

Combined Financial Statements and Supplementary  
Information and Report of Independent Certified  
Public Accountants

**Central Services of the Roman  
Catholic Archbishop of Baltimore**

*(A corporation sole of the State of Maryland, and other combined entities)*

June 30, 2018 and 2017

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## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Your Excellency William E. Lori  
Archbishop of Baltimore  
Central Services of the Roman Catholic Archbishop of Baltimore,  
A corporation sole of the State of Maryland, and other combined entities

We have audited the accompanying combined financial statements of Central Services of the Roman Catholic Archbishop of Baltimore, a corporation sole of the State of Maryland, and other combined entities (the “Combined Entities”), which comprise the combined statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

### **Management’s responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with 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 combined 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 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 audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Combined Entities as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Supplementary Information*

The accompanying schedules, on pages 45 - 59, included as supplementary information as of and for the years ended June 30, 2018 and 2017 are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.



Arlington, Virginia  
November 28, 2018

## **COMBINED FINANCIAL STATEMENTS**

**Central Services of the Roman Catholic Archbishop of Baltimore**  
(A corporation sole of the State of Maryland, and other combined entities)

**COMBINED STATEMENTS OF FINANCIAL POSITION**

June 30, 2018 and 2017

	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 22,238,981	\$ 14,189,109
Investments:		
Unrestricted investments	20,483,697	21,729,849
Board designated investments	78,833,643	75,787,171
Permanently restricted investments and split-interest agreements	17,437,184	16,021,834
Total investments	116,754,524	113,538,854
Agency assets held for others	2,683,691	2,439,458
Prepays and other assets	2,184,190	1,371,812
Loans and accounts receivable from Archdiocesan parishes and schools, net of allowance of \$37,002,462 and \$33,880,280 in 2018 and 2017, respectively	27,782,716	28,379,436
Contributions receivable, net of allowance and discounts of \$3,816,275 and \$11,343,749 in 2018 and 2017, respectively	14,078,000	21,494,590
Property and equipment, net	25,219,117	25,459,687
Total assets	\$210,941,219	\$206,872,946
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Demand notes payable to Archdiocesan parishes	\$ 1,191,434	\$ 1,644,061
Agency funds and liabilities to related entities	4,928,291	2,651,458
Accounts payable, accrued expenses and interest rate swap agreements	26,104,119	30,562,354
Grants payable	6,779,264	8,277,640
Claims reserve for insurance liabilities	13,055,250	11,889,089
Pension and post-retirement benefit obligations	35,965,562	46,990,560
Tax-exempt and long-term notes payable	30,230,597	31,079,664
Total liabilities	118,254,517	133,094,826
Net assets		
Unrestricted	63,002,224	39,143,053
Temporarily restricted	12,247,294	18,613,233
Permanently restricted	17,437,184	16,021,834
Total net assets	92,686,702	73,778,120
Total liabilities and net assets	\$210,941,219	\$206,872,946

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

**Central Services of the Roman Catholic Archbishop of Baltimore**  
(A corporation sole of the State of Maryland, and other combined entities)

**COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

Year ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues, gains and other support:</b>				
Operating income				
Cathedraticum	\$ 14,877,728	\$ -	\$ -	\$ 14,877,728
Program and service fees	4,873,805	2,231,833	-	7,105,638
Annual appeal gifts and pledges, net	9,086,213	-	-	9,086,213
Partners in Excellence gifts and pledges, net	885,867	163,750	-	1,049,617
Embracing Our Mission gifts and pledges, net	797,560	2,954,030	-	3,751,590
Gifts and trust income	1,118,013	-	-	1,118,013
Contributions and bequests	2,833,646	-	-	2,833,646
Reserve for uncollectable pledges	-	(579,970)	-	(579,970)
Excess of assets acquired over liabilities assumed in donation of the Cathedral Foundation	456,087	-	321,298	777,385
Other income	2,929,113	-	-	2,929,113
Net assets released from restrictions	<u>11,135,582</u>	<u>(11,135,582)</u>	<u>-</u>	<u>-</u>
Total operating revenues	49,993,614	(6,365,939)	321,298	42,948,973
Investment income				
Investment earnings, net	1,154,720	-	-	1,154,720
Split-interest irrevocable trusts	-	-	1,094,052	1,094,052
Gain from interest rate swap agreements	1,693,124	-	-	1,693,124
Realized gain	1,346,796	-	-	1,346,796
Unrealized gain	<u>433,195</u>	<u>-</u>	<u>-</u>	<u>433,195</u>
Total investment income	4,627,835	-	1,094,052	5,721,887
Other operations, net				
Insurance operations	5,559,331	-	-	5,559,331
Child Nutrition Program	<u>(136,131)</u>	<u>-</u>	<u>-</u>	<u>(136,131)</u>
Total other operations, net	<u>5,423,200</u>	<u>-</u>	<u>-</u>	<u>5,423,200</u>
Total revenues, gains and other support	59,044,649	(6,365,939)	1,415,350	54,094,060
<b>Expenses:</b>				
Central management and administration	12,056,114	-	-	12,056,114
Fundraising and development	4,977,931	-	-	4,977,931
Evangelization and pastoral services	16,420,759	-	-	16,420,759
Department of Catholic Schools	6,321,681	-	-	6,321,681
Priest care and retired clergy	(7,052,037)	-	-	(7,052,037)
Clergy services and programs	<u>2,461,030</u>	<u>-</u>	<u>-</u>	<u>2,461,030</u>
Total expenses	<u>35,185,478</u>	<u>-</u>	<u>-</u>	<u>35,185,478</u>
<b>Changes in net assets</b>	23,859,171	(6,365,939)	1,415,350	18,908,582
<b>Net assets, beginning of year</b>	<u>39,143,053</u>	<u>18,613,233</u>	<u>16,021,834</u>	<u>73,778,120</u>
<b>Net assets, end of year</b>	<u>\$ 63,002,224</u>	<u>\$ 12,247,294</u>	<u>\$ 17,436,184</u>	<u>\$ 92,686,702</u>

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

**Central Services of the Roman Catholic Archbishop of Baltimore**  
(A corporation sole of the State of Maryland, and other combined entities)

**COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS -  
CONTINUED**

Year ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues, gains and other support:</b>				
Operating income				
Cathedraticum	\$ 14,559,749	\$ -	\$ -	\$ 14,559,749
Program and service fees	3,110,626	1,863,287	-	4,973,913
Annual appeal gifts and pledges, net	9,802,180	-	-	9,802,180
Partners in Excellence gifts and pledges, net	818,156	1,050,250	-	1,868,406
Embracing Our Mission gifts and pledges, net	1,004,532	1,596,487	-	2,601,019
Gifts and trust income	1,451,579	-	-	1,451,579
Contributions and bequests	2,370,303	-	-	2,370,303
Reserve for uncollectable pledges	-	(247,543)	-	(247,543)
Other income	3,031,244	-	-	3,031,244
Net assets released from restrictions	13,861,713	(13,861,713)	-	-
Total operating revenues	50,010,082	(9,599,232)	-	40,410,850
Investment income				
Investment earnings, net	865,468	-	-	865,468
Split-interest irrevocable trusts	-	-	963,107	963,107
Gain from interest rate swap agreements	2,652,932	-	-	2,652,932
Realized gain	423,115	-	-	423,115
Unrealized gain	1,527,278	-	27,894	1,555,172
Total investment income	5,468,793	-	991,001	6,459,794
Other operations, net				
Insurance operations	5,109,398	-	-	5,109,398
Child Nutrition Program	(153,099)	-	-	(153,099)
Total other operations, net	4,956,299	-	-	4,956,299
Total revenues, gains and other support	60,435,174	(9,599,232)	991,001	51,826,943
<b>Expenses:</b>				
Central management and administration	15,989,844	-	-	15,989,844
Fundraising and development	5,061,521	-	-	5,061,521
Evangelization and pastoral services	13,760,394	-	-	13,760,394
Department of Catholic Schools	9,674,129	-	-	9,674,129
Priest care and retired clergy	(5,700,996)	-	-	(5,700,996)
Clergy services and programs	2,134,385	-	-	2,134,385
Total expenses	40,919,277	-	-	40,919,277
<b>Changes in net assets</b>	19,515,897	(9,599,232)	991,001	10,907,666
<b>Net assets, beginning of year</b>	19,627,156	28,212,465	15,030,833	62,870,454
<b>Net assets, end of year</b>	\$ 39,143,053	\$ 18,613,233	\$ 16,021,834	\$ 73,778,120

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



**Central Services of the Roman Catholic Archbishop of Baltimore**  
(A corporation sole of the State of Maryland, and other combined entities)

**COMBINED STATEMENTS OF CASH FLOWS**

Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ 18,908,582	\$ 10,907,666
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	512,972	471,927
Excess of assets acquired over liabilities assumed in the donation of the Cathedral Foundation	(1,065,591)	-
Gain on disposal	-	(110,721)
Net realized and unrealized gain on insurance investments	(2,431,820)	(2,615,041)
Net realized and unrealized gain on investments	(2,874,042)	(2,941,394)
Net unrealized gain on swaps	(1,693,124)	(2,652,932)
(Decrease) increase in allowance for doubtful accounts	(3,702,560)	3,500,503
Changes in assets and liabilities		
Increase in agency assets held for others	(244,233)	(247,019)
Decrease in contributions receivable	14,859,148	11,325,658
Increase in receivables from parishes and schools	(3,929,921)	(5,911,708)
Decrease in loans and notes receivable	786,643	644,284
(Increase) decrease in prepaid and other assets	(812,378)	845,464
Increase (decrease) in agency liabilities to related entities	2,276,833	(124,597)
Decrease in unfunded retirement obligations	(11,024,998)	(8,987,951)
Decrease in accounts payable, accrued expenses, and claims reserve for insurance liabilities	(1,598,951)	(4,428,197)
(Decrease) increase in grants payable	<u>(1,498,376)</u>	<u>1,468,871</u>
Net cash provided by operating activities	6,468,184	2,044,813
<b>Cash flows from investing activities</b>		
Purchase of land, building and equipment	-	(1,599,142)
Proceeds from sale of land, building and equipment	504,983	-
Purchase of investments	(14,507,940)	(23,948,264)
Proceeds from sales and maturities of investments	<u>16,615,058</u>	<u>26,386,886</u>
Net cash provided by investing activities	2,612,101	839,480
<b>Cash flows from financing activities</b>		
Cash received in acquisition of Cathedral Foundation	288,206	-
Payment of long-term debt	(849,067)	(849,069)
Proceeds from notes payable to archdiocesan parishes	623,698	297,986
Principal payments on notes payable to archdiocesan parishes	<u>(1,093,250)</u>	<u>(2,158,750)</u>
Net cash used in financing activities	<u>(1,030,413)</u>	<u>(2,709,833)</u>
Net increase in cash and cash equivalents	8,049,872	174,460
<b>Cash and cash equivalents, beginning of year</b>	<u>14,189,109</u>	<u>14,014,649</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 22,238,981</u>	<u>\$ 14,189,109</u>

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

# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2018 and 2017

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### NOTE 1 - ORGANIZATION

The accompanying combined financial statements include the operations and accounts of Central Services, a part of the Roman Catholic Archbishop of Baltimore, a corporation sole of the State of Maryland (the “Corporation Sole”, “Central Services” or “Archdiocese”), the Archbishop of Baltimore Annual Appeal Trust (“Archbishop’s Annual Appeal”) and Route 175 East, LLC. The Corporation Sole, the Archbishop’s Annual Appeal and Route 175 East, LLC are combined in accordance with U.S. generally accepted accounting principles (“Combined Entities”). Significant programs and campaigns of Central Services includes, the Partners in Excellence scholarship campaign (“PIE”), the Embracing Our Mission capital campaign (“EOM”), and the Child Nutrition Program.

