



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

Combined Financial Statements

June 30, 2009 and 2008

(With Independent Auditors' Report Thereon)



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

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

We have audited the accompanying combined statements of financial position of the Central Pastoral Administration of the Archdiocese of Washington (the Central Pastoral Administration) as of June 30, 2009 and 2008, and the related combined statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Central Pastoral Administration's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 the Central Pastoral Administration's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Central Pastoral Administration of the Archdiocese of Washington at June 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the combined financial statements, the Central Pastoral Administration adopted Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements*, and Financial Accounting Standards Board Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*.

Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining information provided in schedules 1 through 4 is presented for the purpose of additional analysis of the combined financial statements rather than to represent the financial position and results of operations of the individual entities and funds and is not a required part of the combined financial statements. The supplementary information included in schedule 5 is presented for purposes of additional analysis and is not a required part of the combined financial statements. The combining information and other supplementary information have been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, are fairly stated in all material respects in relation to the combined financial statements taken as a whole.

KPMG LLP

December 8, 2009

**THE CENTRAL PASTORAL ADMINISTRATION OF
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Combined Statements of Financial Position

June 30, 2009 and 2008

Assets	2009	2008
Cash and cash equivalents	\$ 23,121,070	18,236,174
Investments (note 2)	50,933,870	65,786,186
Accounts receivable, net (note 3)	7,142,240	7,537,835
Contributions receivable, net (note 4)	18,976,275	34,940,106
Prepaid expenses and other assets	355,104	383,214
Notes receivable, net (note 5)	4,827,380	5,829,385
Property and equipment, net (note 6)	32,544,010	32,477,398
Deferred rent receivable (note 7)	6,027,413	4,628,149
Investments restricted for long-term purposes (note 2)	42,990,375	48,618,377
Total assets	\$ 186,917,737	218,436,824
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 7,287,622	4,624,945
Insurance claims and benefits payable (note 9)	4,966,489	6,647,968
Contributions payable (note 8)	6,915,449	9,732,812
Funds held on behalf of others	12,618,483	16,763,220
Collections held for disbursement	2,264,982	2,091,499
Deferred revenue	121,945	206,519
Annuities payable	1,702,702	1,640,760
Accrued liability for Priests' Retirement Plan (note 9)	40,039,412	39,562,321
Total liabilities	75,917,084	81,270,044
Net assets:		
Unrestricted:		
Undesignated (notes 9 and 10)	(27,527,602)	(25,706,973)
Designated (note 10)	26,449,108	44,505,445
Invested in property and equipment	32,544,010	32,477,398
Total unrestricted	31,465,516	51,275,870
Temporarily restricted (note 11)	17,617,422	20,563,028
Permanently restricted (note 11)	61,917,715	65,327,882
Total net assets	111,000,653	137,166,780
Commitments and contingencies (note 15)		
Total liabilities and net assets	\$ 186,917,737	218,436,824

See accompanying notes to combined financial statements.

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Combined Statements of Activities
Years ended June 30, 2009 and 2008

	2009	2008
Changes in unrestricted net assets:		
Revenues, gains, and other support:		
Assessments:		
Parish	\$ 8,419,639	7,904,638
Special school assessments	1,893,041	1,852,888
Other	558,400	548,300
Total assessments	10,871,080	10,305,826
Contributions, donations, gifts, and bequests:		
Archbishop's Appeal	9,218,515	8,167,754
Gifts and bequests (note 4)	890,904	1,156,278
Total contributions, donations, gifts, and bequests	10,109,419	9,324,032
Premiums and insurance billings	32,144,092	32,714,038
Administrative fees	144,279	161,556
Interest income – notes receivable	50,205	74,512
Investment loss, net (note 2)	(17,651,224)	(7,562,986)
Management fees and computer services	85,280	134,628
Tribunal and chancery fees	96,904	101,346
Special program income	662,750	913,511
Rental income	3,285,621	2,661,416
Net gains on property transactions	103,966	—
Other	166,094	178,354
Total revenues, gains, and other support	40,068,466	49,006,233
Net assets released from restrictions (note 12)	6,686,633	16,572,475
Total unrestricted revenues, gains, and other support	46,755,099	65,578,708
Expenses:		
Program services:		
Catholic education:		
School subsidies	1,886,368	7,213,670
Grants-in-aid	2,549,914	920,517
Other programs and administration	2,489,414	2,560,145
Total catholic education	6,925,696	10,694,332
Pastoral ministry and social concerns	8,987,812	8,241,670
Ministerial leadership	4,136,846	4,050,486
Communications	1,443,094	659,130
Parish services	1,056,502	846,028
Insurance and benefits	32,018,643	30,836,854
Priests' retirement benefits	2,023,770	1,992,534
Propagation of the Faith	238,086	532,088
Christ Our Hope – Papal Visit	78,400	5,355,594
Archdiocesan administration	4,603,009	5,249,665
Total program services	61,511,858	68,458,381

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Combined Statements of Activities
Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Supporting services:		
General and administrative	\$ 3,325,492	3,412,343
Fundraising (note 13)	1,822,711	1,836,849
Total supporting services	<u>5,148,203</u>	<u>5,249,192</u>
Total expenses	<u>66,660,061</u>	<u>73,707,573</u>
Decrease in unrestricted net assets before pension related changes other than net periodic pension cost	(19,904,962)	(8,128,865)
Charges other than net periodic benefit cost	<u>94,608</u>	<u>(948,170)</u>
Decrease in unrestricted net assets	<u>(19,810,354)</u>	<u>(9,077,035)</u>
Changes in temporarily restricted net assets:		
Contributions, donations, gifts, and bequests:		
Archbishop's Appeal	2,979,306	2,739,299
Gifts and bequests (note 4)	2,337,949	13,094,131
Total contributions, donations, gifts, and bequests	<u>5,317,255</u>	<u>15,833,430</u>
Investment loss, net (note 2)	(432,275)	(3,274,322)
Bad debt losses on temporarily restricted pledges	(1,143,953)	(5,073,375)
Net assets released from restrictions (note 12)	<u>(6,686,633)</u>	<u>(16,572,475)</u>
Decrease in temporarily restricted net assets	<u>(2,945,606)</u>	<u>(9,086,742)</u>
Changes in permanently restricted net assets:		
Gifts and bequests	720,790	298,380
Bad debt losses on permanently restricted pledges	<u>(4,130,957)</u>	<u>(6,144,787)</u>
Decrease in permanently restricted net assets	<u>(3,410,167)</u>	<u>(5,846,407)</u>
Decrease in net assets	(26,166,127)	(24,010,184)
Net assets at beginning of year	<u>137,166,780</u>	<u>161,176,964</u>
Net assets at end of year	<u>\$ 111,000,653</u>	<u>137,166,780</u>

See accompanying notes to combined financial statements.

**THE CENTRAL PASTORAL ADMINISTRATION OF
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Combined Statements of Cash Flows

Years ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Decrease in net assets	\$ (26,166,127)	(24,010,184)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	967,545	999,244
Net gain on sale of property	(98,354)	—
Bad debt expense	7,323,597	16,859,485
Receipt of contribution of stock	(1,149,619)	(454,055)
Net unrealized and realized investment losses	20,750,430	15,875,495
Decrease (increase) in assets:		
Accounts receivable	(87,663)	(2,904,170)
Contributions receivable	9,150,656	11,947,106
Prepaid expenses and other assets	28,110	32,175
Deferred rent receivable	(1,399,264)	(755,865)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	2,662,677	649,840
Insurance claims payable	(1,681,479)	(737,848)
Contributions payable	(2,817,363)	1,213,207
Funds held on behalf of others	(4,144,737)	(12,125,548)
Collections held for disbursement	173,483	253,540
Deferred revenue	(84,574)	186,219
Annuities payable	61,942	(10,401)
Accrued liability for Priests' Retirement Fund	477,091	1,484,778
Contributions collected and revenues restricted for long-term investment	(4,434,090)	(1,660,164)
Net cash provided by (used in) operating activities	(467,739)	6,842,854
Cash flows from investing activities:		
Purchases of investments	(113,785,807)	(125,306,960)
Proceeds from sale of investments	114,665,314	115,528,424
Proceeds from sale of property	134,700	—
Purchase of property and equipment	(70,503)	(370,365)
Principal payments received on notes receivable	487,334	2,622,490
Amounts disbursed for notes receivable	(512,493)	(3,853,665)
Net cash provided by (used in) investing activities	918,545	(11,380,076)
Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Investment in plant	493,149	188,655
Investment in endowment	3,940,941	1,471,509
Net cash provided by financing activities	4,434,090	1,660,164
Net increase (decrease) in cash and cash equivalents	4,884,896	(2,877,058)
Cash and cash equivalents at beginning of year	18,236,174	21,113,232
Cash and cash equivalents at end of year	\$ 23,121,070	18,236,174
Supplemental disclosure of noncash transactions and other cash flow information:		
Cash paid during the year for interest	\$ —	11,989
Conversion of note receivable to ownership in property	1,000,000	—

See accompanying notes to combined financial statements.

