \$ 755,757 | \$ 748,274 |
| Black Catholic Ministries Fund | 252,953 | 252,793 |
| Human Development Fund | 105,078 | 104,038 |
| Education Related Funds | 80,292 | 79,497 |
| Diocesan Relief Fund | 24,376 | 24,135 |
| Purpose restricted funds | 319,176 | - |
| | <u>\$ 1,537,632</u> | <u>\$ 1,208,737</u> |

Permanently restricted net assets are comprised of the following as of June 30:

| | <u>2015</u> | <u>2014</u> |
|------------------------------------|-------------------|-------------------|
| Permanently restricted net assets: | | |
| Charitable and Religious Funds | \$ 308,936 | \$ 308,936 |
| Education of Priests Fund | 398,778 | 398,778 |
| | <u>\$ 707,714</u> | <u>\$ 707,714</u> |

Catholic Diocese of Pittsburgh Central Administration Fund

Notes to Financial Statements

Years Ended June 30, 2015 and 2014

3. Retirement Plans

Prior to June 30, 2012, the Diocese administered a common control, noncontributory defined benefit plan covering all lay employees of Central Administration, parishes, and other participating Catholic organizations, who met eligibility requirements (Lay Plan). Effective June 30, 2012, the Diocese froze its Lay Plan and implemented a 403(b) defined contribution plan (403(b) Plan). The accrued pension benefit for employees of the Lay Plan will remain at a fixed amount and no longer grow. All eligible employees will become part of the 403(b) Plan. In addition, the Diocese administers a retirement plan for priests (Priests' Plan). Responsibility for funding the Plans is shared by all participating Diocesan affiliated organizations. The Plans are not subject to the benefit accrual and participation requirements of the Employee Retirement Income Security Act of 1974 (ERISA). Contributions to the Lay Plan and 403(b) Plan are made by the participating employers on behalf of the eligible lay persons employed by them. Contributions to the Priests' Plan are made by their Diocesan assignment on behalf of the priests.

Pension expense paid by Central Administration for both Plans was approximately \$1,191,000 and \$980,000 in 2015 and 2014, respectively.

Below is additional information regarding the common control defined benefit Lay Plan as of June 30, 2015 and 2014:

Diocese of Pittsburgh Lay Employee Plan
EIN # 25-1553066, Plan # 001

| | | |
|---|--------------|----|
| Ratio of Assets to Accrued Benefits per 1/1/15 actuary report | 96% funded | * |
| Total 2015 Employer Contributions to the Plans | \$ 1,191,000 | ** |
| Ratio of Assets to Accrued Benefits per 1/1/14 actuary report | 99% funded | * |
| Total 2014 Employer Contributions to the Plans | \$ 980,000 | ** |

* A 7.5% interest assumption is used to determine the present value. If the market rate of 4.5% is applied to liabilities, the funded level would be 69.2% on the Plan

** Contributions by the Central Administration Fund represent more than 5% of

Effective July 1, 2012, the employer contribution rate changed from 16% to 12%. The current 12% rate is divided amongst the Lay Plan and the 403(b) Plan, with between 4% and 6% being paid into the Lay Plan. Such contribution rate to the Lay Plan varies as employees are given the option of a 2% match to the 403(b) Plan, which if not utilized is paid into the Lay Plan.

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Notes to Financial Statements

Years Ended June 30, 2015 and 2014

Below is additional quantitative information regarding the multiemployer defined benefit plan as of January 1, 2015 (the most recent actuarial valuation date) and January 1, 2014:

| | 1/1/2015 | 1/1/2014 |
|---|----------------|----------------|
| Market Value of Plan Assets | \$ 170,295,974 | \$ 163,165,992 |
| Actuarial Present Value of Accumulated Benefits | \$ 177,579,133 | \$ 165,638,416 |
| Total Contributions received by the Lay Plan | \$ 2,893,091 | \$ 2,434,497 |

4. Contingencies

Currently, there are some outstanding claims at different stages of investigation and/or litigation either in court or before administrative agencies. Management of the Diocese is unable to determine the ultimate liability or amount of such claims, if any, that may result from these actions. Therefore, management is unable to determine whether the ultimate settlement of any such claims would have a material impact on the Central Administration Fund. Accordingly, no provision for any liability related to these actions has been recorded in the accompanying financial statements as of June 30, 2015 or 2014.