The Central Services’ offices are located in the Catholic Center building in Baltimore, Maryland. Central Services is organized around six departments (Office of the Archbishop, Catholic Schools, Management Services, Development, Evangelization and Human Resources) which are responsible for providing certain services and programs. In exchange for various assessments and fees, Central Services operates as the fiscal and administrative division of the Corporation Sole. Central Services’ functions provide direct support to parishes and schools, including fundraising, program development, centralized benefits and insurance administration, coordination of capital and repair projects, legal services, and financing programs. Major sources of revenues for Central Services are the cathedraticum assessment of the parishes, program and service fees related to religious and education programs, and premiums charged to offset costs of centralized benefits and insurance.

Certain funds in the combined financial statements are held in trust for specific purposes, are held in custody for other entities, or are owned by entities separate from the Corporation Sole and are not available to the Corporation Sole. Such funds include, but are not limited to, parish and school funds, funds in the insurance program, and separate trusts and endowment funds. The combined financial statements do not include individual parishes or schools, Inter-parish Loan Fund, Inc. (“IPLF”), The Catholic Community Foundation of the Archdiocese of Baltimore, Inc. (“CCF”), and certain other affiliates.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Presentation**

The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Central Services of the Roman Catholic Archbishop of Baltimore**  
(A corporation sole of the State of Maryland, and other combined entities)

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2018 and 2017**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Cash and Cash Equivalents**

Cash and cash equivalents consist of short-term, highly liquid investments that are readily convertible into known amounts of cash and have original maturities of three months or less.

**Concentration of Credit Risk**

Financial instruments which potentially subject the Combined Entities to concentrations of credit risk consist of cash and temporary investments, investments in debt and equity securities, and receivables. The Combined Entities place its cash and temporary investments with credit worthy, high quality financial institutions. Though the fair value of investments is subject to fluctuations on a year to year basis the Combined Entities believe that its investment policies are prudent for the long-term welfare of the organization.

Cash balances may exceed amounts insured by federal agencies from time to time and therefore bear a risk of loss. The Combined Entities have not experienced such losses on these funds.

Loans, notes, grants and accounts receivables are primarily amounts due from parishes and schools related to insurance, capital projects, and other activities. Credit risk is limited to the geographic dispersion of the various entities and the related party nature of transactions.

**Investments**

Investments are carried at fair value and realized and unrealized gains and losses are reflected in the combined statements of activities and changes in net assets.

Investments in securities of permanently restricted net assets are maintained in a pool under a trust agreement with a bank. An investment advisor, with general guidelines from the Archdiocesan Board of Financial Administration, a subcommittee of the Board of Directors, has full discretionary authority for the purchase and sale of securities. A portion of the investment pool is unitized on a fair value basis with individual funds subscribing to or disposing of units on the basis of the fair value per unit.

Investment income is recorded as revenue in the appropriate net asset classification in accordance with donor stipulations, if any.

**Central Services of the Roman Catholic Archbishop of Baltimore**  
(A corporation sole of the State of Maryland, and other combined entities)

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2018 and 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Investments - continued**

Investments, at fair value, consist of the following at June 30:

	2018	2017
Short-term marketable securities	\$ 15,218,815	\$ 15,653,627
Stocks	51,376,022	47,913,347
Bonds	49,721,260	49,741,164
Alternatives	438,427	230,716
Total investments	\$116,754,524	\$113,538,854

The cost basis of investments at June 30, 2018 and 2017 was \$105,613,654 and \$104,871,893, respectively. Management expenses related to the purchase and sale of investments amounted to \$238,577 and \$276,587 for the fiscal years ended 2018 and 2017, respectively, and are included in investment earnings.

Investment income (loss) for the year ended June 30 is as follows:

	2018	2017
Dividend and investment income, net	\$ 1,698,356	\$ 1,394,839
Parish and School Lending Programs, net	(543,636)	(529,371)
Change in fair value of interest rate swap	1,693,124	2,652,932
Investment market gain	2,874,043	2,941,394
Total investment income	\$ 5,721,887	\$ 6,459,794

Investments are categorized on the combined statements of financial position in accordance with the intended use of the investment assets. Information regarding each category is as follows:

- **Unrestricted Investments** - Unrestricted investments are held for general purposes of the Combined Entities. Interest and earnings generated from these investments are used for the general operations of the Combined Entities.

# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Investments - continued

- **Board Designated Investments** - Investments that have been raised by specific programs of the Combined Entities and intended solely for the use of these programs. Details include:

	<u>2018</u>	<u>2017</u>
Insurance programs held in trusts	\$ 56,559,533	\$ 55,035,270
Annual, Campaign and PIE fundraising collections that will be used within 12 months	2,576,749	3,061,664
School Fund proceeds to be used within 12 months	446,942	496,068
Specific programs of Central Services	16,854,487	14,451,954
Property Fund	<u>2,395,932</u>	<u>2,742,215</u>
Total designated investments	<u>\$ 78,833,643</u>	<u>\$ 75,787,171</u>

- **Temporarily Restricted Investments** - Investments that are held for specific donor-imposed stipulations, of which, are not expected to be fully fulfilled within the next twelve month period.
- **Permanently Restricted Investments** - Investments originating from permanently imposed donor restrictions. These investments include the value of split interest investments, described below, and the corpus amount of permanently restricted endowment gifts.

#### Agency Assets Held for Others

Central Services acts as a custodian in an investment program which is administered by a commercial bank for parishes, schools, and affiliates of the Archdiocese to utilize. Central Services does not have any variance power in terms of the use of these investments or any economic interest. The Archdiocesan Investment Committee reviews investment performance and recommends changes, if necessary, to available investment options. The value of these assets is also accounted for as a liability on the combined statements of financial position. Central Services receives no investment income or records any changes on the combined statements of activities and changes in net assets relating to their agency assets.

**Central Services of the Roman Catholic Archbishop of Baltimore**  
(A corporation sole of the State of Maryland, and other combined entities)

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2018 and 2017**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Split Interest Agreements**

Central Services is a partial beneficiary to several trusts established by donors. The assets held by a third party trustee pertaining to these trusts will not revert to the Archdiocese at any time and the income received is used in accordance with donor stipulations. These irrevocable and perpetual assets held in trust are recorded at fair value at the date of initial recognition and any change in fair value is recorded as an unrealized gain or loss to split interest irrevocable trusts. These assets had a fair value of \$16,941,028 and \$15,534,712 as of June 30, 2018 and 2017, respectively, which are included in permanently restricted investments on the combined statements of financial position. The fair value increased by \$1,406,316 during the fiscal year 2018.

The Combined Entities also have several charitable gift annuities in which they are the beneficiary upon the death of the donor. Revenue from these agreements is recognized at the date the agreement is established, net of the liability recorded for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. As of June 30, 2018 and 2017, the Combined Entities had \$45,382 and \$44,275, respectively, in prepaid and other assets on the combined statements of financial position related to these agreements.

**Loans and Accounts Receivable**

Archdiocesan parishes, schools, and affiliated entities engage Central Services to perform a variety of programs and compensate Central Services for such services. Major revenues include cathedraticum assessments to parishes, insurance program premiums, and school related fees. Cathedraticum is the primary operating source for the Central Services budget and is a formula-driven assessment applied to unrestricted income of all parishes within the Archdioceses. The assessment is 6.5% on the first \$100,000 raised; 12.5% on the next \$100,000; and, 15.5% on all unrestricted funds recorded thereafter during the respective fiscal year.

Additionally, Central Services administers a financing program that is unaffiliated with IPLF. This program is primarily related to loans associated with the 2007 tax-exempt revenue bonds (Note 8) and other initiatives not financed through IPLF. Archdiocesan entities participating in this program remit funds in excess of immediate operating funds which are held by Central Services as demand notes payable to the entities. Rates offered on deposits are consistent with the prevailing rates offered in IPLF. Rates offered on loans are based on the cost of financing the particular project. Interest on deposits averaged between 1.0% and 5.49% on loans for both fiscal year 2018 and 2017.

# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Loans and Accounts Receivable - continued

Interest income earned by the Corporation Sole on loans outstanding at June 30, 2018 and 2017 was \$920,819 and \$957,095, respectively. The income is netted against interest expense related to the demand notes payable deposits of \$16,925 and \$30,350, and the net balance is included in investment earnings on the accompanying combined statements of activities and changes in net assets for fiscal years 2018 and 2017, respectively. Also, netted against income is any interest or fees associated with long-term debt (including tax-exempt bonds) which totaled \$1,440,916 and \$1,471,740 for fiscal years 2018 and 2017, respectively.

A summary of loans and accounts receivable from Archdiocesan parishes and schools are as follows:

	<u>2018</u>	<u>2017</u>
Parish and school loans	\$ 16,180,494	\$ 16,967,137
Cathedraticum receivables	12,136,508	11,665,461
Insurance program receivables	29,051,560	26,734,570
Parish school assessments due within one year	629,949	701,699
Other receivables	6,786,667	6,190,849
Less allowance for doubtful accounts	<u>(37,002,462)</u>	<u>(33,880,280)</u>
Total loans and accounts receivable, net	<u>\$ 27,782,716</u>	<u>\$ 28,379,436</u>

#### Allowance for Doubtful Accounts

Central Services reviews all receivables annually and provides an allowance for those whose collection appears doubtful, and writes off those amounts deemed uncollectible.

# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Allowance for Doubtful Accounts - continued

Receivable assets are recorded in three major operating categories - Insurance, Cathedraticum, and Other. Changes in allowance for doubtful accounts during the years ended June 30, 2018 and 2017 consisted of the following:

	<u>Cathedraticum</u>	<u>Insurance</u>	<u>Other</u>	<u>Totals</u>
<b>Balance at July 1, 2016</b>	\$ 7,173,247	\$20,351,211	\$ 2,489,042	\$ 30,013,500
Additions	220,945	2,396,184	1,637,815	4,254,944
Write-offs	-	(18,832)	(369,332)	(388,164)
<b>Balance at June 30, 2017</b>	\$ 7,394,192	\$22,728,563	\$ 3,757,525	\$ 33,880,280
Additions	775,921	2,273,277	529,219	3,578,417
Write-offs	(62,000)	(191,514)	(202,721)	(456,235)
<b>Balance at June 30, 2018</b>	\$ 8,108,113	24,810,326	4,084,023	37,002,462

#### Gifts, Bequests and Contributions

Contributions receivable, less an appropriate allowance for uncollectible pledges, for the EOM, Archbishop's Annual Appeal, and PIE are recorded at their estimated fair value when received. Amounts due in more than one year are recorded at the present value of the estimated future cash flows, discounted at a risk-adjusted rate applicable to the years in which the promises originate. Contributions receivable consisted of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 7,773,914	\$ 11,955,537
One to five years	10,080,355	20,822,715
Over five years	40,005	60,087
Gross contributions receivable	17,894,274	32,838,339
Allowance for uncollectible pledges	(3,600,244)	(11,050,155)
Discount for net present value	(216,030)	(293,594)
Net contributions receivable	\$ 14,078,000	\$ 21,494,590



# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Gifts, Bequests and Contributions - continued

All contributions are considered to be available for unrestricted use following receipt unless specifically restricted by the respective donor. Amounts received that are restricted for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same period in which the contribution is received it is reported as unrestricted.