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Notes to Combined Financial Statements

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(1) Summary of Significant Accounting Policies

(a) Organization

The accompanying combined financial statements include only the administrative offices of the Archdiocese of Washington (the Archdiocese) and the five centrally administered corporations: Cornerstone for Tomorrow, Forward in Faith, Inc., Priests' Retirement Fund, Christ Our Hope Foundation, Inc. and Propagation of the Faith. Collectively, these are referred to as the Central Pastoral Administration. The geographic territory encompassed by the Archdiocese is comprised of the District of Columbia and the Maryland counties of Montgomery, Prince George's, Charles, Calvert, and St. Mary's. Christ Our Hope Foundation, Inc. was formed in 2008 to separately account for the revenue and expenses associated with the Holy Father's visit to Washington, D.C., in April 2008. The accompanying combined financial statements include the net financial results of Forward in Faith, Inc. (FIF), a capital campaign undertaken by the Archdiocese of Washington. The FIF campaign raised funds for programs of the Archdiocese, Catholic Charities, and parishes. The funds for Catholic Charities and parishes are recorded as funds held for others in the combined statements of financial position. FIF is a separately incorporated entity governed by an independent board of directors, and the accounting for FIF is performed under a services agreement with the Archdiocese.

The accounts of certain other organizations within the Archdiocese such as parishes, parish schools, corporations, and church-related institutions (such as institutions owned and operated by religious orders of men and women) are not included in the accompanying combined financial statements. Archdiocesan church buildings, rectories, and the like are purchased with the consent of, and are titled and deeded to the Archbishop; however, the separate operating entities have vested interests in these properties, and consequently, the costs of these properties are not included in the accompanying combined financial statements. However, land held for future parish sites and certain other property maintained by the Central Pastoral Administration are included in the accompanying combined statements of financial position.

(b) Basis of Presentation

The accompanying combined financial statements include the financial position, changes in net assets, and cash flows of those entities (as indicated above) under common management.

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions; accordingly, the net assets of the Central Pastoral Administration and changes therein are classified and reported as follows:

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

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Central Pastoral Administration and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Central Pastoral Administration. Generally, the donors of these assets

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permit the Central Pastoral Administration to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Investment income is reported as increases in unrestricted net assets unless its use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

(c) *Cash Equivalents*

For financial statement purposes, the Central Pastoral Administration considers funds in money markets and overnight investments to be cash equivalents, except for money market funds held by investment trustees, which are classified as investments.

(d) *Investments*

Investments are carried at fair value, which is determined using quoted market prices or, with respect to investments without quoted market prices, at estimated fair values provided by external investments managers. The Central Pastoral Administration management reviews and evaluates the fair values provided by the external investments managers and agrees with the valuation methods and assumptions used in determining their estimated fair value. Due to inherent uncertainties of these investments, these values may differ from the fair values that would have been reported had a ready market for such investments existed. If received as a donation, the investment is stated at fair value at the date of donation. Investments related to permanently restricted gifts are classified as investments restricted for long-term purposes.

(e) *Funds Held on Behalf of Others*

The Central Pastoral Administration records amounts due to other organizations as funds held on behalf of others when the monies are received. These amounts consist primarily of contributions received by the Central Pastoral Administration's fundraising campaigns for other Archdiocesan entities and annuities administered by the Central Pastoral Administration for the benefit of other Archdiocesan entities.

(f) *Contributed Services*

A substantial number of unpaid volunteers have made significant contributions of time to various programs. The value of this contributed time is not reflected in these statements because the services did not require specialized skills or create or enhance nonfinancial assets.

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(g) *Income Taxes*

The Archdiocese is exempt from federal income tax, except on unrelated activities, under the provisions of Section 501(c)(3) of the Internal Revenue Code. No provision has been made for income taxes since the Archdiocese had no significant unrelated business income.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 prescribes a threshold of more-likely-than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. FIN 48 also provides related guidance on measurement, classification, interest and penalties, and disclosure. The Central Pastoral Administration expects that the implementation of FIN 48 will have no impact on its statement of financial position or statement of activities and does not believe there are any unrecognized tax benefits that will need to be recorded. On December 30, 2008, the FASB issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*, which defers the effective date of FIN 48 to fiscal years beginning after December 15, 2008. As a result, the Central Pastoral Administration has deferred the application of FIN 48 to the year ending June 30, 2010.

(h) *Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the combined statements of activities; accordingly, certain costs have been allocated among the programs and supporting services benefited.

(i) *Revenue Recognition*

Premiums and insurance billings are recognized as revenue during the period in which coverage is provided. Assessments are recognized as revenue in the period the assessment is made. Fees are recognized as revenue in the period the service is provided.

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received at their net present value. Contributions with donor-imposed temporary restrictions are reported as temporarily restricted revenues and are reclassified to unrestricted net assets when an expense is incurred or a fiscal period is reached that satisfies donor-imposed restrictions.

Rental revenue under tenant leases is recognized on a straight-line basis over the terms of the related leases in accordance with Financial Accounting Standards Board Statement No. 13, *Accounting for Leases* (SFAS No. 13) (see note 7). Revenues for recoveries from tenants for other costs are recognized in the period in which the related expenses are incurred.

(j) *Insurance Claims and Benefits Payable*

The Central Pastoral Administration sponsors property and casualty insurance, workers' compensation insurance, health and medical insurance, and pension benefit programs for organizations within the Archdiocese. Property and casualty, workers' compensation, and health and medical claims are accrued when reported. In addition, an estimate for medical claims incurred but

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

(k) *Annuities Payable*

The Central Pastoral Administration has various charitable gift annuity agreements under which it receives contributed assets in exchange for a promise to pay the donor a fixed amount over a specified period of time, typically until the donor's death. An estimate of the related liability has been recorded based on the present value of future payments using approximate discount rates of 3% to 10% and the actuarial determined life expectancy of the donor. Liabilities under charitable gift annuities are recorded in annuities payable.

(l) *Property and Equipment*

Gifts of property and equipment are recorded at fair market value on the date contributed. The remaining fixed assets are recorded at cost. Property valued at less than \$2,500 is expensed in the year of acquisition.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are: buildings, 40 years; furniture and equipment, 5 years; and automobiles, 5 years.

(m) *Concentration of Credit Risk*

Financial instruments that potentially subject the Central Pastoral Administration to concentrations of credit risk consist primarily of notes receivable. At June 30, 2009 and 2008, the gross notes receivable balance relating to notes from parishes was \$6,732,325 and \$6,680,522, respectively (see note 5).

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

(n) *Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Central Pastoral Administration to make certain estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The establishment of insurance claims payable, including loss reserves related to pending litigation, is based on known facts and interpretation of circumstances and is, therefore, a complex and dynamic process influenced by a variety of factors. Consequently, the establishment of the insurance claims payable and insurance and benefits expense relies on the judgment and opinion of

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management, on historical precedent and trends, and on expectations as to future developments. The process of determining the insurance claims payable involves risks that the actual results could substantially deviate from the estimates made.

(2) Investments

Fair Value Measurements

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements*, which defined fair value, established a framework for measuring fair value, and enhances the disclosures about fair value measurements. Effective July 1, 2008, the Central Pastoral Administration adopted Statement No. 157. This statement does not require any new fair value measures. Statement No. 157 defines fair value as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. Statement No. 157 also establishes a three level fair value hierarchy that describes the inputs that are used to measure assets. The three levels of the hierarchy are as follows:

Level 1 - Unadjusted quoted market prices for identical assets or liabilities in active markets.

Level 2 – Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in nonactive markets;
- Inputs other than quoted prices that are observable for the asset/liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 – Unobservable inputs that cannot be corroborated by observable market data.

The Central Pastoral Administration uses quoted values and other data provided by a nationally recognized independent pricing service (pricing service) as inputs into its process for determining fair value of its investments. The pricing service obtains market quotations and actual transaction prices for securities that have quoted prices in active markets. For securities that do not trade on a daily basis, the pricing service prepares estimates of fair value measurements for these securities based upon its proprietary pricing applications which include available relevant market information, benchmark curves, benchmarking of like securities, sector groupings and matrix pricing.

The Central Pastoral Administration's equity securities trade on a major exchange. Accordingly, such equity securities are disclosed in Level 1. Securities with fixed maturities (Corporate Bonds and Government Sponsored Enterprises) other than U.S. Treasury securities generally do not trade on a daily basis. The fair value estimates of such fixed maturity investments are based on observable market information rather than market quotes. Accordingly, the estimates of fair value for such fixed maturity investments as provided by the pricing service are included in the debt securities amount

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disclosed in Level 2 of the hierarchy. The estimated values of U.S. Treasury securities are included in the debt securities amount disclosed in Level 1 as the estimates are based on unadjusted market prices.

Other investments are oil rights which do not trade on a daily basis. These investments are appraised by a certified appraiser on an annual basis based on observable market inputs and are disclosed in Level 2. The Central Pastoral Administration invests in several institutional money market funds and a fixed income mutual fund whose underlying assets are fixed income instruments. These funds do not usually have daily purchases and redemptions. The fair value estimates of such institutional mutual funds are based on observable market information rather than market quotes. Accordingly, the estimates of fair value for such funds as provided by the pricing service are included in the amount disclosed in Level 2.

The Central Pastoral Administration does not currently hold any Level 3 financial instruments.

The following is a summary of the fair value measurements of Central Pastoral Administration's assets within the fair value hierarchy as of June 30, 2009:

	<u>2009</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>
Assets			
U.S. government agencies	\$ 10,398,359	\$ 6,993,669	\$ 3,404,690
Corporate bonds	3,354,247	—	3,354,247
Fixed income mutual funds	15,837,329	—	15,837,329
Equity securities	54,156,662	54,156,662	—
Money market funds	10,084,348	—	10,084,348
Other investment	93,300	—	93,300
	<u>\$ 93,924,245</u>	<u>\$ 61,150,331</u>	<u>\$ 32,773,914</u>

The fair value of other financial instruments, principally cash and cash equivalents, accounts receivable and accounts payable approximates their carrying value at June 30, 2009 and 2008 because of the short maturity of these items.

