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, 2019 and 2018

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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, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses 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, 2019 and 2018, 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 41 - 53, included as supplementary information as of and for the years ended June 30, 2019 and 2018 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.

Grant Thornton LLP

Arlington, Virginia
December 20, 2019

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, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 16,874,719	$ 22,238,981
Investments:		
Unrestricted investments	21,243,535	20,483,697
Board-designated investments	85,483,410	78,833,643
Investments held in perpetuity and split-interest agreements	17,599,669	17,437,184
Total investments	124,326,614	116,754,524
Agency investments held for others	10,629,366	2,683,691
Prepaids and other assets	1,692,660	2,184,190
Loans and accounts receivable from Archdiocesan parishes and schools, net of allowance of $40,745,547 and $37,002,462 in 2019 and 2018, respectively	27,813,963	27,782,716
Contributions receivable, net of allowance and discounts of $3,074,375 and $3,816,275 in 2019 and 2018, respectively	8,439,005	14,078,000
Property and equipment, net	24,784,017	25,219,117
Total assets	$ 214,560,344	$ 210,941,219
LIABILITIES AND NET ASSETS		
LIABILITIES		
Demand notes payable to Archdiocesan parishes	$ 1,260,994	$ 1,191,434
Agency funds and liabilities to related entities	10,929,078	4,928,291
Accounts payable, accrued expenses and interest rate swap agreements	24,284,295	26,104,119
Grants payable	6,539,691	6,779,264
Claims reserve for insurance liabilities	14,319,013	13,055,250
Pension and post-retirement benefit obligations, net	44,390,324	35,965,562
Tax-exempt and long-term notes payable	29,381,528	30,230,597
Total liabilities	131,104,923	118,254,517
NET ASSETS		
Without Donor Restrictions	58,495,435	63,002,224
With Donor Restrictions	24,959,986	29,684,478
Total net assets	83,455,421	92,686,702
Total liabilities and net assets	$ 214,560,344	$ 210,941,219

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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Operating income			
Cathedraticum	$ 14,448,719	$ -	$ 14,448,719
Program contributions and service fees	3,982,098	2,612,332	6,594,430
Annual appeal gifts and pledges, net	8,073,723	-	8,073,723
Partners in Excellence gifts and pledges, net	772,738	250,580	1,023,318
Embracing Our Mission gifts and pledges, net	331,828	122,548	454,376
Gifts, trust, and endowment income	1,672,384	-	1,672,384
Contributions and bequests	2,612,894	-	2,612,894
Reserve for uncollectable pledges	-	(648,528)	(648,528)
Other income	3,167,498	-	3,167,498
Net assets released from restrictions	7,223,907	(7,223,907)	-
Total operating revenues	42,285,789	(4,886,975)	37,398,814
Investment income			
Investment earnings, net	1,365,960	-	1,365,960
Split-interest irrevocable trusts	-	162,483	162,483
Loss from interest rate swap agreements	(1,450,700)	-	(1,450,700)
Realized gain	302,761	-	302,761
Unrealized gain	714,613	-	714,613
Total investment income	932,634	162,483	1,095,117
Other operations, net			
Insurance operations	5,562,868	-	5,562,868
Child Nutrition Program	(272,973)	-	(272,973)
Total other operations, net	5,289,895	-	5,289,895
Total revenues, gains and other support	48,508,318	(4,724,492)	43,783,826
Expenses:			
Central management and administration	17,523,822	-	17,523,822
Fundraising and development	4,702,251	-	4,702,251
Evangelization and pastoral services	10,369,587	-	10,369,587
Department of Catholic Schools	8,721,162	-	8,721,162
Priest care and retired clergy	8,978,692	-	8,978,692
Clergy services and programs	2,719,593	-	2,719,593
Total expenses	53,015,107	-	53,015,107
CHANGES IN NET ASSETS	(4,506,789)	(4,724,492)	(9,231,281)
Net assets, beginning of year	63,002,224	29,684,478	92,686,702
Net assets, end of year	$ 58,495,435	$ 24,959,986	$ 83,455,421