5. Construction Note and Interest Rate Swap

During 2012, the Catholic Diocese of Pittsburgh Foundation, Roman Catholic Diocese of Pittsburgh Charitable Trust, North Catholic High School, Inc., and the Cardinal Wuerl North Catholic High School, individually and collectively (Diocese) entered into an agreement with PNC Bank and Huntington Bank to issue \$58,500,000 in variable rate Butler County Industrial Authority Tax Exempt Notes to fund the construction of the Cardinal Wuerl North Catholic High School. Concurrently, the parties entered into a “pay fixed receive variable” interest rate swap agreement to mitigate the risk of changes in interest rates associated with the variable interest rate on the Notes. Under the swap arrangement, the Diocese would make monthly interest payments at a fixed rate of 2.260% and receive variable rate payments based on one month US LIBOR multiplied by 0.7. The intention of the interest rate swap is to effectively change the Diocese’s variable interest rate on the note to a synthetic fixed rate of 2.260%. No liability for the construction note and interest rate swap is recorded on the financial statements of the Diocese, as Cardinal Wuerl North Catholic High School is the indebted party intended to repay such obligation. In addition, the assets acquired with the proceeds of the Notes are recorded on the financial statements for Cardinal Wuerl North Catholic High School. The Diocese of Pittsburgh has recorded a liability on the Catholic Institute of Pittsburgh Plant Fund’s financial statements, which represents management’s estimate of debt service support which will be provided by the Diocese to assist the Cardinal

Catholic Diocese of Pittsburgh Central Administration Fund

Notes to Financial Statements

Years Ended June 30, 2015 and 2014

Wuerl North Catholic High School in the repayment of the Notes until the school's enrollment increases sufficiently to support the debt.

6. Co-Borrower Agreement

During the year ended June 30, 2014, the Diocese and the Foundation entered into a Letter of Credit, Reimbursement, and Security Agreement for approximately \$8.7 million as co-borrower for Saint Joseph High School, Inc. The guaranty extends through December 1, 2040. The Diocese and/or the Foundation would be required to make payments on such debt in the event that Saint Joseph High School, Inc. defaulted. The maximum potential amount of future payments the Foundation would be required to make under the guarantee is equal to the outstanding balance at June 30, 2015, plus interest. The outstanding balance related to such obligation was \$8,220,000 and \$8,385,000 at June 30, 2015 and 2014, respectively. No amount for such debt has been recorded in the financial statements of the Diocese, as Saint Joseph High School, Inc. intends to repay the full amount.

7. Reclassification

Certain items for 2014 have been reclassified to conform to the 2015 presentation. The reclassification had no effect on the change in net assets.

Supplementary Information

**Catholic Diocese of Pittsburgh
Central Administration Fund**

Schedule 1 - Clergy & Consecrated Life Revenue and Expenses

Years Ended June 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| Clergy summary: | | |
| Revenue | \$ 369,792 | \$ 439,471 |
| Expenses | <u>2,428,363</u> | <u>2,160,455</u> |
| Net expenses | <u>\$ 2,058,571</u> | <u>\$ 1,720,984</u> |
| Program/office revenue: | | |
| Chaplaincies Program | \$ 243,767 | \$ 287,136 |
| Saint John Vianney Manor | 125,925 | 128,467 |
| Other Clergy Revenue | <u>100</u> | <u>23,868</u> |
| Total revenue | <u>\$ 369,792</u> | <u>\$ 439,471</u> |
| Program/office expenses: | | |
| Secretariat for Clergy & Consecrated Life | \$ 221,166 | \$ 221,259 |
| Delegate for Retired Priests | 66,459 | 66,255 |
| Department for Consecrated Life | 81,241 | 77,291 |
| Department for Institutional Ministries | 70,098 | 15,538 |
| Office of the Diocesan Assistance Coordinator | 104,273 | 93,661 |
| Office of the Vicar for Clergy Personnel | 67,826 | 59,959 |
| Saint John Vianney Manor | 462,845 | 483,820 |
| Chaplaincies Program | 1,348,007 | 1,124,027 |
| Miscellaneous expense | <u>6,448</u> | <u>18,645</u> |
| Total expenses | <u>\$ 2,428,363</u> | <u>\$ 2,160,455</u> |