Included in gross contributions receivable for the fiscal year ended June 30, 2018 are EOM pledges of \$14,715,919; Archbishop's Annual Appeal pledges of \$2,288,556; and PIE pledges of \$889,800. Included in gross contributions receivable for the fiscal year ended June 30, 2017 are EOM pledges of \$29,058,607; Archbishop's Annual Appeal pledges of \$2,593,432; and PIE pledges of \$1,186,300.

#### Property and Equipment, net

All land, building and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of 40 years for buildings and improvements and 3 to 8 years for equipment. Land, building and equipment balances at June 30 consist of the following:

	<u>2018</u>	<u>2017</u>
Buildings and improvements	\$ 16,793,762	\$ 16,658,867
Equipment, automobiles and furniture	5,143,778	5,189,114
	<u>21,937,540</u>	<u>21,847,981</u>
Less accumulated depreciation	<u>(13,063,890)</u>	<u>(12,603,833)</u>
Total building and equipment, net	<u>8,873,650</u>	<u>9,244,148</u>
Land	4,201,064	4,201,064
Land held for parishes	<u>12,144,403</u>	<u>12,014,475</u>
Total property and equipment, net	<u>\$ 25,219,117</u>	<u>\$ 25,459,687</u>

Depreciation expense was \$512,972 and \$471,927 for fiscal years 2018 and 2017, respectively.

#### Compensated Absences

Central Services records a liability for amounts due to employees for future absences that are attributable to services performed in the current and prior periods.

# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

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### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Grants Payable

Grant obligations to parishes, schools, and organization both within and external to the Archdiocese are recognized when all conditions have been met regarding specific capital projects or operating needs and funding sources have been secured to provide the requested assistance. The funding sources are primarily associated with the Archbishops Annual Campaign and the Embracing Our Mission capital campaign.

#### Operating Leases

Central Services leases certain office equipment under non-cancelable operating leases expiring at various dates through fiscal year 2021. Central Services recognizes the expense per the monthly fixed rate agreements. The future minimum payments due under non-cancelable operating leases are as follows:

	<u>For fiscal year ending</u>
2019	\$ 77,229
2020	\$ 72,609
2021	\$ 55,121
2022 - 2023	\$ 84,286

Rent expense under all operating leases was \$67,092 and \$71,831 for years ending June 30, 2018 and 2017, respectively.

#### Net Assets

Under current guidance for financial statements of not-for-profit organizations, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Permanently Restricted**

Net assets subject to donor-imposed stipulations that they be maintained permanently. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for general or specific purposes. The primary type of permanently restricted assets include split-interest irrevocable trusts in which the income from these assets are used for specific purposes. The assets are held by a third-party trust. Income generated by the fund is generally used for the specific purpose within the fiscal period. Changes in the fair values are recorded as part of permanently restricted net assets.

# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

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### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Net Assets - continued

- **Temporarily Restricted**

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Combined Entities and/or the passage of time. Included in this net asset balance are future year collections on PIE and EOM pledges, and money collected for specific seminarian and religious education programs sponsored or managed by Central Services that were not fully utilized as of the end of the fiscal year.

- **Unrestricted**

Net assets that are not considered temporarily or permanently restricted. Revenues are reported as increases in unrestricted net assets unless they are limited by express donor-imposed restrictions. Expirations of temporary restrictions recognized on net assets (i.e., the donor-stipulated purposes have been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted to unrestricted net assets.

Certain unrestricted net assets are classified as designated due to limitations on their use to specific areas or purpose at the direction of the Archbishop or pursuant to contractual obligations. For example, the net assets of the insurance trusts established by the Corporation Sole are classified as unrestricted per U.S. generally accepted accounting principles although the use of the fund is restricted under the language of the trust agreements.

#### Income Taxes

As a religious organization, the activities of the Corporation Sole and Archbishop's annual appeal are exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, except for those activities which constitute unrelated business income, through its inclusion in the United States Conference of Catholic Bishops ("USCCB") group ruling and listing in the Official Catholic Directory.

As a single member limited liability company, Route 175 East LLC is considered to be a disregarded entity under the Internal Revenue Code for income tax purposes, and as such, is not directly subject to federal income taxes and state income taxes.

# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

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### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Income Taxes - continued

The Archdiocese follows the accounting guidance for uncertainties in income tax positions which required that a tax position be recognized or not recognized based on a “more likely than not” threshold. This applies to positions taken or expected to be taken in a tax return. The Archdiocese does not believe its financial statements include any material uncertain tax positions. The Archdiocese is no longer subject to U.S. federal and state tax examinations for years prior to the year ended June 30, 2013.

The Archdiocese has processes presently in place to identify and report unrelated income, to determine its filing and tax obligations in jurisdictions for which it has nexus, and to identify and evaluate other matters that may be considered tax positions. The Archdiocese has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

#### 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 judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

#### Statements of Cash Flows

Central Services paid interest of \$16,925 and \$30,350 for the years ended June 30, 2018 and 2017, respectively, related to demand notes payable to parishes, schools and affiliated entities. Additionally, Central Services paid interest of \$683,586 and \$510,132 in fiscal years 2018 and 2017, respectively, on long-term borrowing arrangements.

#### Derivative Instruments

Central Services uses derivative financial instruments selectively to offset exposure to market risks from changes in interest rates. The derivative financial instruments used by Central Services consist of interest rate swap agreements.

# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Derivative Instruments - continued

Central Services reports derivative instruments in accordance with the current authoritative guidance for derivative financial instruments and hedging activities, which requires that all derivative financial instruments be recorded in the combined statements of financial position at fair value. Changes in the fair value and gains or losses of derivative instruments are included in the combined statements of activities and changes in net assets.

Central Services uses three separate interest rate swap agreements as a means of fixing the interest rate on portions of its long term debt (Note 8). Unrealized gains and losses are included in changes in net assets. In December 2010, Swap No. 1 was amended to reflect the refinancing changes of the tax-exempt debt and the notional amounts approximate half of the expected outstanding amount over the loan period. In September 2010, Swap No. 2 was amended to reflect the refinancing changes of the taxable debt and the notional amounts approximate half of the expected outstanding amount over the loan period. In August 2011, Swap No. 3 was added to further protect balanced on the tax-exempt debt that was not included in Swap No. 1. Details of the swaps as of June 30, 2018 and 2017 follow:

	<u>2018</u>	<u>2017</u>
<b>Swap No. 1 (Tied to Tax-Exempt Loan)</b>		
Notional amount	\$ 12,085,000	\$ 12,085,000
Fair value of agreement	\$ (2,955,588)	\$ (3,797,972)
Expiration date	7/1/2037	7/1/2037
<b>Swap No. 2 (Tied to 20-Year Loan)</b>		
Notional amount	\$ 4,620,000	\$ 5,080,000
Fair value of agreement	\$ (553,197)	\$ (886,907)
Expiration date	7/1/2025	7/1/2025
<b>Swap No. 3 (Tied to Tax-Exempt Loan)</b>		
Notional amount	\$ 9,590,000	\$ 9,590,000
Fair value of agreement	\$ (934,230)	\$ (1,451,260)
Expiration date	2/1/2037	2/1/2037

# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

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### NOTE 3 - FAIR VALUE OF FINANCIAL INSTRUMENTS

#### **Cash and Cash Equivalents and Investments**

The carrying amount of cash and cash equivalents and investments approximates fair value. The fair value of investments is based on quoted market prices as of the reporting date. Income from cash and cash equivalents and investments are included in unrestricted investment income unless the income is restricted by express donor stipulations. All income is reported net of investment related expenses.

#### **Tax-Exempt Borrowings and Long-Term Note Payable**

The outstanding tax-exempt borrowings totaled \$21,675,000 as of June 30, 2018 and 2017. The book value of the bonds, which were fully redeemed and converted into a bank qualified tax-exempt loan in December of 2011, approximates their fair value. The outstanding long-term note payable as of June 30, 2018 and 2017 totaled \$8,555,597 and \$9,404,664, respectively. The book value of the long-term note payable approximates the fair value. Refer to Note 8 Tax-Exempt and Long-Term Note Payable for further information.

#### **Pledge Receivables**

Donor pledges which are expected to be collected in future periods in excess of 12 months are recorded at the present value of the estimated future cash flows, discounted at a risk-adjusted rate applicable to the years in which the promises were received. Discount rates utilized in fiscal year 2018 and 2017 ranged from 1.01% to 4.30%. Refer to Note 2 Summary of Significant Accounting Policies for details on amounts associated with Gifts, Bequests, and Contributions.

#### **Interest Rate Swap Agreements**

The fair value of interest rate swaps is determined using the estimated present value of the fixed leg and floating leg. The value of the fixed leg is the present value of the known fixed monthly payments. The value of the floating leg is the present value of the floating monthly payments determined at the agreed dates of each payment. Forward rates derived from the yield curve are used to approximate the floating rates. Each series of cash flows is discounted by market rates of interest. Refer to Note 2 Summary of Significant Accounting Policies for details on amounts associated with Derivative Instruments.

# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

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### NOTE 3 - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

#### Charitable Gift Annuities

The net fair value of gift annuities is determined annually by adjusting the annuity liabilities to reflect amortization of the discount and changes in the life expectancy of the donors or other life beneficiaries. The annuity liability reflects the present value of the estimated future payments to be made to the donor and/or other beneficiaries. Refer to Note 2 Summary of Significant Accounting Policies for details on amount associated with Split Interest Agreements.

#### Fair Value Measurement

Fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability as of the reporting date. Our financial assets recorded at fair value on a recurring basis primarily relate to investments in available-for-sale securities.

The following describes the hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires the assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- **Level 1** - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- **Level 2** - Fair value is based on pricing inputs other than quoted prices in active markets and which are either directly or indirectly observable as of the reporting date. The nature of these securities includes investments for which quoted prices are available but traded less frequently than securities traded on what are deemed active markets.
- **Level 3** - Pricing of securities are unobservable as of the reporting date. The inputs used in the determination of fair value are not observable and require significant judgment or estimation.

**Central Services of the Roman Catholic Archbishop of Baltimore**  
(A corporation sole of the State of Maryland, and other combined entities)

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2018 and 2017

**NOTE 3 - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued**

**Fair Value Measurement - continued**

The combined entities endeavor to utilize the best available information in measuring fair value. Investments are managed by the Archdiocesan Investment Committee using “funds-of-funds” asset allocation strategy with custodial services provided by an independent third-party. The Archdiocesan Investment Committee also employs an independent consultant to evaluate fund managers.

The combined entities use the Net Asset Value (“NAV”) to determine the fair value of all underlying investments which (1) do not have a readily determinable fair value and (2) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

The following tables summarize the valuation of our financial instruments by the above authoritative pricing levels as of June 30, 2018 and 2017:

	June 30, 2018			Total Fair Value
	Level 1	Level 2	Net Asset Value	
<b>Assets</b>				
Investments				
Cash equivalents	\$16,385,892	\$ -	\$ -	\$ 16,385,892
Fixed income	15,427,961	33,126,217	-	48,554,178
Equities	49,721,407	1,654,620	-	51,376,027
Private equity funds *	-	-	438,427	438,427
Total investments	\$81,535,260	\$34,780,837	\$ 438,427	\$116,754,524
Agency assets held for others	\$ 2,101,187	\$ 582,504	\$ -	\$ 2,683,691
<b>Liabilities</b>				
Interest rate swap agreements	\$ -	\$ 4,443,015	\$ -	\$ 4,443,015

\* In accordance with ASC Subtopic 820-10, investments measured at fair value using net asset value (“NAV”) per share as a practical expedient have not been categorized in the fair value hierarchy.



# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

### NOTE 3 - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

#### Fair Value Measurement - continued

	June 30, 2017			
	Level 1	Level 2	Net Asset Value	Total Fair Value
<b>Assets</b>				
Investments				
Cash equivalents	\$15,653,627	\$ -	\$ -	\$ 15,653,627
Fixed income	15,378,154	34,363,010	-	49,741,164
Equities	47,567,288	346,059	-	47,913,347
Private equity funds *	-	-	230,716	230,716
Total investments	\$78,599,069	\$34,709,069	\$ 230,716	\$113,538,854
Agency assets held for others	\$ 1,941,780	\$ 497,678	\$ -	\$ 2,439,458
<b>Liabilities</b>				
Interest rate swap agreements	\$ -	\$ 6,136,139	\$ -	\$ 6,136,139

The following table details certain attributes pertaining to the investment reported at fair value using NAV, or its equivalent, as of June 30, 2018 and 2017:

2018							
Type	Strategy	Fair Value	# of Funds	Remaining Life	Redemption Terms	Redemption Restrictions	Redemption Notice Period
Venture Capital Fund	This fund invests in companies that are relocating to or being created in Baltimore City	\$438,427	1	7 years with two 1 year optional extensions	No liquidity	No liquidity	No liquidity

# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

### NOTE 3 - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

#### Fair Value Measurement - continued

		2017					
Type	Strategy	Fair Value	# of Funds	Remaining Life	Redemption Terms	Redemption Restrictions	Redemption Notice Period
Venture Capital Fund	This fund invests in companies that are relocating to or being created in Baltimore City	\$230,716	1	8 years with two 1 year optional extensions	No liquidity	No liquidity	No liquidity

### NOTE 4 - INSURANCE PROGRAM ACTIVITIES

The Archdiocesan Health and Benefits, Property and Casualty Insurance Programs (the “Programs”) provide insurance coverage, both commercially purchased and self-insured, for affiliates of the Corporation Sole.

The Programs administer certain insurance trusts. Accordingly, the net operations of the Programs are included in unrestricted designated net assets and the risk and benefits belong to the trusts. Any shortfall of funds by the Programs is recovered from future premiums assessed.

Unrestricted designated assets and liabilities related to the insurance program activities primarily consist of the following at June 30, 2018 and 2017:

	2018	2017
<b>Assets:</b>		
Cash and investments, at fair value	\$ 56,559,533	\$ 55,035,271
Insurance receivables, net of allowance for doubtful insurance receivables of \$24,810,326 and \$22,728,563 in 2018 and 2017, respectively	\$ 4,241,234	\$ 4,006,007
Other asset:		
Expected insurance receivable on claims	\$ 1,027,836	\$ 521,874
<b>Liabilities:</b>		
Claims reserve for insurance liabilities	\$ 13,055,250	\$ 11,889,089

# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

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### NOTE 5 - PENSION PLANS

Central Services administers and participates in two separate pension plans - a lay employees plan and a separate plan for priests.

#### **Lay Pension Plan**

Lay employees of Central Services, in addition to those of certain affiliated organizations, corporations or agencies participate in a single-employer, under a common central group, defined benefit retirement plan. The Lay Employee Retirement Plan ("Lay Plan") provides monthly benefits upon retirement to participants based on salary and length of service. Funding for the Lay Plan comes from the Lay Retirement Trust which is funded by each participating organization, corporation and agency. These funds are collected by Central Services and sent to the Trustee of the Lay Retirement Trust. Contributions to the Lay Retirement Trust were \$10,117,534 and \$9,757,118 for the years ended June 30, 2018 and 2017, respectively. The Lay Retirement Trust assets are not included on the accompanying combined statements of financial position. The unfunded obligation associated only with Central Service employees is shown as a liability.

The portion of the unfunded benefit obligation of the Lay Plan associated with the Central Services for its lay employees was \$15,861,311 and \$17,713,375 for the years ended June 30, 2018 and 2017, respectively. The Lay Plan was frozen effective June 30, 2011. No additional benefits will accrue for existing participants and no additional participants will be added to the plan.

#### **Priest Pension Plan**

The Priests' Pension Plan ("Priest Plan") covers substantially all Archdiocesan priests. The Priest Plan provides a monthly benefit upon retirement to participants based upon length of service. Funding for the Priest Plan comes from the Priest Pension Trust which is funded primarily from organizations to which the priests are assigned. These funds are collected by Central Services and sent to the Trustee of the Priest Pension Trust. Contributions to the Priest Pension Trust totaled \$1,126,855 and \$1,649,070 for the years ended June 30, 2018 and 2017, respectively. Included in the contributions for the year ended June 30, 2017 was \$500,000 from the Embracing Our Mission campaign. There was no contribution from the Embracing Our Mission campaign for the year ended June 30, 2018.

# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

### NOTE 5 - PENSION PLANS - Continued

#### Priest Pension Plan - continued

The Priest Plan's unfunded status, accumulated benefit obligation, and net pension benefit costs as of June 30, 2018 and 2017 were calculated by a consulting actuary and are summarized as follows:

	<u>2018</u>	<u>2017</u>
<b>Change in projected benefit obligation:</b>		
Benefit obligation at beginning of year	\$ 47,822,005	\$ 49,719,708
Service cost	718,877	793,642
Interest cost	1,766,259	1,783,690
Plan amendments	-	-
Actuarial loss	(3,539,655)	(2,500,464)
Benefits paid	<u>(2,168,267)</u>	<u>(1,974,571)</u>
Benefit obligation at end of year	<u>\$ 44,599,219</u>	<u>\$ 47,822,005</u>
<b>Change in plan assets:</b>		
Fair value of plan assets at beginning of year	\$ 34,718,750	\$ 31,275,535
Actual return on plan assets	3,837,169	3,768,716
Employer contributions	1,126,855	1,649,070
Benefits paid	<u>(2,168,267)</u>	<u>(1,974,571)</u>
Fair value of plan assets at end of year	<u>\$ 37,514,507</u>	<u>\$ 34,718,750</u>
<b>Funded status at end of year:</b>		
Funded status at end of year	<u>\$ (7,084,712)</u>	<u>\$(13,103,255)</u>
Amount recognized at end of year	<u>\$ (7,084,712)</u>	<u>\$(13,103,255)</u>

# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

### NOTE 5 - PENSION PLANS - Continued

#### Priest Pension Plan - continued

	<u>2018</u>	<u>2017</u>
<b>Amount recognized in unrestricted net assets:</b>		
Unrecognized transition liability	\$ -	\$ -
Unrecognized prior service cost	272,359	404,334
Unrecognized net actuarial loss	<u>8,523,020</u>	<u>14,115,272</u>
Total amount recognized in unrestricted net assets	<u>\$ 8,795,379</u>	<u>\$ 14,519,606</u>
<b>Components of net pension benefit costs:</b>		
Service cost	\$ 718,877	\$ 793,642
Interest cost	1,766,259	1,783,690
Expected return on plan assets	(2,436,015)	(2,197,322)
Amortization of net loss	651,443	1,065,314
Amortization of prior service cost	<u>131,975</u>	<u>147,132</u>
Net periodic post-retirement benefit cost	<u>\$ 832,539</u>	<u>\$ 1,592,456</u>
<b>Other changes in plan assets and benefit obligations recognized in unrestricted net assets:</b>		
Net actuarial loss	\$ (4,940,809)	\$ (4,071,858)
Prior service cost	-	-
Amortization of prior service cost	(131,975)	(147,132)
Amortization of net gain	<u>(651,443)</u>	<u>(1,065,314)</u>
Total recognized in unrestricted net assets	<u>\$ (5,724,227)</u>	<u>\$ (5,284,304)</u>
<b>Additional information:</b>		
Accumulated benefit obligation	<u>\$ 41,192,044</u>	<u>\$ 44,018,715</u>
Expected contributions for the fiscal year ending June 30	<u>\$ 1,184,000</u>	<u>\$ 1,208,000</u>

# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

### NOTE 5 - PENSION PLANS - Continued

#### Priest Pension Plan - continued

The Priest Plan assets fully met obligations and no expenses were recorded by Central Services for years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
<b>Expected benefit payments for the fiscal year ending:</b>		
2019	\$ 2,420,000	\$ 2,390,000
2020	2,515,000	2,528,000
2021	2,586,000	2,605,000
2022	2,653,000	2,665,000
2023	2,639,000	2,715,000
Next five years	13,171,000	13,535,000
<b>Expected amortizations:</b>		
Expected amortization of prior service cost	\$ 77,398	\$ 131,975
Expected amortization of net loss	312,787	705,448

Significant assumptions used to determine net periodic post-retirement cost are as follows:

	<u>2018</u>	<u>2017</u>
<b>Discount rate</b>	4.21%	3.86%

The discount rate has a significant effect on the amounts reported. For example, an increase in the fiscal year 2018 discount rate by one percentage point would decrease projected benefit obligations by \$5,050,000. Decreasing the fiscal year 2018 discount rate by one percentage point would increase projected benefit obligations by \$6,273,000.

# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

### NOTE 5 - PENSION PLANS - Continued

#### Priest Pension Plan - continued

The Corporation Sole utilizes a long-term rate of return of 7.0% in developing actuarial estimates. The plans assets are managed by external investment managers who are given the return objectives of achieving a minimum of 7.0% over a complete market cycle and annual income of 3.5% to 5.0%. The plan has achieved an 8.2% annual return the past five years. The plan's asset allocation at June 30, by asset category, was as follows:

	<b>Target</b>	<b>Actual</b>
<b>2018:</b>		
Money market	0 - 10%	6%
Fixed income	20 - 50%	23%
Equities - U.S.	25 - 60%	51%
Equities - non-U.S.	10 - 25%	20%
<b>2017:</b>		
Money market	0 - 10%	5%
Fixed income	20 - 50%	22%
Equities - U.S.	25 - 60%	53%
Equities - non-U.S.	10 - 25%	20%

On a regular basis the performance of the investments are reviewed by an independent investment committee. The investment committee also reviews the actual asset allocation and periodically rebalances the investment portfolio to the target allocation, when considered appropriate.

The following tables present the fair value of priest pension plan assets classified under the appropriate level of the fair value hierarchy:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total Fair Value</b>
<b>June 30, 2018:</b>				
Cash equivalents	\$ 2,250,818	\$ -	\$ -	\$ 2,250,818
Fixed income	715,850	7,207,231	749,436	8,672,517
Equities	26,591,172	-	-	26,591,172
	<b>\$29,557,840</b>	<b>\$ 7,207,231</b>	<b>\$ 749,436</b>	<b>\$37,514,507</b>

# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

### NOTE 5 - PENSION PLANS - Continued

#### Priest Pension Plan - continued

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
<b>June 30, 2017:</b>				
Cash equivalents	\$ 2,255,998	\$ -	\$ -	\$ 2,255,998
Fixed income	685,679	6,787,477	-	7,473,156
Equities	<u>24,989,596</u>	<u>-</u>	<u>-</u>	<u>24,989,596</u>
	<u>\$27,931,273</u>	<u>\$ 6,787,477</u>	<u>\$ -</u>	<u>\$34,718,750</u>

### NOTE 6 - POST-RETIREMENT BENEFIT PLANS

Central Services administers and participates in two post-retirement benefit plans - a discontinued plan for retired lay employees and a plan for retired priests. In determining the Lay and Priest Post-Retirement medical plans funded status, effective June 30, 2007 both plans adopted new guidance issued by Financial Accounting Standards Board ("FASB") which requires the recognition of the funded status of a defined benefit or post-retirement plan as the difference between plan assets at fair value and the benefit obligation. Per the FASB requirements, any unrecognized gain or loss incurred shall be recorded as a component of unrestricted net assets.