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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Operating income			
Cathedraticum	$ 14,877,728	$ -	$ 14,877,728
Program contributions 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	11,135,582	(11,135,582)	-
Total operating revenues	49,993,614	(6,044,641)	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	433,195	-	433,195
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	(136,131)	-	(136,131)
Total other operations, net	5,423,200	-	5,423,200
Total revenues, gains and other support	59,044,649	(4,950,589)	54,094,060
Expenses:			
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	2,461,030	-	2,461,030
Total expenses	35,185,478	-	35,185,478
CHANGES IN NET ASSETS	23,859,171	(4,950,589)	18,908,582
Net assets, beginning of year	39,143,053	34,635,067	73,778,120
Net assets, end of year	$ 63,002,224	$ 29,684,478	$ 92,686,702

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 FUNCTIONAL EXPENSES

Year ended June 30, 2019

	Central Management and Administration	Fund Raising and Development	Evangelization and Pastoral Services	Department of Catholic Schools	Priest Care and Retired Clergy	Clergy Services and Programs	2019 Total Expenses
Travel	$ 15,803	$ 8,282	$ 42,938	$ -	$ -	$ 96,727	$ 163,750
Supplies	384,301	222,485	352,479	2,465	-	69,519	1,031,248
Seminarians	-	-	-	-	-	1,874,650	1,874,650
Salaries and benefits	7,593,826	2,478,460	3,745,981	1,897,492	2,878,820	470,586	19,065,164
Retirement program	2,394,422	-	-	-	6,030,340	-	8,424,762
Occupancy	765,019	171,086	413,751	119,701	688	73,268	1,543,514
Office equipment	600,228	145,268	125,149	211,457	4,420	18,500	1,105,022
Profess Dev/Meeting	308,276	131,363	256,788	122,760	15,550	29,030	863,768
Office expense	2,175,093	760,115	221,936	86,277	99,571	88,827	3,431,819
Bad debt	1,233,973	440,485	-	64,229	-	-	1,738,686
Professional fees	1,753,252	263,758	629,318	87,910	1,275	42,964	2,778,476
Grants and donations	299,630	80,950	4,091,629	3,298,445	(148,172)	(394,478)	7,228,004
EOM Grants	-	-	489,616	2,830,427	96,200	350,000	3,766,243
Total	$ 17,523,822	$ 4,702,251	$ 10,369,587	$ 8,721,162	$ 8,978,692	$ 2,719,593	$ 53,015,107

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 FUNCTIONAL EXPENSES - CONTINUED

Year ended June 30, 2018

	Central Management and Administration	Fund Raising and Development	Evangelization and Pastoral Services	Department of Catholic Schools	Priest Care and Retired Clergy	Clergy Services and Programs	2018 Total Expenses
Travel	$ 16,805	$ 967	$ 108,602	$ -	$ -	$ 415	$ 126,790
Supplies	562,941	110,829	384,644	1,650	-	103,453	1,163,517
Seminarians	-	-	-	-	-	1,642,902	1,642,902
Salaries and benefits	8,065,619	2,424,835	3,739,652	1,548,572	2,038,765	470,570	18,288,013
Retirement program	(3,492,544)	-	-	-	(9,142,419)	-	(12,634,963)
Occupancy	834,510	157,195	402,172	109,982	618	67,319	1,571,796
Office equipment	605,028	118,418	122,243	206,283	6,110	17,851	1,075,933
Profess Dev/Meeting	279,820	175,406	195,076	162,005	12,692	46,929	871,928
Office expense	2,088,242	1,214,471	213,765	117,161	80,531	99,344	3,813,514
Bad debt	1,122,921	524,275	-	165,602	-	-	1,812,798
Professional fees	1,693,383	235,034	691,607	107,395	-	68,112	2,795,531
Grants and donations	279,389	16,500	8,849,965	3,862,926	(48,334)	(55,864)	12,904,582
EOM Grants	-	-	1,713,032	40,105	-	-	1,753,137
Total	$ 12,056,114	$ 4,977,931	$ 16,420,759	$ 6,321,681	$ (7,052,037)	$ 2,461,031	$ 35,185,478