**Catholic Diocese of Pittsburgh
Central Administration Fund**

Schedule 2 - Evangelization & Catholic Education Revenue and Expenses

Years Ended June 30, 2015 and 2014

| | 2015 | 2014 |
|---|---------------------|---------------------|
| Catholic Education summary: | | |
| Revenue | \$ 4,841,173 | \$ 4,837,838 |
| Expenses | 6,611,109 | 6,503,159 |
| Net expenses | \$ 1,769,936 | \$ 1,665,321 |
| Program/office revenue: | | |
| Elementary School Grants Funding | \$ 3,735,900 | \$ 3,470,500 |
| Elementary Tuition Aid Funding | 285,000 | 128,300 |
| High School Scholarship Grants Funding | 294,650 | 607,136 |
| Office for the New Evangelization | 10,614 | 208,645 |
| Learning Media Center | 40,609 | 1,688 |
| Office for Faith Formation | 10,496 | 8,600 |
| Other Evangelization & Education Revenue | 463,904 | 412,969 |
| Total revenue | \$ 4,841,173 | \$ 4,837,838 |
| Program/office expenses: | | |
| Secretariat for Evangelization & Catholic Education | \$ 283,765 | \$ 222,364 |
| Office for Budget and Planning | 188,513 | 161,479 |
| Office for Educational Advancement | 36,269 | 29,241 |
| Department for Catholic Schools | 1,024,192 | 908,519 |
| Department for Religious Education | 323,559 | 307,428 |
| Office for the New Evangelization | 29,641 | 310,023 |
| Office for Elementary & Secondary Catechesis | 89,483 | 87,242 |
| Office for Adult and Family Faith Formation | 100,292 | 105,543 |
| Learning Media Center | 27,182 | 2,768 |
| Elementary School Grants | 3,640,900 | 3,375,500 |
| Elementary Tuition Aid | 286,000 | 177,138 |
| Inner-City Schools Subsidies | 150,000 | 150,000 |
| High School Scholarship Grants | 321,786 | 598,596 |
| Parish High School Grants | 41,000 | 41,000 |
| Miscellaneous expense | 68,527 | 26,318 |
| Total expenses | \$ 6,611,109 | \$ 6,503,159 |

**Catholic Diocese of Pittsburgh
Central Administration Fund**

Schedule 3 - Parish Life Revenue and Expenses

Years Ended June 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|---|------------------------------|------------------------------|
| Parish life summary: | | |
| Revenue | \$ 115,231 | \$ 39,178 |
| Expenses | <u>688,694</u> | <u>612,959</u> |
| Net expenses | <u><u>\$ 573,463</u></u> | <u><u>\$ 573,781</u></u> |
| Program/office revenue: | | |
| Office for Ethnic Ministries | \$ 62,778 | \$ 38,082 |
| Diocesan Pilgrimage | 35,554 | - |
| Other Parish Life Revenue | <u>16,899</u> | <u>1,096</u> |
| Total revenue | <u><u>\$ 115,231</u></u> | <u><u>\$ 39,178</u></u> |
| Program/office expenses: | | |
| Secretariat for Parish Life | \$ 201,080 | \$ 203,447 |
| Department for Worship | 138,803 | 145,013 |
| Office for Cultural Diversity & Persons with Disabilities | 180,149 | 159,151 |
| Office for Pastoral Research & Planning | 60,686 | 60,577 |
| Ethnic Ministries Program | 69,273 | 44,771 |
| Diocesan Pilgrimage | <u>38,703</u> | <u>-</u> |
| Total expenses | <u><u>\$ 688,694</u></u> | <u><u>\$ 612,959</u></u> |