In February 2008, the FASB issued FASB Staff Position (FSP) FAS 157-2, Effective Date of FASB Statement No. 157. FSP FAS 157-2 delayed, for one year, the effective date of SFAS No. 157 for all nonfinancial assets and liabilities, except those recognized or disclosed in the financial statements on at least an annual basis. Consequently, SFAS No. 157 will be effective for nonfinancial assets and liabilities for 2009.

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In February 2007, the FASB issued Statement No. 159. Statement No. 159 permits entities to measure many financial instruments and certain other items at fair value. Under this statement an entity is permitted to measure eligible items at fair value at specified election dates. This statement, which does not require any new fair value measures, is effective for fiscal years beginning after November 15, 2007. Management has chosen not to elect the fair value option for eligible assets and liabilities.

Investments recorded at fair value, at June 30, 2009 and 2008, were comprised of the following:

	<u>2009</u>	<u>2008</u>
U.S. government agency obligations	\$ 10,398,359	5,129,633
Corporate bonds	3,354,247	13,558,346
Fixed income mutual funds	15,837,329	15,596,579
Equity securities	54,156,662	72,570,214
Money market funds	10,084,348	7,432,091
Other investment	93,300	117,700
	<u>\$ 93,924,245</u>	<u>114,404,563</u>

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

	<u>2009</u>	<u>2008</u>
Investments held for current operations	\$ 50,933,870	65,786,186
Investments restricted for long-term purposes	42,990,375	48,618,377
	<u>\$ 93,924,245</u>	<u>114,404,563</u>

Investment loss for the years ended June 30, 2009 and 2008 was as follows:

	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 2,953,945	5,531,612
Realized gains and losses, net	(7,232,456)	(30,803)
Unrealized gains and losses, net	(13,517,974)	(15,844,692)
Less administrative investment fees	(287,014)	(493,425)
Investment loss	<u>\$ (18,083,499)</u>	<u>(10,837,308)</u>

Investment loss as reported on the combined statements of activities was as follows:

	<u>2009</u>	<u>2008</u>
Unrestricted	\$ (17,651,224)	(7,562,986)
Temporarily restricted	(432,275)	(3,274,322)
Permanently restricted	—	—
Investment loss	<u>\$ (18,083,499)</u>	<u>(10,837,308)</u>

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UPMIFA

Through June 30, 2008, the Central Pastoral Administration's management and investment of donor-restricted endowment funds was subject to the provisions of the Uniform Management of Institutional Funds Act (UMIFA). In 2006, the Uniform Law Commission approved the model act, Uniform Prudent Management of Institutional Funds Act (UPMIFA), that serves as a guideline to states to use in enacting legislation. Among UPMIFA's most significant changes is the elimination of UMIFA's important concept of historic dollar value threshold, the amount below which an organization could not spend from the fund in favor of a more robust set of guidelines about what constitutes prudent spending.

Effective January 23, 2008, the District of Columbia enacted UPMIFA (the Act) the provisions of which apply to funds existing on or established after that date. The State of Maryland enacted the Act effective April 14, 2009. In addition, in August 2008, FASB Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds (FSP)*, was issued, and its guidelines were effective for fiscal years ending after December 15, 2008. The key component of that FSP is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. Central Pastoral Administration implemented the FSP for the year ending June 30, 2009.

The Finance Council of Central Pastoral Administration has interpreted the Act as requiring the preservation of the fair market value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Central Pastoral Administration classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, Central Pastoral Administration considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of Central Pastoral Administration and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of Central Pastoral Administration, and (7) the investment policies of the organization.

The Central Pastoral Administration has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Central Pastoral Administration must hold in perpetuity or for a donor-specified period(s) as well as designated funds. Under this policy,

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as approved by the Finance Council, the endowment assets are invested in a manner that is intended to produce results that meet or exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Central Pastoral Administration expects its endowment funds, over time, to provide an average rate-of-return of approximately 8 percent annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Central Pastoral Administration relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Central Pastoral Administration targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Central Pastoral Administration's policy includes the following: the classification of restricted gifts, the investment of restricted gifts, the definition of income earned, and the calculation of annual distributions. Gifts are pooled and invested to ensure assets increase over time thereby enhancing the funds' long-term health and fiscal viability. Income earned includes interest, dividends, and realized/unrealized gains and losses unless otherwise specified by the donor. Distributions can be made annually at a rate not to exceed 4% of the sum of the fair market value of the permanently restricted net assets and the income earned (which are classified as temporarily restricted net assets) using a three year rolling average.

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Endowment Net Assets Composition by Type of Fund as of June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (7,055,240)	184,556	39,333,653	32,462,969
Designated endowment funds	5,476,713	—	—	5,476,713
Total funds	<u>\$ (1,578,527)</u>	<u>184,556</u>	<u>39,333,653</u>	<u>37,939,682</u>

Changes in Endowment Net Assets for the Fiscal Year ended June 30, 2009

Endowment net assets, beginning of year	\$ 7,088,923	(760,017)	36,655,833	42,984,739
Investment return:				
Investment income	572,091	89,309	—	661,400
Gains/(losses) (realized and unrealized)	<u>(6,765,094)</u>	<u>(443,489)</u>	<u>—</u>	<u>(7,208,583)</u>
Total investment return	(6,193,003)	(354,180)	—	(6,547,183)
Contributions	—	—	2,677,820	2,677,820
Replenish Net Assets	(1,362,203)	1,362,203	—	—
Appropriation of endowment assets for expenditure	<u>(1,112,244)</u>	<u>(63,450)</u>	<u>—</u>	<u>(1,175,694)</u>
Endowment net assets, end of year	<u>\$ (1,578,527)</u>	<u>184,556</u>	<u>39,333,653</u>	<u>37,939,682</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the states' enacted legislation requires Central Pastoral Administration to retain as a fund for perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$7,055,240 and \$1,362,203 as of June 30, 2009 and 2008, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of the new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Finance Council.

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Endowment Net Assets Composition by Type of Fund as of June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ —	(760,017)	36,655,833	35,895,816
Designated endowment funds	7,088,923	—	—	7,088,923
Total funds	\$ 7,088,923	(760,017)	36,655,833	42,984,739

Changes in Endowment Net Assets for the Fiscal Year ended June 30, 2008

Endowment net assets, beginning of year	\$ 7,810,647	2,409,697	31,584,191	41,804,535
Investment return:				
Investment income	216,556	1,002,933	—	1,219,489
Gains/(losses) (realized and unrealized)	(756,455)	(3,370,516)	—	(4,126,971)
Total investment return	(539,899)	(2,367,583)	—	(2,907,482)
Contributions	—	—	5,071,642	5,071,642
Appropriation of endowment assets for expenditure	(181,825)	(802,131)	—	(983,956)
Endowment net assets, end of year	\$ 7,088,923	(760,017)	36,655,833	42,984,739

(3) Accounts Receivable

Accounts receivable at June 30, 2009 and 2008 is comprised of the following:

	Gross	Allowance for doubtful accounts	Totals	
			2009	2008
Accounts receivable:				
Assessments	\$ 956,000	115,361	840,639	797,639
Insurance	6,895,146	2,252,450	4,642,696	5,090,564
Trade	553,970	90,194	463,776	886,016
Other	1,978,732	783,603	1,195,129	763,616
	\$ 10,383,848	3,241,608	7,142,240	7,537,835

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Total allowance for doubtful accounts as of June 30, 2008 was \$2,819,944. Most of the accounts receivable are due from related parties including parishes and Archdiocesan-related corporations and institutions (see note 14).

(4) Contributions Receivable

Contributions receivable are summarized as follows at June 30, 2009 and 2008:

	2009	2008
Unconditional promises before unamortized discount and allowance for uncollectibles expected to be collected in:		
Less than one year	\$ 29,965,820	30,572,108
One year to five years	15,411,648	25,956,991
More than five years	260,780	2,080,675
	45,638,248	58,609,774
Less unamortized discount (discount rates ranging from 3.8% to 5%)	(1,611,773)	(2,922,045)
Less allowance for uncollectible contributions receivable	(25,050,200)	(20,747,623)
	\$ 18,976,275	34,940,106

(5) Notes Receivable

Notes receivable at June 30, 2009 and 2008 is comprised of the following:

	2009	2008
Notes receivable:		
Parishes	\$ 6,732,325	6,680,522
Related corporations	2,105,424	2,132,068
Other	8,571	1,008,571
	8,846,320	9,821,161
Less allowance for uncollectible notes receivable	(4,018,940)	(3,991,776)
	\$ 4,827,380	5,829,385

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(6) Property and Equipment

Property and equipment at June 30, 2009 and 2008 is comprised of the following:

	2009	2008
Land	\$ 9,409,273	8,750,557
Future parish sites	894,182	894,182
Buildings	32,475,737	32,145,736
Furniture and equipment	2,822,407	2,821,369
Automobiles	527,655	596,795
Construction in progress	710,766	710,766
	46,840,020	45,919,405
Less accumulated depreciation	(14,296,010)	(13,442,007)
	\$ 32,544,010	32,477,398

Depreciation expense was approximately \$968,000 and \$999,000 for the years ended June 30, 2009 and 2008, respectively.