#### Retired Lay Employees

The Corporation Sole provides a single-employer, under a common central group, defined benefit health care plan for lay employees (the "Lay Post-retirement Plan" or "Plan"). The Lay Post-retirement Plan provides post-retirement medical benefits to lay employees of the greater Corporation Sole, parishes, schools and certain affiliated organizations who retired by June 30, 1997, after age 55 and with at least 15 years of service. The June 30, 1997 requirement was a result of a partial termination of the Plan adopted February 1, 1997. The plan is contributory with retiree contributions adjusted annually by the expected annual inflation rate, and contains cost savings features such as deductibles and coinsurance. Central Service's policy is to fund the actual cost of the medical benefit less retiree contributions. The Lay Post-retirement Plan does not have any assets in a trust. The unfunded obligation associated only with Central Services retirees is shown as a liability on Central Services combined statements of financial position.

The portion of the unfunded benefit obligation of the Lay Post-retirement Plan associated with Central Services for their lay employees was \$199,352 and \$229,867 for the years ended June 30, 2018 and 2017, respectively.



# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

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### NOTE 6 - POST-RETIREMENT BENEFIT PLANS - Continued

#### Retired Priests

The Corporation Sole also provides a single-employer, under a common central group, defined benefit health care plan that provides post-retirement medical benefits to all Archdiocesan priests upon retirement from Corporation Sole (the "Priest Post-retirement Plan"). In addition, Central Services sponsors plans providing subsidized living arrangements and subsidized auto insurance for these retired priests. The Priest Post-retirement Plan is noncontributory except for the excess of auto insurance premiums over the fixed subsidy and a portion of dental and vision coverage. In certain cases, Central Services provides for nursing home care. Central Services' policy is to fund the actual cost of the medical and other benefits less amounts contributed by the retirees described above. A separate trust is maintained for the Priest Post-retirement Plan. The Priest Post-retirement Plan trust assets are not included on the combined statements of financial position. Unfunded obligations of the plan are shown as a liability.

The unfunded benefit obligation of the Priest Post-retirement Plan under FASB requirements was \$12,820,187 and \$15,944,063 as of June 30, 2018 and 2017, respectively, and is included in the combined statements of financial position. The net periodic post-retirement benefit cost was \$839,252 and \$1,030,216 for the years ended June 30, 2018 and 2017, respectively. The portion of the post-retirement benefit obligation allocated to Central Services were gains of \$3,123,876 and \$3,171,655 for the years ended June 30, 2018 and 2017, respectively. Changes in the years were impacted by market conditions to investments and obligation valuations.

# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

### NOTE 6 - POST-RETIREMENT BENEFIT PLANS - Continued

#### Retired Priests - continued

The Priest Post-retirement plans unfunded status, accumulated post-retirement obligation, and net periodic post-retirement benefit cost information as of June 30 were calculated by consulting actuaries and are summarized as follows:

	2018	2017
<b>Change in projected benefit obligation:</b>		
Benefit obligation at beginning of year	\$ 26,441,509	\$ 28,337,553
Service cost	573,402	647,972
Interest cost	1,000,671	1,027,772
Actuarial gain	(2,831,497)	(2,949,368)
Benefits paid and plan expenses	(583,150)	(739,598)
Medicare D reimbursement	70,500	117,178
Benefit obligation at end of year	\$ 24,671,435	\$ 26,441,509
<b>Change in plan assets:</b>		
Fair value of plan assets at beginning of year	\$ 10,497,446	\$ 9,221,835
Actual return on plan assets	1,283,150	1,203,975
Employer contributions	583,302	694,056
Benefits paid	(583,150)	(739,598)
Expenses paid	-	-
Medicare D reimbursement	70,500	117,178
Fair value of plan assets at end of year	\$ 11,851,248	\$ 10,497,446
<b>Funded status at end of year</b>		
Funded status at end of year	\$ (12,820,187)	\$ (15,944,063)
Amount recognized at end of year	\$ (12,820,187)	\$ (15,944,063)
<b>Amount recognized in unrestricted net assets</b>		
Unrecognized net actuarial gain	\$ (4,662,669)	\$ (1,282,843)
Total amount recognized in unrestricted net assets	\$ (4,662,669)	\$ (1,282,843)

# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

### NOTE 6 - POST-RETIREMENT BENEFIT PLANS - Continued

#### Retired Priests - continued

	2018	2017
<b>Components of net post-retirement benefit costs</b>		
Service cost	\$ 573,402	\$ 647,972
Interest cost	1,000,671	1,027,772
Expected return on plan assets	(734,821)	(645,528)
Amortization of net transition liability	-	-
Amortization of net gain	-	-
Amortization of prior service cost	-	-
Net periodic post-retirement benefit cost	\$ 839,252	\$ 1,030,216
<b>Additional information</b>		
Accumulated benefit obligation	\$ 24,671,435	\$ 26,441,509
Expected contributions in fiscal year ending June 30	\$ 1,147,344	\$ 1,218,555
<b>Expected benefit payment for fiscal year ending</b>		
2019		\$ 1,147,000
2020		1,083,000
2021		1,138,000
2022		1,166,000
2023		1,218,000
Next five years		6,456,000

Significant assumptions used in determined net periodic post-retirement cost are as follows:

	2018	2017
Discount rate	4.27%	3.97%
Medicare supplemental and nonsocial security insurance	5.00%	5.00%
Ultimate health care rate	8.00% *	7.95% *
Housing	5.00%	5.00%
Dental/vision and Medicare B+ reimbursement - pre-65	5.20%	5.30%
Dental/vision and Medicare B+ reimbursement - post-65	5.20%	5.30%

*\* Trending downward to 5% by 2019*

# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

### NOTE 6 - POST-RETIREMENT BENEFIT PLANS - Continued

#### Retired Priests - continued

The health care cost trend rate assumption has a significant effect on the amounts reported. For example, increasing the health care trend rate by one percentage point in each year would increase the accumulated post-retirement benefit obligation at June 30, 2018 by \$4,304,928 and the aggregate of service and interest cost components of net periodic post-retirement benefit cost for the year by \$383,288. Decreasing the health care rate by one percentage point in each year would decrease the accumulated post-retirement benefit obligation at June 30, 2017 by \$3,423,988 and the aggregate of service and interest cost components of net periodic post-retirement benefit cost for the year ended by \$287,145.

The Corporation Sole utilizes a long-term rate of return of 7.0% in developing actuarial estimates. The plans assets are managed by external investment managers who are given the return objectives of achieving a minimum of 7.0% over a complete market cycle and annual income of 3.5% to 5.0%. The plan has achieved an 8.2% annual return over the past five years. The estimated amount to be amortized from accumulated unrestricted net assets into net periodic benefit costs over the next fiscal year is \$0. The plan's asset allocation at June 30, by asset category, was as follows:

	<u>Target</u>	<u>Actual</u>
<b>2018:</b>		
Money market	0 - 10%	7%
Fixed income	20 - 50%	23%
Equities - U.S.	25 - 60%	50%
Equities - non-U.S.	10 - 25%	20%
Alternatives	0 - 20%	0%
<b>2017:</b>		
Money market	0 - 10%	3%
Fixed income	20 - 50%	22%
Equities - U.S.	25 - 60%	54%
Equities - non-U.S.	10 - 25%	21%
Alternatives	0 - 20%	0%

On a regular basis the performance of the investments are reviewed by an independent investment committee. The investment committee also reviews the actual asset allocation and periodically rebalances the investment to the target allocation when considered appropriate.

**Central Services of the Roman Catholic Archbishop of Baltimore**  
(A corporation sole of the State of Maryland, and other combined entities)

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

June 30, 2018 and 2017

**NOTE 6 - POST-RETIREMENT BENEFIT PLANS - Continued**

**Retired Priests - continued**

The following tables present the fair value of priest post-retirement assets classified under the appropriate level of the fair value hierarchy as of June 30:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
<b>2018:</b>				
Cash equivalents	\$ 825,456	\$ -	\$ -	\$ 825,456
Fixed income	213,235	2,141,070	371,693	2,725,998
Equities	8,299,794	-	-	8,299,794
	\$ 9,338,485	\$ 2,141,070	\$ 371,693	\$ 11,851,248
<b>2017:</b>				
Cash equivalents	\$ 422,596	\$ -	\$ -	\$ 422,596
Fixed income	201,267	2,107,336	-	2,308,603
Equities	7,766,247	-	-	7,766,247
	\$ 8,390,110	\$ 2,107,336	\$ -	\$ 10,497,446

**NOTE 7 - BANK FINANCING ARRANGEMENTS (SHORT-TERM)**

At June 30, 2018 and 2017, the Corporation Sole had available letters of credit totaling \$546,054 and \$629,349, respectively. The purpose of these arrangements is to provide funding for capital projects. The Corporation Sole had no short-term borrowings as of June 30, 2017 and 2016.

# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

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### NOTE 8 - TAX-EXEMPT AND LONG-TERM NOTES PAYABLE

Central Services has two long-term financing arrangements with a balance of \$30,230,597 and \$31,079,664 as of June 30, 2018 and 2017, respectively.

#### **Bank Qualified Tax-Exempt Note Payable**

In June 2007, the Maryland Health and Higher Educational Facilities Authority (“MHHEFA”) issued revenue bonds in the amount of \$24,165,000. The net proceeds were for financing and refinancing a portion of the costs of acquisition, construction, renovation and equipping of six projects at three elementary school facilities, two secondary school facilities and the facility housing the overall school administration.

In December 2010, the Corporation Sole entered into new financing arrangements and terms on its tax-exempt debt. Through the MHHEFA, a commercial financial institution purchased all of the 2007 issued revenue bonds outstanding and entered into a bank qualified tax-exempt loan with the Corporation Sole.

The bank qualified tax-exempt loan has a monthly floating interest rate based on LIBOR. The weighted interest rate for the fiscal years ended June 30, 2018 and 2017 was 4.66% and 4.67%, respectively. The bank qualified tax-exempt loan requires the Corporation Sole to pledge collateral in the form of property equal to the amount outstanding. The bank qualified loan requires compliance with certain financial covenants and other performance requirements. The Corporation Sole is in compliance with these requirements as of June 30, 2018 and 2017.

The Corporation Sole has entered into an interest rate swap agreement for half of the principal amount due with a fixed rate of 3.973%. The interest rate swap agreement originated in 2007 was not affected by the re-financing terms. It is identified as Swap No. 1 in Note 2 Summary of Significant Accounting Policies. In August 2011, the Corporation Sole entered into an additional interest rate swap agreement for the remaining principal amount due with a fixed rate of 2.75%. This interest rate swap agreement identified as Swap No. 3 in Note 2 Summary of Significant Accounting Policies became effective July 2012.

# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

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### NOTE 8 - TAX-EXEMPT AND LONG-TERM NOTES PAYABLE - Continued

#### Bank Qualified Tax-Exempt Note Payable - continued

The debt is expected to be fully paid in June 2037. Principal payments due over the next five years and thereafter are as follows:

Fiscal year ending June 30,	
2019	\$ -
2020	-
2021	-
2022	-
2023	-
Thereafter	<u>21,675,000</u>
	<u>\$ 21,675,000</u>

#### Long-Term Note Payable

In June 2007, the Corporation Sole entered into a twenty year note payable (“2007 Note”) with a commercial financial institution in the amount of \$15,905,000. The purpose of the loan was to refinance short-term debt and to finance future capital projects. The note was refinanced in 2011 under new terms with a new commercial financial institution. The refinanced note (“2011 Note”) was split into two separate notes each requiring certain collateral. As of June 30, 2018 and 2017, Note A has an outstanding balance of \$4,982,353 and \$5,476,471, respectively. Note B outstanding amounts were \$3,573,244 and \$3,928,193 as of June 30, 2018 and 2017, respectively. In 2014, both notes were extended under new terms with the same commercial financial institution (“2014 Note”), primarily changing collateral from cash and property to cash only.