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, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Changes in net assets	$ (9,231,281)	$ 18,908,582
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation expense included in change in net assets	508,249	512,972
Excess of assets acquired over liabilities assumed in the donation of the Cathedral Foundation	-	(1,065,591)
Net realized and unrealized gain on insurance investments	(1,827,416)	(2,431,820)
Net realized and unrealized gain on investments	(1,179,856)	(2,874,042)
Net unrealized loss (gain) on swaps	1,450,700	(1,693,124)
Decrease (increase) in assets held for others	(7,945,675)	(244,233)
(Decrease) increase in allowance for doubtful accounts	4,425,825	(3,702,560)
Decrease (increase) in contributions receivable	6,592,222	14,859,148
(Increase) decrease in receivables	(6,086,548)	(3,929,921)
Decrease (increase) in notes receivable	676,249	786,643
Decrease (increase) in prepaid and other assets	491,530	(812,378)
Increase in agency funds and liabilities to related entities	6,000,787	2,276,833
Increase (decrease) in retirement obligations	8,424,762	(11,024,998)
(Decrease) increase in payables, accrued expenses, claims reserve	(2,006,763)	(1,598,951)
(Decrease) increase in grants payable	(239,573)	(1,498,376)
Net cash provided by operating activities	53,212	6,468,185
Cash flows from investing activities:		
Purchase and equipment	(73,148)	-
Proceeds from sale of fixed assets	-	504,983
Purchases of investments	(27,795,302)	(14,507,943)
Proceeds from sales and maturities of investments	23,230,486	16,615,060
Net cash (used in) provided by investing activities	(4,637,964)	2,612,100
Cash flows from financing activities:		
Cash received in merger of Cathedral Foundation	-	288,206
Payment of long-term debt	(849,069)	(849,067)
Proceeds from notes payable to Archdiocesan Parishes	808,729	623,698
Principal payments on notes payable to Archdiocesan Parishes	(739,170)	(1,093,250)
Net cash used in financing activities	(779,510)	(1,030,413)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(5,364,262)	8,049,872
Cash and cash equivalents, beginning of year	22,238,981	14,189,109
Cash and cash equivalents, end of year	$ 16,874,719	$ 22,238,981

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

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2019 and 2018

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, Communications – includes Catholic Review, 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 contributions 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 ("U.S. GAAP").

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Concentration of Credit Risk - Continued

Cash and cash equivalents are concentrated in a few financial institutions resulting in balances that exceed the Federal Deposit Insurance Corporation insurance limit. Central Services monitors the creditworthiness of these financial institutions to minimize the risk of credit loss. At June 30, 2019, such excess balances totaled approximately $15,890,019. Central Services does not anticipate nonperformance by any of these financial institutions. 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 required to be held in perpetuity due to donor restrictions 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.

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

	2019	2018
Short-term marketable securities	$ 13,734,533	$ 15,218,815
Stocks	57,405,729	51,376,022
Bonds	51,212,842	49,721,260
Alternatives	1,973,510	438,427
Total investments	$ 124,326,614	$ 116,754,524

The cost basis of investments at June 30, 2019 and 2018 was $111,429,070 and $105,613,654, respectively. Management expenses related to the purchase and sale of investments amounted to $236,423 and $238,577 for the fiscal years ended 2019 and 2018, respectively, and are included in investment earnings.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments - Continued

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

	2019	2018
Dividend and investment income, net	$ 1,946,966	$ 1,698,356
Parish and School Lending Programs, net	(581,003)	(543,636)
Change in fair value of interest rate swap	(1,450,700)	1,693,124
Investment market gain	1,179,854	2,874,043
Total investment income	$ 1,095,117	$ 5,721,887

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:

- **Without Donor Restriction 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.