(7) Deferred Rent Receivable

The Archdiocese entered into a ground lease arrangement through 2099 using land adjacent to St. Matthew's Cathedral. The Archdiocese received ground lease income of \$240,000 per year through June 30, 2005 and, effective July 1, 2005, began receiving \$1 million per year for the remaining lease term (subject to consumer price index fluctuations with a floor increase of 1.5% and other factors), 50% of which will be shared with St. Matthew's Cathedral.

The Archdiocese also entered into a ground lease arrangement through 2102 using land owned by St. Patrick's parish. The Archdiocese received ground lease income of \$252,000 per year through September 30, 2006, and effective October 1, 2006, began receiving lease income totaling \$642,675 per year (subject to consumer price index (CPI) fluctuations with a floor increase of 1.5% and other factors), which will continue through February 2012. Beginning approximately March 2012 and for the remaining lease term, 50% of the annual lease income will be received by the Archdiocese and 50% of the annual lease income will be paid directly to St. Patrick's parish.

U.S. generally accepted accounting principles require rental income, including all future contractually stipulated increases, to be recognized on a straight line basis over the term of a lease. Therefore, the minimum 1.5% CPI increase has been projected from inception through the 99 year lease terms to determine the annual straight line rental income amount. The differential between the straight line amount and the actual amount received is recorded as a deferred rent receivable, and U.S. generally accepted accounting principles relating to lease accounting do not permit discounting of deferred rent receivables. The deferred rent receivable balance was \$6,027,413 and \$4,628,149 at June 30, 2009 and 2008, respectively. This amount will continue to increase through 2057 and begin reversing in 2058 until the deferred rent receivable is reduced to zero at the end of the 99 year lease terms. The Central Pastoral

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Administration has also recorded a liability representing the 50% share of the receivable for St. Matthew's Cathedral totaling \$2,632,820 and \$2,067,208 at June 30, 2009 and 2008, respectively, and is included in accounts payable and accrued expenses in the accompanying combined statements of financial position.

Approximate future minimum rental payments to be received, net of amounts to be paid to St. Matthew's for years ending June 30 are as follows:

	Future minimum rental to be received	Amounts to be paid to St. Matthew's	Net rental
2010	\$ 1,742,000	(534,000)	1,208,000
2011	1,771,000	(543,000)	1,228,000
2012	1,509,000	(551,000)	958,000
2013	1,475,000	(559,000)	916,000
2014	1,499,000	(567,000)	932,000
Thereafter	282,296,000	(98,738,000)	183,558,000
	<u>\$ 290,292,000</u>	<u>(101,492,000)</u>	<u>188,800,000</u>

(8) Contributions Payable

Contributions payable represent subsidies to be given to certain organizations located within the Archdiocese and are summarized as follows at June 30, 2009 and 2008:

	2009	2008
Unconditional promises before unamortized discount expected to be disbursed in:		
Less than one year	\$ 6,801,352	9,568,785
One year to five years	110,000	147,000
More than five years	25,000	50,000
	<u>6,936,352</u>	<u>9,765,785</u>
Less unamortized discount using discount rates ranging from 4% to 6%	<u>(20,903)</u>	<u>(32,973)</u>
	<u>\$ 6,915,449</u>	<u>9,732,812</u>

(9) Benefit Plans

(a) Multiemployer Plan for Lay Persons

The Central Pastoral Administration employees participate in a multiemployer defined-benefit pension plan (the Plan). The Plan covers substantially all full-time lay employees of the Archdiocese and other affiliated organizations. To be eligible for participation in the Plan, an employee must have

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completed one year of service, be over 21 years of age, and regularly work 20 or more hours per week. It is Archdiocesan policy to provide for all costs currently in the employee pension plan. The Central Pastoral Administration records as services revenue an amount equal to the pension cost for lay persons in the parishes, schools, offices, and other affiliated organizations. The total expense for the Plan for the years ended June 30, 2009 and 2008 was \$7,830,355 and \$7,497,093, respectively, of which approximately \$451,377 and \$407,665, respectively, relates to lay persons working at the Central Pastoral Administration. The total expense is included in insurance and benefits expense in the combined statements of activities. The liability to the Plan represents unpaid contributions and at June 30, 2009 and 2008 was \$1,296,351 and \$3,004,266, respectively, and is recorded in insurance claims and benefits payable in the accompanying combined statements of financial position.

(b) *Defined Contribution Plan*

The employees of the Central Pastoral Administration participate in a defined contribution 403(b) plan. Since only employees contribute to the plan, there is no employer expense related to the Plan.

(c) *Priests' Retirement Plan*

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

The actuarial present value of accumulated plan benefits is determined by the Plan's actuary using actuarial assumptions to reflect the time value of money, probability of payment, and cost-of-living adjustments. The Archdiocese has contributed approximately \$13.1 million and \$15.6 million into a separate corporation which is included in these combined financial statements as of June 30, 2009 and 2008, respectively. These assets are invested in corporate bonds, equity securities, and money market investments. The assets, which are not included in a separate trust, are included as part of investments in the accompanying combined statements of financial position.

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The following table sets forth the amounts recognized in the combined financial statements as of and for the years ended June 30, 2009 and 2008:

	<u>Year ended June 30, 2009</u>			<u>Year ended June 30, 2008</u>		
	<u>Pension</u>	<u>Post- retirement medical</u>	<u>Total</u>	<u>Pension</u>	<u>Post- retirement medical</u>	<u>Total</u>
Change in benefit obligation:						
Benefit obligation at beginning of year	\$ 23,867,989	15,694,332	39,562,321	21,350,801	16,726,742	38,077,543
Service cost	303,344	235,613	538,957	301,213	293,898	595,111
Interest cost	1,470,484	952,596	2,423,080	1,229,159	986,524	2,215,683
Actuarial (gain) loss	42,604	86,221	128,825	2,241,127	(993,044)	1,248,083
Benefits paid	<u>(1,278,803)</u>	<u>(1,334,968)</u>	<u>(2,613,771)</u>	<u>(1,254,311)</u>	<u>(1,319,788)</u>	<u>(2,574,099)</u>
Benefit obligation at end of year	<u>24,405,618</u>	<u>15,633,794</u>	<u>40,039,412</u>	<u>23,867,989</u>	<u>15,694,332</u>	<u>39,562,321</u>
Change in plan assets:						
Fair value of plan assets at beginning of year	—	—	—	—	—	—
Employer contributions	1,278,803	1,334,968	2,613,771	1,254,311	1,319,788	2,574,099
Benefits paid	<u>(1,278,803)</u>	<u>(1,334,968)</u>	<u>(2,613,771)</u>	<u>(1,254,311)</u>	<u>(1,319,788)</u>	<u>(2,574,099)</u>
Fair value of plan assets at end of year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Accrued benefit cost	<u><u>\$ (24,405,618)</u></u>	<u><u>(15,633,794)</u></u>	<u><u>(40,039,412)</u></u>	<u><u>(23,867,989)</u></u>	<u><u>(15,694,332)</u></u>	<u><u>(39,562,321)</u></u>

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	<u>Year ended June 30, 2009</u>			<u>Year ended June 30, 2008</u>		
	<u>Pension</u>	<u>Post- retirement medical</u>	<u>Total</u>	<u>Pension</u>	<u>Post- retirement medical</u>	<u>Total</u>
Charges other than net periodic benefit cost						
Net loss (gain) for period	\$ 42,604	86,221	128,825	2,241,127	(993,044)	1,248,083
Amortization of net loss	(56,111)	(47,350)	(103,461)	—	(179,941)	(179,941)
Amortization of prior service cost	(119,972)	—	(119,972)	(119,972)	—	(119,972)
Charges other than net periodic benefit cost	<u>\$ (133,479)</u>	<u>38,871</u>	<u>(94,608)</u>	<u>2,121,155</u>	<u>(1,172,985)</u>	<u>948,170</u>
Items not yet recognized as a component of net periodic pension/benefit cost:						
Net loss	\$ 4,398,979	3,366,363	7,765,342	4,412,486	3,327,492	7,739,978
Prior service cost	1,523,637	—	1,523,637	1,643,609	—	1,643,609
Items not yet recognized as a component of net periodic pension/benefit cost	<u>\$ 5,922,616</u>	<u>3,366,363</u>	<u>9,288,979</u>	<u>6,056,095</u>	<u>3,327,492</u>	<u>9,383,587</u>
Actuarial assumptions used:						
End of year benefit obligation	6.25%	6.25%		6.75%	6.75%	
Net periodic benefit cost	6.75	6.75		6.00	6.00	

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Amounts to be amortized into net periodic benefit cost over the next fiscal year relating to net loss of the postretirement plan total \$112,553 and the net loss of the pension plan total \$103,620.

Amounts to be amortized into net periodic benefit cost over the next fiscal year relating to prior service cost of the postretirement plan total \$119,972.

For measurement purposes, an 8.5% and 9.0% annual rate of increase in per capita cost of covered healthcare benefits was assumed for 2009 and 2008 respectively. The rate is assumed to decrease to 5% for 2015 and remain at that level thereafter. Long term care costs are assumed to be \$49,994 per year per covered participant.