The 2014 Note - Note A is secured by certain cash funds equal to the outstanding amount with a variable interest rate of LIBOR plus 92 bps. The 2014 Note - Note B is secured by certain cash funds equal to the outstanding amount with a variable interest rate of LIBOR plus 92 bps. The weighted interest rate of the total term-loans for fiscal years 2018 and 2017 was 4.71% and 4.35%, respectively.

Prior to August 2010, the Corporation Sole had entered into an interest rate swap agreement for half of the principal amount due with a fixed rate of 5.86%. As part of the refinancing arrangements, the original rate swap agreement was terminated and a new interest rate swap agreement was provided by a commercial finance institution holding the term loan. The new interest rate swap agreement continues to have the same notional schedule as the original agreement reflecting half of the outstanding amount due.

# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

### NOTE 8 - TAX-EXEMPT AND LONG-TERM NOTES PAYABLE - Continued

#### Long-Term Note Payable - continued

The new swap has a fixed rate of 6.144%. The current swap agreement is identified as Swap No. 2 in Note 2 Summary of Significant Accounting Policies.

The note requires compliance with certain financial covenants and other performance requirements. Central Services is in compliance with these requirements as of June 30, 2017. Principal payments due over the next five years and thereafter are as follows:

Fiscal year ending June 30,	
2019	\$ 849,068
2020	849,068
2021	849,068
2022	849,068
2023	849,068
Thereafter	<u>4,310,257</u>
	<u>\$ 8,555,597</u>

### NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets, for purpose and/or time, as of June 30 include the following:

	<u>2018</u>	<u>2017</u>
PIE	\$ 746,017	\$ 1,042,690
EOM	11,048,436	17,123,464
Other Central Services initiatives	<u>452,841</u>	<u>447,079</u>
	<u>\$ 12,247,294</u>	<u>\$ 18,613,233</u>

### NOTE 10 - CONTINGENT LIABILITIES

The Corporation Sole has entered into several gift annuities for the benefit of certain affiliated entities. The Corporation Sole has segregated assets to provide for these annuities as separate and distinct funds independent from Central Services. These funds may not be applied to payments of any debts and/or obligations of the Combined Entities.



**Central Services of the Roman Catholic Archbishop of Baltimore**  
(A corporation sole of the State of Maryland, and other combined entities)

**NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2018 and 2017**

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**NOTE 10 - CONTINGENT LIABILITIES - Continued**

These gift annuities require regular payments to donors reducing annuity principal balances. Upon the death of the donor, any remaining balance is given to stated Archdiocesan beneficiaries. Any regularly scheduled payments to donors that are in excess of annuity principal would be made by Central Services. As of June 30, 2018, the required balance is believed to be sufficient to cover the estimated remaining annuity payments.

**NOTE 11 - RELATED PARTY TRANSACTIONS**

Central Services leases office space to certain affiliated organizations. Rental income from these leases included in the combined statements of activities and changes in net assets was \$151,124 and \$147,702 for the years ended June 30, 2018 and 2017, respectively.

Mercy Ridge, Inc., a continuing care retirement community, is a joint venture between Central Services and Mercy Health Services. There is a sponsorship agreement between Central Services and Mercy Ridge, Inc. whereby the Central Services earns an annual payment in the amount of \$2,143 per each assisted and independent living unit constructed in the project, subject to a consumer price index increase, and is contingent upon Mercy Ridge, Inc. meeting its occupancy test as defined in the Amended and Restated Sponsorship Agreement. For the years ended June 30, 2018 and 2017, the Archdiocese received sponsorship fees from Mercy Ridge, Inc. totaling \$588,998 and \$579,443, respectively. Central Services provided funds to pay expenses for the care of certain retired priests residing at Mercy Ridge, Inc. during the years ended June 30, 2018 and 2017. Total expenses paid to Mercy Ridge were \$918,317 and \$701,654, respectively.

Central Services was awarded \$233,183 and \$311,205 in grants to fund special projects and operations from John Carroll Foundation in the Archdiocese of Baltimore ("JCF"), a non-combined affiliate within the Archdiocese, for the years ended June 30, 2018 and 2017, respectively.

Central Services awarded grants of \$7,405,523 and \$5,892,558 to parishes and schools for the years ended June 30, 2018 and 2017, respectively. Included in the Central Services awards in fiscal years 2018 and 2017, respectively, are \$1,496,701 and \$1,638,726 in tuition assistance from Partners in Excellence, and \$1,921,750 and \$2,164,360 in tuition assistance and subsidy to Archdiocesan schools, and \$49,127 and \$167,853 in Mustard Seed Match for tuition assistance endowments within CCF. The Archbishop's Annual Appeal annual campaign awarded grants of \$4,960,573 and \$5,405,185 to parishes, schools, and other Archdiocesan entities for the years ended June 30, 2018 and 2017. EOM recognized grants of \$1,722,091 and \$6,385,753 for parishes, schools, and other Archdiocesan entities for the years ended June 30, 2018 and 2017, respectively.

# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

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### NOTE 11 - RELATED PARTY TRANSACTIONS - Continued

Central Services was awarded \$760,588 and \$474,691 in grants to fund specific operating areas from CCF, a non-combined affiliate within the Archdiocese, for the years ended June 30, 2018 and 2017. Additionally, Central Services recorded \$654,000 and \$701,644 in fee income to provide administrative services for CCF and awarded CCF \$0 and \$174,735 in grants for the years ended June 30, 2018 and 2017, respectively.

Central Services recorded \$434,060 and \$429,000 in fee income to provide administrative services to IPLF, a non-combined affiliate within the Archdiocese, for the years ended June 30, 2018 and 2017, respectively.

### NOTE 12 - LITIGATION

The Corporation Sole is subject to various commitments and contingent liabilities, including general litigation. Various lawsuits and claims are pending against the Corporation Sole, the majority of which are subject to coverage under the Central Services' insurance programs. The Corporation Sole is also aware of potential claims, some involving alleged sexual abuse. The Corporation Sole and legal counsel cannot presently determine the merits of these potential claims and the potential for losses not covered by existing insurance until such time as additional information is made available.

### NOTE 13 - MERGER OF THE CATHEDRAL FOUNDATION

The Corporation Sole merged operations with The Cathedral Foundation Inc., a nonprofit corporation (the "Foundation") effective July 1, 2017 and finalized on September 28, 2017. The mission of the Foundation was to utilize the tools of the Age of Communications to advance the mission of the Church. It fulfilled this mission primarily through the regular publication of the Catholic Review, providing catholic printing services and the publication and distribution of books. The purpose of this merger was to expand and enhance the Department of Communication within the Archdiocese of Baltimore as well as further the mission of the Foundation. All assets and liabilities of the Foundation were recorded and there was no cash consideration associated with the acquisition agreement.

# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2018 and 2017

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### NOTE 13 - MERGER OF THE CATHEDRAL FOUNDATION - Continued

As the Corporation Sole is predominately supported by contributions and returns on investments and this is not expected to change as a result of this merger, the excess of the fair value of assets acquired over the fair value of the liabilities assumed as a result of the merger has been recognized as a separate charge in the statement of activities as follows:

Cash	\$ 288,206
Investments	662,190
Accounts receivable, net of allowance	75,273
Prepaid and other assets	29,357
Property and equipment, net	1,515,081
Liabilities assumed	<u>(1,792,722)</u>
Excess of assets acquired over liabilities assumed in the donation of the Foundation	\$ <u>777,385</u>

Property transferred as a result of the merger was sold in September 2018 the proceeds of which were invested in a fund established by management towards the operating needs of the Department of Communication.

### NOTE 14 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 28, 2018, which is the date the combined financial statements were available to be issued.

Central Services is not aware of any subsequent events which would require additional recognition or disclosure in the accompanying combined financial statements as of June 30, 2018.

## **SUPPLEMENTARY INFORMATION**

## Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

### SUPPLEMENTAL SCHEDULES OF DETAILED EXPENSES

Year ended June 30, 2018

Schedule I

	Evangelization and Pastoral Services	Department of Catholic Schools	Clergy Services and Programs	Priest Care and Retired Clergy	Fund- Raising and Development	Central Management and Administration	Total 2018 Expenses
Program expenses	\$ 828,822	\$ 5,255	\$1,801,465	\$ -	\$ 129,319	\$ 1,040,200	\$ 3,805,061
Salaries and benefits	3,739,652	1,548,572	470,570	2,038,765	2,424,835	8,065,619	18,288,013
Retirement programs	-	-	-	(9,142,419)	-	(3,492,544)	(12,634,963)
Occupancy	402,172	109,982	67,319	618	157,195	834,510	1,571,796
Office equipment	122,243	206,283	17,851	6,110	118,418	605,028	1,075,933
Professional development and meetings	195,076	162,005	46,929	12,692	175,406	279,820	871,928
Office expense	213,765	117,161	99,344	80,531	1,214,471	2,088,242	3,813,514
Bad debt	-	165,602	-	-	524,275	1,122,921	1,812,798
Professional fees	356,032	103,790	13,416	-	217,512	1,232,929	1,923,679
Grants and donations	8,849,965	3,862,926	(55,864)	(48,334)	16,500	279,389	12,904,582
Embracing Our Mission	1,713,032	40,105	-	-	-	-	1,753,137
	\$ 16,420,759	\$ 6,321,681	\$2,461,030	\$(7,052,037)	\$ 4,977,931	\$ 12,056,114	\$ 35,185,478

*This schedule should be read in conjunction with the accompanying report of independent certified public accountants and the financial statements and notes thereto.*

## Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

### SUPPLEMENTAL SCHEDULES OF DETAILED EXPENSES - CONTINUED

Year ended June 30, 2017

Schedule I

	Evangelization and Pastoral Services	Department of Catholic Schools	Clergy Services and Programs	Priest Care and Retired Clergy	Fund- Raising and Development	Central Management and Administration	Total 2017 Expenses
Program expenses	\$ 832,488	\$ 2,536	\$ 1,517,063	\$ -	\$ 101,751	\$ 1,467,722	\$ 3,921,560
Salaries and benefits	3,681,048	1,645,928	444,969	1,973,422	2,509,899	7,474,921	17,730,187
Retirement programs	-	-	-	(8,012,573)	-	424,623	(7,587,950)
Occupancy	382,114	105,351	64,485	561	150,576	842,926	1,546,013
Office equipment	102,877	76,761	18,216	-	109,050	504,262	811,166
Professional development and meetings	126,129	149,451	16,301	11,701	137,089	266,960	707,631
Office expense	253,359	56,543	63,980	25,893	1,342,412	1,515,718	3,257,905
Bad debt	-	-	-	-	479,363	1,815,682	2,295,045
Professional fees	158,469	66,017	9,371	-	225,881	1,355,485	1,815,223
Grants and donations	5,641,260	4,068,439	-	(500,000)	5,500	321,545	9,536,744
Embracing Our Mission	2,582,650	3,503,103	-	800,000	-	-	6,885,753
	<u>\$ 13,760,394</u>	<u>\$ 9,674,129</u>	<u>\$ 2,134,385</u>	<u>\$(5,700,996)</u>	<u>\$ 5,061,521</u>	<u>\$ 15,989,844</u>	<u>\$40,919,277</u>