**Catholic Diocese of Pittsburgh
Central Administration Fund**

Schedule 4 - Leadership Development Revenue and Expenses

Years Ended June 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|--|----------------------------|----------------------------|
| Leadership development summary: | | |
| Revenue | \$ 464,827 | \$ 313,169 |
| Expenses | <u>4,238,127</u> | <u>3,866,491</u> |
| Net expenses | <u>\$ 3,773,300</u> | <u>\$ 3,553,322</u> |
| Program/office revenue: | | |
| Catholic Committee on Scouting | \$ 3,997 | \$ 2,862 |
| Continuing Education Pastorate Programs | 690 | 2,600 |
| Department for Lay Ministries | 390 | 3,670 |
| Ryan Catholic Newman Center | 42,119 | 50,268 |
| Saint Paul Seminary Facilities | 241,606 | 211,500 |
| Other Leadership Development Revenue | <u>176,025</u> | <u>42,269</u> |
| Total revenue | <u>\$ 464,827</u> | <u>\$ 313,169</u> |
| Program/office expenses: | | |
| Secretariat for Leadership Development | \$ 406,362 | \$ 362,635 |
| Department for Lay Ministries | 100,075 | 93,160 |
| Department for Pre-Ordination Formation | 143,148 | 13,921 |
| Department for Youth and Young Adult Ministry | 225,804 | 215,681 |
| Office for Diaconate Formation | 158,260 | 142,120 |
| Office for Parish Advisory Councils | 113,786 | 106,873 |
| Office for Pastoral Formation | 71,889 | 71,034 |
| Office for Post-Ordination Formation | 7,835 | 9,202 |
| Office for Priestly Vocations | 145,605 | 155,606 |
| Catholic Committee on Scouting | 7,051 | 7,023 |
| Office for Campus Ministry | 111,680 | 21,313 |
| Ryan Catholic Newman Center (Carnegie-Mellon University, Chatham College, and University of Pittsburgh) | 197,683 | 181,102 |
| Robert Morris - Moon Township and Penn State - Beaver Campus Ministry | 90,159 | 89,158 |
| Slippery Rock Newman Center | 101,910 | 105,346 |
| Washington & Jefferson Campus Ministry | 18,930 | 16,484 |
| Other Campus Ministries | 1,455 | 2,834 |
| Clergy Graduate Studies | 146,473 | 143,569 |
| Clergy Sabbaticals | 3,900 | 43,600 |
| Continuing Education Pastorate Programs | 19,774 | 11,996 |
| Retreats and Seminars | 14,598 | 7,672 |
| Saint Paul Seminary Facilities | 907,074 | 899,043 |
| Saint Paul Seminary Program | 238,443 | 279,038 |
| Seminarian Pastoral Programs | 184,075 | 145,823 |
| Seminary Tuition and Expense | <u>822,158</u> | <u>742,258</u> |
| Total expenses | <u>\$ 4,238,127</u> | <u>\$ 3,866,491</u> |

**Catholic Diocese of Pittsburgh
Central Administration Fund**

Schedule 5 - Pastoral Administration Revenue and Expenses

Years Ended June 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|--|----------------------------|----------------------------|
| General and administrative summary: | | |
| Revenue | \$ 1,275,228 | \$ 1,158,001 |
| Expenses | <u>7,581,847</u> | <u>7,170,389</u> |
| Net expenses | <u>\$ 6,306,619</u> | <u>\$ 6,012,388</u> |
| Program/office revenue: | | |
| Archives and Record Center | \$ 13,578 | \$ 13,318 |
| Department for Business Services | 79,000 | 79,000 |
| Department for Communications | 10,250 | 10,000 |
| Office for Legal Services | 86,000 | 86,000 |
| Office for Financial Services | 377,074 | 359,948 |
| Office for Property Planning and Development | 381,060 | 381,060 |
| Office for the Protection of Children & Young People | 5,980 | 8,720 |
| Office for the Tribunal | 71,570 | 119,130 |
| On Mission Planning | 162,369 | - |
| Other Pastoral Administration Revenue | <u>88,347</u> | <u>100,825</u> |
| Total revenue | <u>\$ 1,275,228</u> | <u>\$ 1,158,001</u> |
| Program/office expenses: | | |
| Office of the Bishop | \$ 453,161 | \$ 437,456 |
| Offices of the Auxiliary Bishops | 10,815 | 12,738 |
| Office of the General Secretary | 135,044 | 131,574 |
| Office of the Associate General Secretary | 449,556 | 316,264 |
| Archives and Records Center | 250,011 | 243,400 |
| Department for Business Services | 239,430 | 301,832 |
| Department for Human Dignity | 57,797 | 77,531 |
| Department for Media & Technology | 247,125 | 241,633 |
| Department for Communications | 443,702 | 456,262 |
| Diocesan Television Production | 21,615 | 51,805 |
| Maintenance and taxes on Diocesan real estate | 264,092 | 256,219 |
| Office for Canonical Services | 104,551 | 150,611 |
| Office for Church Relations | 43,062 | 46,991 |
| Office for Legal Services | 487,080 | 501,220 |
| Office for Financial Services | 776,030 | 746,491 |
| Office for Information Technology | 652,175 | 654,796 |
| Office for Lay Personnel | 112,728 | 113,508 |
| Office for Property Planning and Development | 620,123 | 635,609 |
| Office for Stewardship | 303,362 | 286,813 |
| Office for the Auditors/Analysts | 373,526 | 353,490 |
| Office for the Protection of Children & Young People | 292,945 | 295,759 |
| Compliance with the Charter | 30,559 | 21,691 |
| Office for the Tribunal | 890,217 | 805,502 |
| Office of the Chancellor | 37,970 | 37,927 |
| Office of the Vicar for Church Relations | 35,598 | - |
| On Mission Planning | 162,369 | - |
| Miscellaneous expense | <u>87,204</u> | <u>(6,733)</u> |
| Total expenses | <u>\$ 7,581,847</u> | <u>\$ 7,170,389</u> |