Estimated future benefit payments as of June 30, 2009 are as follows:

	<u>Postretirement</u>	<u>Retirement</u>
Years ending June 30:		
2010	\$ 1,172,695	1,724,638
2011	1,249,607	1,753,752
2012	1,338,150	1,814,295
2013	1,425,111	1,855,216
2014	1,498,243	1,876,502
2015 – 2019	8,338,225	9,046,590

In 2010, the Central Pastoral Administration expects to contribute to the Plan \$1,172,695 for postretirement benefits and \$1,724,638 for retirement benefits.

(10) Undesignated and Designated Net Assets

Unrestricted net assets have been designated by the Central Pastoral Administration at June 30, 2009 and 2008 as follows:

	<u>2009</u>	<u>2008</u>
Designated for:		
Operations	\$ 2,602,706	5,172,848
Deferred rent receivable (note 7)	3,394,593	2,560,941
Cornerstone for Tomorrow	6,801,789	9,139,444
Forward in Faith	(7,600,001)	1,353,065
Propagation of the Faith	—	46,484
Insurance reserves	21,250,021	26,232,663
	<u>\$ 26,449,108</u>	<u>44,505,445</u>

The undesignated net deficit balances of \$27,527,602 and \$25,706,973 include the net deficit of the Priest Retirement Plan of \$26,950,283 and \$23,957,079 at June 30, 2009 and 2008, respectively.

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(11) Temporarily and Permanently Restricted Net Assets

The following summarizes the nature of the temporarily restricted net assets at June 30, 2009 and 2008 and the purposes for which such net assets may be used:

	<u>2009</u>	<u>2008</u>
Future time periods' general operations	\$ 6,370,037	7,522,313
Catholic education	3,426,865	2,493,697
Propagation of the faith	670,428	693,749
Social concerns	5,263,914	7,469,975
Clergy education	1,886,178	2,383,294
	<u>\$ 17,617,422</u>	<u>20,563,028</u>

The following summarizes the nature of the permanently restricted net assets at June 30, 2009 and 2008 and the purposes for which the income or a portion of income on such net assets may be used:

	<u>2009</u>	<u>2008</u>
Catholic education	\$ 47,477,748	49,080,573
Social concerns	12,013,781	13,519,899
Clergy education	2,426,186	2,727,410
	<u>\$ 61,917,715</u>	<u>65,327,882</u>

(12) Net Assets Released from Restrictions

Net assets were released from temporary restrictions by incurring expenses satisfying the restricted purposes or by the passage of time as follows:

	<u>2009</u>	<u>2008</u>
Program services	\$ 3,736,911	12,840,583
Passage of time:		
Archbishop's appeal	2,739,299	3,453,436
Collection of other pledges	210,423	278,456
	<u>\$ 6,686,633</u>	<u>16,572,475</u>

(13) Forward in Faith Campaign

The Archdiocese conducted the *Forward in Faith* capital campaign. The campaign goal was \$135 million, with \$60 million to be raised from major donors and \$75 million to be collected during the parish phases of the campaign.

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The *Forward in Faith* campaign objectives included raising temporarily restricted contributions including, for example, \$5 million to build a missionary seminary; permanently restricted contributions, including a \$35 million educational scholarship endowment; and funds raised for others, including \$20 million for Catholic Charities and \$15 million that will be shared by the parishes.

The pledges receivable have been recorded in their respective net asset classes, net of related discounts for the present value of collections expected in future years and net of an allowance for expected uncollectible amounts. For the year ended June 30, 2009, the allowance for uncollectible pledges for amounts raised through parishes was determined based on Forward in Faith's actual collection experience. Pledges raised through parishes and having no payments received within the past year were reserved at 90%. Other accounts with delinquent payments were reserved at various percentages from 50% to 90%. Pledges of amounts raised through parishes and pledges from major donors in current status were reserved at 5% of the outstanding balance. Major donors in delinquent status were reserved on an individual basis at percentages from 15% to 90% at June 30, 2008, and were fully reserved at June 30, 2009.

Amounts raised through parishes are generally shared 80% by the Central Pastoral Administration and 20% by the parish, based on the parish specific goal, and at 50% each for funds raised in excess of that goal. The portion belonging to the parishes is reported as funds held in trust for others, not as revenue to the Central Pastoral Administration. The proportion of pledges received attributable to campaign objectives outside the Central Pastoral Administration are considered funds raised for others, and are, therefore, also reported as funds held on behalf of others and not as revenue to the Central Pastoral Administration.

(14) Related-Party Transactions

The Central Pastoral Administration has significant transactions with parishes and related corporations of the Archdiocese of Washington. Below is a summary of the impact of significant transactions with these related parties on the combined statements of financial position and combined statements of activities:

	June 30	
	2009	2008
Accounts receivable, gross	\$ 9,059,205	8,414,666
Notes receivable, gross	8,823,361	8,812,590
Accounts payable and accrued expenses	3,376,421	2,571,145
Contributions payable	6,581,682	7,561,308
Funds held on behalf of others	11,749,898	16,200,237
Annuities payable	1,115,093	1,092,796

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	June 30	
	2009	2008
Revenues:		
Parish assessments	\$ 8,419,639	7,904,638
Special school assessments	1,893,041	1,852,888
Other assessments	558,400	548,300
Special program income	253,823	14,000
Premiums and insurance billings	32,144,092	32,714,038
Administrative fees	144,279	161,556
Rental income	1,093,787	599,180
Interest income – notes receivable	49,716	38,124
Management fees and computer services	85,280	134,628
	\$ 44,642,057	43,967,352
Expenses:		
Catholic education	\$ 3,971,347	6,945,281
Other program service subsidies	5,434,159	4,503,074
Insurance and benefits	829,591	530,461
	\$ 10,235,097	11,978,816

A former member of the Finance Council, an advisory group to the Archbishop, and a current member of the Forward in Faith Board was also chairman and a director of a financial institution with which the Central Pastoral Administration maintains accounts for a large portion of its cash and investments. At June 30, 2009 and 2008, this institution held \$59 million and \$57 million, respectively, in cash and investments for the Archdiocese. This institution is also the issuer of the line of credit and the secured party to which the Archdiocese has guaranteed debt for related entities (see note 15).

(15) Commitments and Contingencies

(a) Insurance and Litigation Matters

Effective July 1, 1987, the Archdiocese of Washington and several other (Arch)dioceses covered by Catholic Mutual Group, formed the Catholic Umbrella Pool (CUP) to self-insure portions of the excess property, liability and morality coverage. On May 16, 1998, CUP was separately incorporated and Catholic Mutual Group was selected as administrator. Catholic Mutual Group provides property, liability and excess coverage for CUP members.

Membership in CUP has grown since its inception and the Archdiocese's interest in CUP's assets varies based on the Archdiocese's annual contribution and the number of CUP dioceses for a particular year. The Archdiocese's participation ranges from 9.91% for fiscal year 1988 to 6.1% for fiscal year 2009.

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In an effort to control loss exposure, CUP developed specific risk management policies that all CUP members must follow. When a loss occurs that is covered by CUP, the loss is allocated to each member based on the percentage of each member's contribution for that fiscal year. As of the most recent financial statement date, June 30, 2009, CUP provides liability coverage for its members equal to 64.3% of \$3,500,000 in excess of \$1,500,000. In addition, CUP participates in coverage in excess of \$1,500,000 to a limit of \$5,000,000 for morality certificates and in excess of \$1,500,000 to a limit of \$20,500,000 for liability certificates. Outside of CUP's portion, Catholic Mutual Group purchases reinsurance for the layers up to the \$20,500,000 limit.

The Central Pastoral Administration and Archdiocesan organizations have been named in various lawsuits relating to possible liability incidents. Certain lawsuits are covered, in full or in part, by the Catholic Umbrella Pool or external insurance coverage. Insurance claims payable have been established and accrued in the accompanying combined statements of financial position for those cases where the potential liability is reasonably estimable and probable, and not covered by insurance.

The amount of loss from the remaining lawsuits and others cannot be estimated as of June 30, 2009 and 2008. The ultimate resolution of these matters and others could result in losses in excess of the insurance coverage and accrued insurance claims payable in the near term.

(b) *Revolving Credit Facility*

The Central Pastoral Administration, through powers of the Archbishop, maintains a revolving credit facility with a bank to provide financing for parishes and related organizations totaling \$65 million. Lines of credit, letters of credit, and term loans are permitted. Interest is calculated, at the discretion of the borrower, under one of the following methods:

- (1) a floating rate at 150 basis points over the 90-day LIBOR;
- (2) a fixed rate at 100 basis points over the equivalent term U.S. Treasury note yield up to 10 years; or
- (3) a floating prime rate as listed in the *Wall Street Journal* less 1.25%.

The agreement for making new advances with repayment due under terms agreed to at the time of each draw expired April 30, 2009 but was renewed on July 29, 2009 at the same terms. At June 30, 2009 and 2008, the Central Pastoral Administration is contingently liable for loans outstanding totaling approximately \$40,091,311 and \$37,687,000, respectively, for 61 and 60, respectively, loans for parishes and other organizations.

(c) *Corporation Guarantees*

The Central Pastoral Administration has also given assurance that it will provide financial support, if necessary, to keep certain Archdiocesan-related corporations in operation through December 31, 2010.

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

Notes to Combined Financial Statements

June 30, 2009 and 2008

(16) Subsequent Events

In preparing these financial statements, the Central Pastoral Administration has evaluated events and transactions for potential recognitions or disclosure through December 8, 2009, the date that the financial statements were available to be issued. Other than noted below, there were no events or transactions that were discovered during the evaluation that required accrual or further disclosure.