*This schedule should be read in conjunction with the accompanying report of independent certified public accountants and the financial statements and notes thereto.*

**Central Services of the Roman Catholic Archbishop of Baltimore**  
(A corporation sole of the State of Maryland, and other combined entities)

**SUPPLEMENTAL SCHEDULES OF INSURANCE OPERATIONS**

Year ended June 30, 2018

Schedule II

	<u>General Reserve Fund*</u>	<u>Health Reserve Fund</u>	<u>Misconduct Fund</u>	<u>2018 Total</u>
Premium contributions	\$ 15,303,809	\$ 43,596,984	\$ 1,264,500	\$ 60,165,293
Premium expense	6,320,436	3,330,463	-	9,650,899
Claims expense	4,027,284	36,977,551	705,100	41,709,935
Administrative charges	2,456,306	1,073,427	426,156	3,955,889
Other expenses	1,271,483	1,203,707	-	2,475,190
Total expenses	<u>14,075,509</u>	<u>42,585,148</u>	<u>1,131,256</u>	<u>57,791,913</u>
Net operating surplus	1,228,300	1,011,836	133,244	2,373,380
Investments:				
Investment income	544,643	176,991	32,497	754,131
Realized gain	1,031,594	260,158	142,913	1,434,665
Unrealized gain	685,567	282,778	28,810	997,155
Investment gain	<u>2,261,804</u>	<u>719,927</u>	<u>204,220</u>	<u>3,185,951</u>
Net surplus	<u>\$ 3,490,104</u>	<u>\$ 1,731,763</u>	<u>\$ 337,464</u>	<u>\$ 5,559,331</u>

\* *Includes property and casualty, auto, worker's compensation, short-term and long-term disability, unemployment and life insurance.*

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## Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

### SUPPLEMENTAL SCHEDULES OF INSURANCE OPERATIONS - CONTINUED

Year ended June 30, 2017

Schedule II

	General Reserve Fund*	Health Reserve Fund	Misconduct Fund	2017 Total
Premium contributions	\$ 15,323,250	\$ 43,018,568	\$ 1,265,249	\$ 59,607,067
Premium expense	6,302,891	3,296,694	-	9,599,585
Claims expense	4,678,925	35,698,122	1,336,143	41,713,190
Administrative charges	2,036,696	1,172,510	485,777	3,694,983
Other expenses	1,152,239	1,445,376	-	2,597,615
Total expenses	14,170,751	41,612,702	1,821,920	57,605,373
Net operating surplus	1,152,499	1,405,866	(556,671)	2,001,694
Investments:				
Investment income	355,665	97,699	39,299	492,663
Realized gain	399,627	84,433	30,671	514,731
Unrealized gain	1,452,911	458,625	188,774	2,100,310
Investment gain	2,208,203	640,757	258,744	3,107,704
Net surplus	\$ 3,360,702	\$ 2,046,623	\$ (297,927)	\$ 5,109,398

\* *Includes property and casualty, auto, worker's compensation, short-term and long-term disability, unemployment and life insurance.*

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**Central Services of the Roman Catholic Archbishop of Baltimore**  
(A corporation sole of the State of Maryland, and other combined entities)

**SUPPLEMENTAL SCHEDULES OF CENTRAL SERVICES**

**STATEMENTS OF FINANCIAL POSITION**

As of June 30, 2018 and 2017

Schedule III

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 9,564,805	\$ 4,282,600
Investment, at fair value		
Unrestricted	20,483,697	21,729,849
Designated to Support Central Service programs	19,702,472	17,690,235
Designated for insurance programs	54,442,412	55,035,271
Designated for Partners in Excellence	1,559,807	2,054,585
Permanently restricted	17,437,184	16,021,834
Agency	<u>3,700,633</u>	<u>3,446,538</u>
Total cash, cash equivalents and investments	126,891,010	120,260,912
Contributions receivable, net	821,066	1,104,638
IPLF Loans and accounts receivable from Archdiocesan parishes, schools and entities, net	37,761,452	37,767,865
Prepaid expenses and other assets	4,170,724	1,371,812
Land, buildings and equipment, net	<u>16,345,770</u>	<u>16,712,080</u>
Total assets	<u>\$ 185,990,022</u>	<u>\$ 177,217,307</u>
<b>Liabilities and Net Assets</b>		
Demand notes payable to parishes, schools and related entities	\$ 1,191,434	\$ 1,644,061
Agency investments and liabilities to related entities	5,944,112	3,658,297
Accounts payable and accrued expenses	14,780,359	16,077,293
Grants payable	303,185	3,185
Claims reserve	12,624,224	11,889,089
Pension and post-retirement benefit obligation	35,965,562	46,990,560
Bonds and long-term notes payable	<u>30,230,597</u>	<u>31,079,664</u>
Total liabilities	101,039,473	111,342,149
<b>Net assets</b>		
Unrestricted	66,635,806	48,363,554
Temporarily restricted	1,198,857	1,489,769
Permanently restricted	<u>17,115,886</u>	<u>16,021,835</u>
Total net assets	<u>84,950,549</u>	<u>65,875,158</u>
Total liabilities and net assets	<u>\$ 185,990,022</u>	<u>\$ 177,217,307</u>

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# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## SUPPLEMENTAL SCHEDULE OF CENTRAL SERVICES

### STATEMENT OF ACTIVITIES

Year ended June 30, 2018

Schedule IV

	<u>Department of Vicariate and Pastoral Leadership</u>	<u>Department of Management Services</u>	<u>Department of Development</u>	<u>Department of Human Resources</u>	<u>Department of Evangelization</u>	<u>Department of Catholic Schools</u>	<u>General Operations &amp; Parish Support</u>	<u>Total 2018</u>
<b>Operating revenue:</b>								
Cathedraticum	\$ 4,553,879	\$ 3,196,260	\$ 1,099,572	\$ 999,757	\$ 1,563,656	\$ 1,634,570	\$ 1,830,034	\$ 14,877,728
Programs and fees	2,601,134	2,094,003	1,914,141	15,000	494,868	746,593	629,278	8,495,017
Annual appeal	1,035,000	20,000	-	-	608,607	25,000	665,000	2,353,607
CCF grants	123,714	-	-	-	41,752	41,589	529,211	736,266
Gifts and bequests	661,169	-	10,000	-	263,642	53,006	2,950,461	3,938,278
Other income	873,105	314,241	-	-	1,877	7,537	739,686	1,936,446
Investment income	327,304	-	-	-	27,298	7,500	1,095,208	1,457,310
Total operating revenue	<u>10,175,305</u>	<u>5,624,504</u>	<u>3,023,713</u>	<u>1,014,757</u>	<u>3,001,700</u>	<u>2,515,795</u>	<u>8,438,878</u>	<u>33,794,652</u>
<b>Operating expenses:</b>								
Salaries and benefits	4,683,448	4,397,885	2,218,633	810,597	1,615,969	1,548,573	-	15,275,105
Program and office	4,794,131	1,021,762	715,643	204,160	1,275,944	766,286	1,948,953	10,726,879
Professional fees and dues	337,662	201,107	72,937	-	109,087	103,790	1,759,647	2,584,230
Grants	360,064	3,750	16,500	-	700	97,146	7,405,523	7,883,683
Total operating expenses	<u>10,175,305</u>	<u>5,624,504</u>	<u>3,023,713</u>	<u>1,014,757</u>	<u>3,001,700</u>	<u>2,515,795</u>	<u>11,114,123</u>	<u>36,469,897</u>
Operating surplus (deficit)	-	-	-	-	-	-	(2,675,245)	(2,675,245)
<b>Other activity:</b>								
Bond financing project, net	-	-	-	-	-	-	(543,637)	(543,637)
Insurance program, net	-	-	-	-	-	-	5,617,123	5,617,123
Clergy on special assignment	-	-	-	-	-	-	(616,001)	(616,001)
Retired clergy medical care, net	-	-	-	-	-	-	139,775	139,775
Gain on retirement plan valuation	-	-	-	-	-	-	12,585,068	12,585,068
Realized/unrealized investment gains	-	-	-	-	-	-	2,875,186	2,875,186
Gain on SWAP agreements	-	-	-	-	-	-	1,693,124	1,693,124
Total other activity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,750,638</u>	<u>21,750,638</u>
Total surplus	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,075,393</u>	<u>\$ 19,075,393</u>

*This schedule should be read in conjunction with the accompanying report of independent certified public accountants and the financial statements and notes thereto.*

# Central Services of the Roman Catholic Archbishop of Baltimore

(A corporation sole of the State of Maryland, and other combined entities)

## SUPPLEMENTAL SCHEDULE OF CENTRAL SERVICES

### STATEMENT OF ACTIVITIES - CONTINUED

Year ended June 30, 2017

Schedule IV

	Department of Vicariate and Pastoral Leadership	Department of Management Services	Department of Development	Department of Human Resources	Department of Evangelization	Department of Catholic Schools	General Operations & Parish Support	Total 2017
<b>Operating revenue:</b>								
Cathedraticum	\$ 4,629,730	3,248,016	\$ 1,010,770	\$ 1,169,127	\$ 1,718,033	\$ 1,514,758	\$ 1,269,315	\$ 14,559,749
Programs and fees	876,837	2,213,834	1,954,404	-	385,465	522,323	535,288	6,488,151
Annual appeal	877,000	45,000	-	-	460,045	25,000	700,000	2,107,045
CCF grants	60,211	-	-	-	38,932	41,405	285,473	426,021
Gifts and bequests	554,962	-	-	-	175,769	14,986	4,055,515	4,801,232
Other income	821,080	251,945	-	-	-	9,658	128,898	1,211,581
Investment income	<u>229,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,100</u>	<u>7,500</u>	<u>895,263</u>	<u>1,150,589</u>
Total operating revenue	8,049,546	5,758,795	2,965,174	1,169,127	2,796,344	2,135,630	7,869,752	30,744,368
<b>Operating expenses:</b>								
Salaries and benefits	3,856,737	4,218,612	2,246,799	948,085	1,466,184	1,645,928	295,810	14,678,155
Program and office	3,910,106	1,264,080	622,784	228,825	1,139,367	390,644	1,926,640	9,482,446
Professional fees and dues	272,082	217,305	66,640	-	39,883	66,017	973,164	1,635,091
Grants	<u>225,450</u>	<u>57,245</u>	<u>5,500</u>	<u>-</u>	<u>-</u>	<u>24,500</u>	<u>6,062,086</u>	<u>6,374,781</u>
Total operating expenses	<u>8,264,375</u>	<u>5,757,242</u>	<u>2,941,723</u>	<u>1,176,910</u>	<u>2,645,434</u>	<u>2,127,089</u>	<u>9,257,700</u>	<u>32,170,473</u>
Operating surplus (deficit)	(214,829)	1,553	23,451	(7,783)	150,910	8,541	(1,387,948)	(1,426,105)
<b>Other activity:</b>								
Bond financing project, net	-	-	-	-	-	-	(529,371)	(529,371)
Insurance program, net	-	-	-	-	-	-	5,109,398	5,109,398
Clergy on special assignment	-	-	-	-	-	-	(594,036)	(594,036)
Retired clergy medical care, net	-	-	-	-	-	-	657,658	657,658
Grant to priest pension fund	-	-	-	-	-	-	500,000	500,000
Loss on retirement plan valuation	-	-	-	-	-	-	7,587,950	7,587,950
Realized/unrealized losses	-	-	-	-	-	-	2,941,394	2,941,394
Loss on SWAP agreements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,652,932</u>	<u>2,652,932</u>
Total other activity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,325,925</u>	<u>18,325,925</u>
Total surplus	<u>\$ (214,829)</u>	<u>\$ 1,553</u>	<u>\$ 23,451</u>	<u>\$ (7,783)</u>	<u>\$ 150,910</u>	<u>\$ 8,541</u>	<u>\$ 16,937,977</u>	<u>\$ 16,899,820</u>