**Catholic Diocese of Pittsburgh
Central Administration Fund**

Schedule 6 - Pastoral Vicariates Revenue and Expenses

Years Ended June 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|-------------------------------------|--------------------------|--------------------------|
| Pastoral vicariates summary: | | |
| Revenue | \$ 4,200 | \$ 4,200 |
| Expenses | <u>579,767</u> | <u>577,133</u> |
| Net expenses | <u><u>\$ 575,567</u></u> | <u><u>\$ 572,933</u></u> |
| Program/office revenue: | | |
| Pastoral Vicariates Revenue | <u>\$ 4,200</u> | <u>\$ 4,200</u> |
| Total revenue | <u><u>\$ 4,200</u></u> | <u><u>\$ 4,200</u></u> |
| Program/office expenses: | | |
| Pastoral Vicariate Region I | \$ 144,548 | \$ 142,962 |
| Pastoral Vicariate Region II | 150,866 | 146,827 |
| Pastoral Vicariate Region III | 133,003 | 140,140 |
| Pastoral Vicariate Region IV | <u>151,350</u> | <u>147,204</u> |
| Total expenses | <u><u>\$ 579,767</u></u> | <u><u>\$ 577,133</u></u> |

**Catholic Diocese of Pittsburgh
Central Administration Fund**

**Schedule 7 - Diocesan Assessments and Pastoral Grants
Revenue and Expenses**

Years Ended June 30, 2015 and 2014

| | 2015 | 2014 |
|--|---------------------|---------------------|
| Diocesan assessments and pastoral grants summary: | | |
| Revenue | \$ 25,600 | \$ 57,600 |
| Expenses | 2,936,502 | 2,606,984 |
| Net expenses | \$ 2,910,902 | \$ 2,549,384 |
| Program/office revenue: | | |
| Grants for Works of Charity | \$ 25,600 | \$ 57,600 |
| Other Assessments and Pastoral Grants Revenue | - | - |
| Total revenue | \$ 25,600 | \$ 57,600 |
| Diocesan assessments and pastoral grants expense: | | |
| Ecumenism | \$ 42,624 | \$ 40,000 |
| Holy See - Provisions of Canon 1271 and other related expenses | 130,000 | 130,000 |
| United States Conference of Catholic Bishops and other related expenses | 134,541 | 130,270 |
| Pennsylvania Catholic Conference and other related expenses | 337,349 | 315,075 |
| Catholic Charities of the Diocese of Pittsburgh, Inc.: | | |
| Grant for Operations | 238,001 | 238,001 |
| Grant for Aging Services | 68,468 | 68,468 |
| Grant for Roselia Center | 38,249 | 38,249 |
| Grants for Works of Charity | 25,600 | 57,600 |
| Pastoral Grants | 1,921,670 | 1,589,321 |
| Total expenses | \$ 2,936,502 | \$ 2,606,984 |