On October 8, 2009, the Central Pastoral Administration entered into a Letter of Agreement with another bank to provide a \$65 million line of credit for the purpose of providing additional financing for the Archdiocese, parishes and related organizations. The Agreement expires on October 7, 2010. Interest is calculated, at the discretion of the borrower, under one of the following methods:

- (1) a floating rate at 175 basis points over LIBOR; or
- (2) a fixed rate equal to the Bank's cost of funds plus 175 basis points which contains a break funding indemnification provision; or
- (3) a fixed rate equal to the Bank's cost of funds plus 175 basis points which does not contain a break funding indemnification provision.

This Central Pastoral Administration line of credit is limited to \$65 million in aggregate debt outstanding under the terms of this line of credit and the line of credit facility disclosed in note 15(b).

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

Combining Schedule of Financial Position

June 30, 2009

Assets	Operations	Services	Cornerstone for Tomorrow	Forward in Faith	Priests' Retirement Fund	Propagation of the Faith	Christ Our Hope – Papal Visit	Combined totals
Cash and cash equivalents	\$ 12,776,345	638,578	883,446	8,206,818	213,417	160,701	241,765	23,121,070
Investments	8,421,980	21,026,200	8,028,116	—	12,698,624	758,950	—	50,933,870
Accounts receivable, net	2,442,358	4,447,608	—	56,994	195,088	192	—	7,142,240
Contributions receivable, net	3,753,670	—	3,006,374	12,216,231	—	—	—	18,976,275
Prepaid expenses and other assets	68,997	251,046	—	—	—	—	35,061	355,104
Notes receivable, net	1,558,969	—	—	3,268,411	—	—	—	4,827,380
Property and equipment, net	32,544,010	—	—	—	—	—	—	32,544,010
Deferred rent receivable	6,027,413	—	—	—	—	—	—	6,027,413
Investments restricted for long-term purposes	211,398	—	3,955,473	38,823,504	—	—	—	42,990,375
Total assets	<u>\$ 67,805,140</u>	<u>26,363,432</u>	<u>15,873,409</u>	<u>62,571,958</u>	<u>13,107,129</u>	<u>919,843</u>	<u>276,826</u>	<u>186,917,737</u>
Liabilities and Net Assets								
Liabilities:								
Accounts payable and accrued expenses	\$ 7,139,015	127,290	—	—	18,000	1,817	1,500	7,287,622
Insurance claims payable	—	4,966,489	—	—	—	—	—	4,966,489
Contributions payable	5,750,779	—	—	995,000	—	169,670	—	6,915,449
Funds held on behalf of others	3,962,113	—	—	8,655,555	—	815	—	12,618,483
Collections held for disbursement	2,187,869	—	—	—	—	77,113	—	2,264,982
Deferred revenue	102,313	19,632	—	—	—	—	—	121,945
Annuities payable	1,702,702	—	—	—	—	—	—	1,702,702
Accrued liability for Priests' Retirement Fund	—	—	—	—	40,039,412	—	—	40,039,412
Total liabilities	<u>20,844,791</u>	<u>5,113,411</u>	<u>—</u>	<u>9,650,555</u>	<u>40,057,412</u>	<u>249,415</u>	<u>1,500</u>	<u>75,917,084</u>
Net assets:								
Unrestricted:								
Undesignated	1,399,729	—	—	(1,977,048)	(26,950,283)	—	—	(27,527,602)
Designated	5,997,299	21,250,021	6,801,789	(7,600,001)	—	—	—	26,449,108
Invested in property and equipment	32,544,010	—	—	—	—	—	—	32,544,010
Total unrestricted	39,941,038	21,250,021	6,801,789	(9,577,049)	(26,950,283)	—	—	31,465,516
Temporarily restricted	6,807,913	—	5,116,147	4,747,608	—	670,428	275,326	17,617,422
Permanently restricted	211,398	—	3,955,473	57,750,844	—	—	—	61,917,715
Total net assets	46,960,349	21,250,021	15,873,409	52,921,403	(26,950,283)	670,428	275,326	111,000,653
Total liabilities and net assets	<u>\$ 67,805,140</u>	<u>26,363,432</u>	<u>15,873,409</u>	<u>62,571,958</u>	<u>13,107,129</u>	<u>919,843</u>	<u>276,826</u>	<u>186,917,737</u>

See accompanying independent auditors' report.

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

Combining Schedule of Financial Position

June 30, 2008

Assets	Operations	Services	Cornerstone for Tomorrow	Forward in Faith	Priests' Retirement Fund	Propagation of the Faith	Christ Our Hope – Papal Visit	Combined totals
Cash and cash equivalents	\$ 11,198,746	100,100	648,774	7,174,529	(1,466,015)	—	580,040	18,236,174
Investments	7,438,074	27,825,659	10,608,121	1,809,513	16,895,767	1,209,052	—	65,786,186
Accounts receivable, net	2,303,658	4,897,075	—	121,274	193,490	377	21,961	7,537,835
Contributions receivable, net	3,865,640	—	4,598,883	26,475,583	—	—	—	34,940,106
Prepaid expenses and other assets	176,653	170,800	—	—	—	—	35,761	383,214
Notes receivable, net	2,466,948	—	—	3,362,437	—	—	—	5,829,385
Property and equipment, net	32,477,398	—	—	—	—	—	—	32,477,398
Deferred rent receivable	4,628,149	—	—	—	—	—	—	4,628,149
Investments restricted for long-term purposes	211,398	—	3,955,473	44,451,506	—	—	—	48,618,377
Total assets	<u>\$ 64,766,664</u>	<u>32,993,634</u>	<u>19,811,251</u>	<u>83,394,842</u>	<u>15,623,242</u>	<u>1,209,429</u>	<u>637,762</u>	<u>218,436,824</u>
Liabilities and Net Assets								
Liabilities:								
Accounts payable and accrued expenses	\$ 4,216,404	95,400	—	—	18,000	950	294,191	4,624,945
Insurance claims payable	—	6,647,968	—	—	—	—	—	6,647,968
Contributions payable	7,838,335	—	—	1,521,500	—	372,977	—	9,732,812
Funds held on behalf of others	2,914,898	—	—	13,845,957	—	2,365	—	16,763,220
Collections held for disbursement	1,998,595	—	—	—	—	92,904	—	2,091,499
Deferred revenue	188,916	17,603	—	—	—	—	—	206,519
Annuities payable	1,640,760	—	—	—	—	—	—	1,640,760
Accrued liability for Priests' Retirement Fund	—	—	—	—	39,562,321	—	—	39,562,321
Total liabilities	<u>18,797,908</u>	<u>6,760,971</u>	<u>—</u>	<u>15,367,457</u>	<u>39,580,321</u>	<u>469,196</u>	<u>294,191</u>	<u>81,270,044</u>
Net assets:								
Unrestricted:								
Undesignated	(1,124,583)	—	—	(625,311)	(23,957,079)	—	—	(25,706,973)
Designated	7,733,789	26,232,663	9,139,444	1,353,065	—	46,484	—	44,505,445
Invested in property and equipment	32,477,398	—	—	—	—	—	—	32,477,398
Total unrestricted	39,086,604	26,232,663	9,139,444	727,754	(23,957,079)	46,484	—	51,275,870
Temporarily restricted	6,670,754	—	6,716,334	6,138,620	—	693,749	343,571	20,563,028
Permanently restricted	211,398	—	3,955,473	61,161,011	—	—	—	65,327,882
Total net assets	<u>45,968,756</u>	<u>26,232,663</u>	<u>19,811,251</u>	<u>68,027,385</u>	<u>(23,957,079)</u>	<u>740,233</u>	<u>343,571</u>	<u>137,166,780</u>
Total liabilities and net assets	<u>\$ 64,766,664</u>	<u>32,993,634</u>	<u>19,811,251</u>	<u>83,394,842</u>	<u>15,623,242</u>	<u>1,209,429</u>	<u>637,762</u>	<u>218,436,824</u>

See accompanying independent auditors' report.