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**Central Services of the Roman Catholic Archbishop of Baltimore**  
(A corporation sole of the State of Maryland, and other combined entities)

**SUPPLEMENTAL SCHEDULES OF ARCHBISHOP'S ANNUAL APPEAL**

**STATEMENTS OF FINANCIAL POSITION**

As of June 30, 2018 and 2017

	<b>Schedule V</b>	
	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash and investments	\$ 5,043,832	\$ 4,950,000
Pledges receivable, net of allowance of \$534,461 and \$670,665 in 2018 and 2017, respectively	1,754,095	1,922,767
Total assets	\$ 6,797,927	\$ 6,872,767
<b>Liabilities and Net Assets</b>		
Campaign grants payable	\$ 2,323,367	\$ 1,757,097
Accounts payable and accrued liabilities	3,181,911	3,312,825
Total liabilities	5,505,278	5,069,922
Net assets		
Unrestricted designated	1,292,649	1,802,845
Total liabilities and net assets	\$ 6,797,927	\$ 6,872,767

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**Central Services of the Roman Catholic Archbishop of Baltimore**  
(A corporation sole of the State of Maryland, and other combined entities)

**SUPPLEMENTAL SCHEDULES OF ARCHBISHOP'S ANNUAL APPEAL**

**STATEMENTS OF ACTIVITIES**

Year ended June 30, 2018 and 2017

Schedule VI

	<u>2018</u>	<u>2017</u>
<b>Revenues:</b>		
Gifts and pledges	\$ 9,088,871	\$ 9,802,180
Allowance for uncollectibles	(524,275)	(479,363)
Investments, net	<u>7,205</u>	<u>2,715</u>
Total net revenue	<u>8,571,801</u>	<u>9,325,532</u>
<b>Expenses:</b>		
Fundraising costs and administration	<u>1,664,423</u>	<u>1,738,922</u>
<b>Grant expenditures:</b>		
Evangelization and Pastoral Services		
Associated Catholic Charities	1,355,200	1,308,000
Strengthening parishes and forming church leaders	3,702,873	4,026,185
Respect life ministries and programs	160,000	100,000
Chaplaincy (hospital, prison, and Apostleship of the Sea)	90,000	86,000
Care for the elderly and impaired	50,000	80,000
Hispanic ministries	130,000	80,000
Continuing education and Evangelization programs	300,000	275,000
Supporting work for the Holy Father	120,000	120,000
Western MD housing	2,500	20,000
AIDS ministries	15,000	15,000
US/International Outreach	<u>-</u>	<u>40,000</u>
Total Liturgical and Pastoral Services	<u>5,925,573</u>	<u>6,150,185</u>
Priest Care and Clergy Services		
Vocations	350,000	350,000
Sr. Priest medical care	<u>210,000</u>	<u>100,000</u>
Total Priest Care and Clergy Services	<u>560,000</u>	<u>450,000</u>
Young Adult and Youth Education Ministries		
Tuition and school assistance	530,000	600,000
Newman Centers	352,000	352,000
O'Dwyer retreat house and Youth Ministry Support	25,000	75,000
Pride Program	<u>25,000</u>	<u>25,000</u>
Total Young Adult and Youth Education Ministries	<u>932,000</u>	<u>1,052,000</u>
Total expenses and grant expenditures	<u>9,081,996</u>	<u>9,391,107</u>
Net deficit	<u>\$ (510,195)</u>	<u>\$ (65,575)</u>

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**Central Services of the Roman Catholic Archbishop of Baltimore**  
(A corporation sole of the State of Maryland, and other combined entities)

**SUPPLEMENTAL SCHEDULES OF PARTNERS IN EXCELLENCE**

**STATEMENTS OF FINANCIAL POSITION**

As of June 30, 2018 and 2017

Schedule VII

	2018	2017
<b>Assets</b>		
Cash and marketable securities	\$ 1,735,316	\$ 2,238,970
Pledges receivable, net of allowances of \$76,086 and \$81,662 in fiscal 2018 and 2017, respectively	813,714	1,104,638
Permanently restricted investments	598,300	487,121
Total assets	\$ 3,147,330	\$ 3,830,729
 <b>Net Assets</b>		
Unrestricted	1,803,013	2,189,739
Temporarily restricted	746,017	1,042,690
Permanently restricted	598,300	598,300
Total net assets	\$ 3,147,330	\$ 3,830,729

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**Central Services of the Roman Catholic Archbishop of Baltimore**  
(A corporation sole of the State of Maryland, and other combined entities)

**SUPPLEMENTAL SCHEDULES OF PARTNERS IN EXCELLENCE**

**STATEMENTS OF ACTIVITIES**

Year ended June 30, 2018 and 2017

Schedule VIII

	<u>2018</u>	<u>2017</u>
<b>Revenues:</b>		
Gifts and pledges	\$ 1,131,367	\$ 2,062,652
Investment income, net	<u>33,279</u>	<u>53,022</u>
Total revenues	<u>1,164,646</u>	<u>2,115,674</u>
<b>Expenses:</b>		
Fund raising expenditures	351,344	405,615
Adult and faith education ministries - tuition assistance	<u>1,496,701</u>	<u>1,638,726</u>
Total expenses	<u>1,848,045</u>	<u>2,044,341</u>
Net (deficit) surplus	<u>\$ (683,399)</u>	<u>\$ 71,333</u>

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**Central Services of the Roman Catholic Archbishop of Baltimore**  
(A corporation sole of the State of Maryland, and other combined entities)

**SUPPLEMENTAL SCHEDULES OF CHILD NUTRITION PROGRAM**

**STATEMENTS OF FINANCIAL POSITION**

As of June 30, 2018 and 2017

	<b>Schedule IX</b>	
	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 121,130	\$ 5,021
Accounts receivable	102,162	108,264
Office and kitchen equipment, net	23,381	27,569
Total assets	\$ 246,673	\$ 140,854
 <b>Liabilities and Net Deficit</b>		
Accounts payable and accrued liabilities	\$ 938,447	\$ 691,476
Total liabilities	938,447	691,476
Net deficit		
Unrestricted	(691,774)	(555,643)
Total liabilities and net deficit	\$ 246,673	\$ 135,833

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**Central Services of the Roman Catholic Archbishop of Baltimore**  
(A corporation sole of the State of Maryland, and other combined entities)

**SUPPLEMENTAL SCHEDULES OF CHILD NUTRITION PROGRAM**

**STATEMENTS OF ACTIVITIES**

Year ended June 30, 2018 and 2017

Schedule X

	2018	2017
<b>Revenues:</b>		
Federal reimbursements	\$ 560,037	\$ 644,899
State reimbursements	35,041	47,691
Commodities received	52,773	63,466
Food sales at schools	156,795	184,205
Other income	-	-
Total revenues	804,646	940,261
<b>Expenses:</b>		
Salaries and benefits	431,188	487,214
Food services, storage and commodities	425,828	527,679
Equipment rentals and expenses	10,028	16,957
Office supplies and miscellaneous	73,733	61,510
Total expenses	940,777	1,093,360
Net (deficit)	\$ (136,131)	\$ (153,099)

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**Central Services of the Roman Catholic Archbishop of Baltimore**  
(A corporation sole of the State of Maryland, and other combined entities)

**SUPPLEMENTAL SCHEDULES OF EMBRACING OUR MISSION PROGRAM**

**STATEMENTS OF FINANCIAL POSITION**

As of June 30, 2018 and 2017

	<b>Schedule XI</b>	
	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash and investments	\$ 8,264,330	\$ 5,952,439
Pledges receivable, net of allowances of \$3,205,728 and \$10,591,422 in 2018 and 2017, respectively	11,510,191	18,467,185
Total assets	\$ 19,774,521	\$ 24,419,624
 <b>Liabilities and Net Assets</b>		
Campaign grants payable	\$ 4,152,712	\$ 6,517,358
Accounts payable and accrued liabilities	8,124,091	10,917,608
Total liabilities	12,276,803	17,434,966
 Net assets		
Temporarily restricted	7,497,718	6,984,658
Total liabilities and net assets	\$ 19,774,521	\$ 24,419,624

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**Central Services of the Roman Catholic Archbishop of Baltimore**  
(A corporation sole of the State of Maryland, and other combined entities)

**SUPPLEMENTAL SCHEDULES OF EMBRACING OUR MISSION PROGRAM**

**STATEMENTS OF ACTIVITIES**

**Years ended June 30, 2018 and 2017**

**Schedule XII**

	2018	2017	Campaign to Date
<b>Revenues:</b>			
Gifts and pledges	\$ 3,751,591	\$ 2,601,019	\$ 126,982,675
Allowance for uncollectible amounts	(576,720)	(231,789)	(19,955,380)
Total net revenue	3,174,871	2,369,230	107,027,295
<b>Expenses:</b>			
Fundraising costs and administration	908,671	1,212,113	14,879,351
<b>Grant commitments:</b>			
Support of Catholic Charities	598,274	1,000,000	8,125,000
Support of Catholic Education:			
Capital improvements to schools	(379,895)	1,374,903	12,159,712
Academic program enhancements	120,000	978,200	3,525,845
Tuition assistance endowment	300,000	1,000,000	9,915,085
Direct tuition assistance	-	150,000	957,501
Support of Cathedrals	-	210,000	6,372,621
Support of Clergy:			
Vocations	-	-	680,050
Priest retirement/medical	-	800,000	6,808,551
Support of evangelization and religious education	25,378	650,000	2,331,378
Other	-	-	4,184,249
Parish share	1,089,380	722,650	29,590,235
Total grant commitments	1,753,137	6,885,753	84,650,227
Total expenses and support area grant commitments	2,661,808	8,097,866	99,529,578
<b>Changes in Net Assets (will be allocated to support areas when cash is available)</b>	<b>\$ 513,063</b>	<b>\$ (5,728,636)</b>	<b>\$ 7,497,717</b>

*Note: For accounting purposes, campaign support areas associated directly with other established campaign areas such as PIE and CCF, Inc. are not included in the above. Such amounts are included within the separately reported campaigns. A summary of total campaign support goals and progress including these other campaign areas:*

	Through June 30, 2018	Campaign Overall Goal
<b>Campaign Priority Areas of Support:</b>		
Support of Catholic Charities (includes \$350,000 in CCF, Inc.)	\$ 9,125,000	\$ 9,200,000
Support of Catholic Education:		
Tuition assistance and endowments (includes \$10,189,935 in CCF, Inc.)	20,105,020	23,000,000
Capital improvements to schools	12,159,712	13,800,000
Academic program enhancements (includes \$400,000 in CCF, Inc.)	3,905,846	4,600,000
Direct tuition assistance (includes \$2,238,109 in PIE)	3,806,093	4,600,000
Support of Clergy (Retirement Vocations) (includes \$387,310 in CCF, Inc.)	7,875,911	9,200,000
Support of Cathedrals	6,372,621	6,440,000
Support of Evangelization and Rel. Educ. (includes \$25,000 in CCF, Inc.)	2,356,378	2,760,000
Local Parish Support (includes \$461,333 in CCF, Inc.)	30,051,568	18,400,000
Unallocated but expected future collections	7,497,717	-
Total Priority Areas of Campaign	<b>\$ 103,255,866</b>	<b>\$ 92,000,000</b>

*This schedule should be read in conjunction with the accompanying report of independent certified public accountants and the financial statements and notes thereto.*