THE CENTRAL PASTORAL ADMINISTRATION OF
THE ARCHDIOCESE OF WASHINGTON

Combining Schedule of Activities

Year ended June 30, 2009

	Operations	Services	Cornerstone for Tomorrow	Forward in Faith	Priests' Retirement Fund	Propagation of the Faith	Christ Our Hope – Papal Visit	Combining entries	Combining totals
Changes in unrestricted net assets:									
Revenues, gains, and other support:									
Assessments:									
Parish	\$ 8,419,639	—	—	—	—	—	—	—	8,419,639
Special school assessments	1,893,041	—	—	—	—	—	—	—	1,893,041
Other	558,400	—	—	—	—	—	—	—	558,400
Total assessments	10,871,080	—	—	—	—	—	—	—	10,871,080
Contributions, donations, gifts, and bequests:									
Archbishop's Appeal	9,218,515	—	—	—	—	—	—	—	9,218,515
Gifts and bequests	909,549	—	—	—	—	—	—	(18,645)	890,904
Total contributions, donations, gifts, and bequests	10,128,064	—	—	—	—	—	—	(18,645)	10,109,419
Premiums and insurance billings	—	32,848,866	—	—	2,650,345	—	—	(3,355,119)	32,144,092
Administrative fees	144,279	—	—	—	—	—	—	—	144,279
Interest income – notes receivable	50,205	—	—	—	—	—	—	—	50,205
Investment loss, net	(429,914)	(4,827,456)	(2,095,414)	(7,526,365)	(2,772,075)	—	—	—	(17,651,224)
Management fees and computer services	2,344,801	—	—	—	—	—	—	(2,259,521)	85,280
Tribunal and chancery fees	96,904	—	—	—	—	—	—	—	96,904
Special program income	661,845	—	—	—	—	—	905	—	662,750
Rental income	3,412,776	—	—	—	—	—	—	(127,155)	3,285,621
Net gain on property transactions	103,966	—	—	—	—	—	—	—	103,966
Other	158,480	7,614	—	—	—	—	—	—	166,094
Total revenues, gains, and other support	27,542,486	28,029,024	(2,095,414)	(7,526,365)	(121,730)	—	905	(5,760,440)	40,068,466
Net assets released from restrictions	4,176,190	—	1,741,500	446,662	—	244,786	77,495	—	6,686,633
Total unrestricted revenues, gains, and other support	31,718,676	28,029,024	(353,914)	(7,079,703)	(121,730)	244,786	78,400	(5,760,440)	46,755,099
Expenses:									
Program services:									
Catholic education:									
School subsidies	1,836,368	—	—	50,000	—	—	—	—	1,886,368
Grants-in-aid	2,549,914	—	—	—	—	—	—	—	2,549,914
Other programs and administration	2,640,058	—	—	—	—	—	—	(150,644)	2,489,414
Total Catholic education	7,026,340	—	—	50,000	—	—	—	(150,644)	6,925,696
Pastoral ministry and social concerns	8,531,213	—	—	995,000	—	—	—	(538,401)	8,987,812
Ministerial leadership	5,062,481	—	—	—	—	—	—	(925,635)	4,136,846
Communications	1,462,931	—	—	—	—	—	—	(19,837)	1,443,094
Parish services	1,159,536	—	—	—	—	—	—	(103,034)	1,056,502
Insurance and benefits	488,211	33,566,666	—	—	—	—	—	(2,036,234)	32,018,643
Priests' retirement benefits	—	—	—	—	2,966,082	—	—	(942,312)	2,023,770
Propagation of the Faith	4,006	—	—	—	—	291,270	—	(57,190)	238,086
Christ Our Hope – Papal visit	—	—	—	—	—	—	78,400	—	78,400
Archdiocesan administration	5,357,389	—	—	—	—	—	—	(754,380)	4,603,009
Total program services	29,092,107	33,566,666	—	1,045,000	2,966,082	291,270	78,400	(5,527,667)	61,511,858

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

Combining Schedule of Activities

Year ended June 30, 2009

	<u>Operations</u>	<u>Services</u>	<u>Cornerstone for Tomorrow</u>	<u>Forward in Faith</u>	<u>Priests' Retirement Fund</u>	<u>Propagation of the Faith</u>	<u>Christ Our Hope – Papal Visit</u>	<u>Combining entries</u>	<u>Combining totals</u>
Supporting expenses:									
General and administrative	\$ 3,482,558	—	—	—	—	—	—	(157,066)	3,325,492
Fundraising	1,898,418	—	—	—	—	—	—	(75,707)	1,822,711
Total supporting services	5,380,976	—	—	—	—	—	—	(232,773)	5,148,203
Total expenses	34,473,083	33,566,666	—	1,045,000	2,966,082	291,270	78,400	(5,760,440)	66,660,061
Transfers:									
Designated net assets expended	542,244	—	(242,244)	(300,000)	—	—	—	—	—
Temporarily restricted net assets expended	3,621,597	—	(1,741,497)	(1,880,100)	—	—	—	—	—
Subsidize special health care for clergy	(555,000)	555,000	—	—	—	—	—	—	—
Total transfers	3,608,841	555,000	(1,983,741)	(2,180,100)	—	—	—	—	—
Pension related changes other than net period pension cost	—	—	—	—	94,608	—	—	—	94,608
Increase (decrease) in unrestricted net assets	854,434	(4,982,642)	(2,337,655)	(10,304,803)	(2,993,204)	(46,484)	—	—	(19,810,354)
Changes in temporarily restricted net assets:									
Contributions, donations, gifts, and bequests:									
Archbishop's Appeal	2,979,306	—	—	—	—	—	—	—	2,979,306
Gifts and bequests	1,357,332	—	495,494	199,603	—	276,270	9,250	—	2,337,949
Total contributions, donations, gifts, and bequests	4,336,638	—	495,494	199,603	—	276,270	9,250	—	5,317,255
Investment loss, net	(23,289)	—	(354,181)	—	—	(54,805)	—	—	(432,275)
Bad debt losses on temporarily restricted pledges	—	—	—	(1,143,953)	—	—	—	—	(1,143,953)
Net assets released from restrictions	(4,176,190)	—	(1,741,500)	(446,662)	—	(244,786)	(77,495)	—	(6,686,633)
Increase (decrease) in temporarily restricted net assets	137,159	—	(1,600,187)	(1,391,012)	—	(23,321)	(68,245)	—	(2,945,606)
Changes in permanently restricted net assets:									
Gifts and bequests	—	—	—	720,790	—	—	—	—	720,790
Bad debt losses on permanently restricted pledges	—	—	—	(4,130,957)	—	—	—	—	(4,130,957)
Decrease in permanently restricted net assets	—	—	—	(3,410,167)	—	—	—	—	(3,410,167)
Change in net assets	991,593	(4,982,642)	(3,937,842)	(15,105,982)	(2,993,204)	(69,805)	(68,245)	—	(26,166,127)
Net assets at beginning of year	45,968,756	26,232,663	19,811,251	68,027,385	(23,957,079)	740,233	343,571	—	137,166,780
Net assets at end of year	\$ 46,960,349	21,250,021	15,873,409	52,921,403	(26,950,283)	670,428	275,326	—	111,000,653

See accompanying independent auditors' report.

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

Combining Schedule of Activities

Year ended June 30, 2008

	<u>Operations</u>	<u>Services</u>	<u>Cornerstone for Tomorrow</u>	<u>Forward in Faith</u>	<u>Priests' Retirement Fund</u>	<u>Propagation of the Faith</u>	<u>Christ Our Hope – Papal Visit</u>	<u>Combining entries</u>	<u>Combining totals</u>
Changes in unrestricted net assets:									
Revenues, gains, and other support:									
Assessments:									
Parish	\$ 7,904,638	—	—	—	—	—	—	—	7,904,638
Special school assessments	1,852,888	—	—	—	—	—	—	—	1,852,888
Other	548,300	—	—	—	—	—	—	—	548,300
Total assessments	<u>10,305,826</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,305,826</u>
Contributions, donations, gifts, and bequests:									
Archbishop's Appeal	8,167,754	—	—	—	—	—	—	—	8,167,754
Gifts and bequests	1,104,473	—	—	—	70,450	—	—	(18,645)	1,156,278
Total contributions, donations, gifts, and bequests	<u>9,272,227</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>70,450</u>	<u>—</u>	<u>—</u>	<u>(18,645)</u>	<u>9,324,032</u>
Premiums and insurance billings	—	33,916,117	—	—	1,967,786	—	—	(3,169,865)	32,714,038
Administrative fees	161,556	—	—	—	—	—	—	—	161,556
Interest income – notes receivable	74,512	—	—	—	—	—	—	—	74,512
Investment income (loss), net	(267,028)	(3,483,855)	(1,519,036)	(716,453)	(1,712,700)	136,086	—	—	(7,562,986)
Management fees and computer services	2,388,648	—	—	—	—	—	—	(2,254,020)	134,628
Tribunal and chancery fees	101,346	—	—	—	—	—	—	—	101,346
Special program income	631,089	—	—	—	—	—	282,422	—	913,511
Rental income	2,785,901	—	—	—	—	—	—	(124,485)	2,661,416
Other	175,408	2,946	—	—	—	—	—	—	178,354
Total revenues, gains, and other support	<u>25,629,485</u>	<u>30,435,208</u>	<u>(1,519,036)</u>	<u>(716,453)</u>	<u>325,536</u>	<u>136,086</u>	<u>282,422</u>	<u>(5,567,015)</u>	<u>49,006,233</u>
Net assets released from restrictions	6,788,996	—	789,128	3,375,021	—	446,236	5,173,094	—	16,572,475
Total unrestricted revenues, gains, and other support	<u>32,418,481</u>	<u>30,435,208</u>	<u>(729,908)</u>	<u>2,658,568</u>	<u>325,536</u>	<u>582,322</u>	<u>5,455,516</u>	<u>(5,567,015)</u>	<u>65,578,708</u>
Expenses:									
Program services:									
Catholic education:									
School subsidies	7,338,460	—	—	(124,790)	—	—	—	—	7,213,670
Grants-in-aid	570,517	—	—	350,000	—	—	—	—	920,517
Other programs and administration	2,736,340	—	—	—	—	—	—	(176,195)	2,560,145
Total Catholic education	<u>10,645,317</u>	<u>—</u>	<u>—</u>	<u>225,210</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(176,195)</u>	<u>10,694,332</u>
Pastoral ministry and social concerns	7,771,097	—	—	938,589	—	—	—	(468,016)	8,241,670
Ministerial leadership	4,769,851	—	—	—	—	—	—	(719,365)	4,050,486
Communications	680,718	—	—	—	—	—	—	(21,588)	659,130
Parish services	944,577	—	—	—	—	—	—	(98,549)	846,028
Insurance and benefits	467,388	32,465,934	—	—	—	—	—	(2,096,468)	30,836,854
Priests' retirement benefits	—	—	—	—	2,875,326	—	—	(882,792)	1,992,534
Propagation of the Faith	4,039	—	—	—	—	582,322	—	(54,273)	532,088
Christ Our Hope – Papal visit	—	—	—	—	—	—	5,455,516	(99,922)	5,355,594
Archdiocesan administration	5,981,113	—	—	—	—	—	—	(731,448)	5,249,665
Total program services	<u>31,264,100</u>	<u>32,465,934</u>	<u>—</u>	<u>1,163,799</u>	<u>2,875,326</u>	<u>582,322</u>	<u>5,455,516</u>	<u>(5,348,616)</u>	<u>68,458,381</u>

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

Combining Schedule of Activities

Year ended June 30, 2008

	<u>Operations</u>	<u>Services</u>	<u>Cornerstone for Tomorrow</u>	<u>Forward in Faith</u>	<u>Priests' Retirement Fund</u>	<u>Propagation of the Faith</u>	<u>Christ Our Hope – Papal Visit</u>	<u>Combining entries</u>	<u>Combining totals</u>
Supporting expenses:									
General and administrative	\$ 3,572,750	—	—	—	—	—	—	(160,407)	3,412,343
Fundraising	1,894,841	—	—	—	—	—	—	(57,992)	1,836,849
Total supporting services	5,467,591	—	—	—	—	—	—	(218,399)	5,249,192
Total expenses	36,731,691	32,465,934	—	1,163,799	2,875,326	582,322	5,455,516	(5,567,015)	73,707,573
Transfers:									
Designated net assets expended	789,128	—	(789,128)	—	—	—	—	—	—
Temporarily restricted net assets expended	2,829,590	—	(181,825)	(2,647,765)	—	—	—	—	—
Subsidize special health care for clergy	(600,000)	600,000	—	—	—	—	—	—	—
Total transfers	3,018,718	600,000	(970,953)	(2,647,765)	—	—	—	—	—
Pension related changes other than net period pension cost	—	—	—	—	(948,170)	—	—	—	(948,170)
Decrease in unrestricted net assets	(1,294,492)	(1,430,726)	(1,700,861)	(1,152,996)	(3,497,960)	—	—	—	(9,077,035)
Changes in temporarily restricted net assets:									
Contributions, donations, gifts, and bequests:									
Archbishop's Appeal	2,739,299	—	—	—	—	—	—	—	2,739,299
Gifts and bequests	3,462,012	—	(171,180)	3,753,160	—	533,474	5,516,665	—	13,094,131
Total contributions, donations, gifts, and bequests	6,201,311	—	(171,180)	3,753,160	—	533,474	5,516,665	—	15,833,430
Investment income/(loss), net	7,448	—	(235,684)	(3,046,086)	—	—	—	—	(3,274,322)
Bad debt losses on temporarily restricted pledges	—	—	—	(5,073,375)	—	—	—	—	(5,073,375)
Net assets released from restrictions	(6,788,996)	—	(789,128)	(3,375,021)	—	(446,236)	(5,173,094)	—	(16,572,475)
Increase (decrease) in temporarily restricted net assets	(580,237)	—	(1,195,992)	(7,741,322)	—	87,238	343,571	—	(9,086,742)
Changes in permanently restricted net assets:									
Gifts and bequests	—	—	—	298,380	—	—	—	—	298,380
Bad debt losses on permanently restricted pledges	—	—	—	(6,144,787)	—	—	—	—	(6,144,787)
Decrease in permanently restricted net assets	—	—	—	(5,846,407)	—	—	—	—	(5,846,407)
Change in net assets	(1,874,729)	(1,430,726)	(2,896,853)	(14,740,725)	(3,497,960)	87,238	343,571	—	(24,010,184)
Net assets at beginning of year	47,843,485	27,663,389	22,708,104	82,768,110	(20,459,119)	652,995	—	—	161,176,964
Net assets at end of year	\$ 45,968,756	26,232,663	19,811,251	68,027,385	(23,957,079)	740,233	343,571	—	137,166,780

See accompanying independent auditors' report.

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

Combined Schedule of Functional Expenses
Year ended June 20, 2009
(with comparative totals for 2008)

	Program services							
	Catholic education	Pastoral ministry & social concerns	Ministerial leadership	Communi- cations	Parish services	Insurance and benefits	Priests' retirement benefits	Propagation of the Faith
Salaries and benefits:								
Compensation of clergy and religious	\$ —	707,715	389,271	—	—	—	1,278,803	70,076
Benefits – clergy	—	99,789	95,153	—	—	667,179	10,154	6,000
Salaries and wages – lay persons	1,282,069	1,485,626	316,165	207,109	563,128	301,928	—	27,792
Benefits – lay persons	116,138	128,394	30,761	14,795	43,362	42,061	—	2,276
Total salaries and benefits	1,398,207	2,421,524	831,350	221,904	606,490	1,011,168	1,288,957	106,144
Continuing education and retreats – clergy	—	4,000	1,842,727	—	—	37,989	7,200	—
Supplies	14,428	36,098	35,453	2,633	8,871	2,835	—	1,285
Telephone, postage, and printing	115,310	132,281	73,922	67,676	16,805	14,369	—	5,558
Conferences, meetings, and travel	184,556	196,823	139,042	512	41,813	1,677	—	11,861
Professional fees	355,390	155,212	368,521	259,404	11,354	1,897,609	133,930	—
Food and beverages	22,557	69,877	80,140	7,321	204	1,265	—	103
Contributions and grants-in-aid	2,678,609	1,366,150	114,071	—	1,500	—	—	79,056
Utilities and maintenance	9,368	27,182	156,253	—	222,792	750	—	—
Interest	—	—	—	—	—	—	—	—
Subsidies	1,900,000	3,864,488	253,802	650,932	—	—	—	—
Other	12,325	171,451	60,656	188,072	(6,042)	326,674	21,984	34,079
Insurance premiums	—	—	—	—	—	11,111,832	—	—
Claims and benefits	—	—	—	—	—	17,527,894	571,699	—
Total expenses before allocation	6,690,750	8,445,086	3,955,937	1,398,454	903,787	31,934,062	2,023,770	238,086
Allocation of property operations and financial, computer, and personnel	234,946	542,726	180,909	44,640	152,715	84,581	—	—
Total expenses after allocation	\$ 6,925,696	8,987,812	4,136,846	1,443,094	1,056,502	32,018,643	2,023,770	238,086

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

Combined Schedule of Functional Expenses

Year ended June 20, 2009
(with comparative totals for 2008)

	Program services			Supporting services				Totals	
	Archdiocesan administration	Christ Our Hope – Papal Visit	Subtotal program services	General and administrative	Property operations	Fundraising	Subtotal supporting services	2009	2008
	Salaries and benefits:								
Compensation of clergy and religious	\$ 297,242	—	2,743,107	22,214	—	—	22,214	2,765,321	2,686,057
Benefits – clergy	80,844	—	959,119	4,200	—	—	4,200	963,319	979,120
Salaries and wages – lay persons	1,006,712	—	5,190,529	1,366,308	882,027	627,068	2,875,403	8,065,932	7,525,679
Benefits – lay persons	105,990	—	483,777	128,885	71,486	44,828	245,199	728,976	666,236
Total salaries and benefits	1,490,788	—	9,376,532	1,521,607	953,513	671,896	3,147,016	12,523,548	11,857,092
Continuing education and retreats – clergy	2,160	2,333	1,896,409	240	—	9,320	9,560	1,905,969	1,622,535
Supplies	70,942	17,970	190,515	21,535	56,283	6,695	84,513	275,028	1,002,845
Telephone, postage, and printing	125,603	37,127	588,651	38,690	62,496	415,347	516,533	1,105,184	1,065,715
Conferences, meetings, and travel	196,672	—	772,956	22,004	10,708	10,383	43,095	816,051	838,395
Professional fees	906,938	36,028	4,124,386	342,830	274,291	365,170	982,291	5,106,677	7,541,922
Food and beverages	75,364	—	256,831	3,409	10,190	26,366	39,965	296,796	338,296
Contributions and grants-in-aid	604,262	916	4,844,564	615	—	200	815	4,845,379	5,458,720
Utilities and maintenance	249,505	—	665,850	1,644	1,035,947	461	1,038,052	1,703,902	1,244,007
Interest	82,734	—	82,734	—	—	—	—	82,734	162,317
Subsidies	29,089	—	6,698,311	—	—	—	—	6,698,311	10,972,693
Other	148,694	(15,974)	941,919	16,038	997,485	133,615	1,147,138	2,089,057	3,399,437
Insurance premiums	—	—	11,111,832	—	—	—	—	11,111,832	11,300,771
Claims and benefits	—	—	18,099,593	—	—	—	—	18,099,593	16,902,828
Total expenses before allocation	3,982,751	78,400	59,651,083	1,968,612	3,400,913	1,639,453	7,008,978	66,660,061	73,707,573
Allocation of property operations and financial, computer, and personnel	620,258	—	1,860,775	1,356,880	(3,400,913)	183,258	(1,860,775)	—	—
Total expenses after allocation	\$ 4,603,009	78,400	61,511,858	3,325,492	—	1,822,711	5,148,203	66,660,061	73,707,573

See accompanying independent auditors' report.