- **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:

	2019	2018
Insurance programs held in trusts	$ 62,951,109	$ 56,559,533
Annual, Campaign and PIE fundraising collections that will be used within 12 months	2,025,421	2,576,749
Specific programs of Central Services	18,037,580	17,301,429
Property Fund	2,469,300	2,395,932
Total designated investments	$ 85,483,410	$ 78,833,643

- **Time and Purpose Restricted Investments -** Investments that are held for specific donor-imposed stipulations which are not expected to be fully fulfilled within the next twelve month period.

- **Donor Restricted in Perpetuity Investments -** Investments originating from permanently imposed donor restrictions. These investments include the value of split-interest investments, described below, and the corpus amount of endowment gifts restricted for perpetuity.

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.

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 $17,101,034 and $16,941,028 as of June 30, 2019 and 2018, respectively, which are included in investments held in perpetuity and split-interest agreements on the combined statements of financial position. The fair value increased by $160,006 during the fiscal year 2019.

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, 2019 and 2018, the Combined Entities had $2,292 and $45,382, 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 1.25% in FY19 and 1.0% in FY18. Interest rate on loans averaged 5.49% for both fiscal year 2019 and 2018.

Interest income earned by the Corporation Sole on loans outstanding at June 30, 2019 and 2018 was $879,137 and $920,819, respectively. The income is netted against interest expense related to the demand notes payable deposits of $19,644 and $16,925, and the net balance is included in investment earnings on the accompanying combined statements of activities and changes in net assets for fiscal years 2019 and 2018, respectively. Also, netted against income is any interest or fees associated with long-term debt (including tax-exempt bonds) which totaled $1,434,496 and $1,440,916 for fiscal years 2019 and 2018, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Loans and Accounts Receivable - Continued

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

	2019	2018
Parish and school loans	$ 15,504,245	$ 16,180,494
Cathedraticum receivables	14,123,848	12,136,508
Insurance program receivables	31,205,193	29,051,560
Parish school assessments due within one year	566,713	629,949
Other receivables	7,159,511	6,786,667
Less allowance for doubtful accounts	(40,745,547)	(37,002,462)
Total loans and accounts receivable, net	$ 27,813,963	$ 27,782,716

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.

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, 2019 and 2018 consisted of the following:

	Cathedraticum	Insurance	Other	Totals
Balance at June 30, 2017	$ 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)
Balance at June 30, 2018	8,108,113	24,810,326	4,084,023	37,002,462
Additions	850,000	2,720,628	448,202	4,018,830
Write-offs / Recoveries	-	(277,208)	1,463	(275,745)
Balance at June 30, 2019	$ 8,958,113	$ 27,253,746	$ 4,533,688	$ 40,745,547

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Gifts, Bequests and Contributions

Contributions receivable, less an appropriate allowance for uncollectible pledges, for the Archdiocese, 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. The net contributions receivable is expected to be received as follows at June 30:

	2019	2018
Less than one year	$ 8,841,826	$ 7,773,914
One to five years	2,640,054	10,080,355
Over five years	31,500	40,005
Gross contributions receivable	11,513,380	17,894,274
Allowance for uncollectible pledges	(2,965,240)	(3,600,244)
Discount for net present value	(109,135)	(216,030)
Net contributions receivable	$ 8,439,005	$ 14,078,000

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 with donor restrictions support that increases this net asset class. However, if a restriction is fulfilled in the same period in which the contribution is received it is reported as without donor restrictions.

Included in gross contributions receivable for the fiscal year ended June 30, 2019 are Archdiocese pledges of $336,144; EOM pledges of $8,625,604; Archbishop's Annual Appeal pledges of $1,900,332; and PIE pledges of $651,300. Included in gross contributions receivable for the fiscal year ended June 30, 2018 are EOM pledges of $14,715,918; Archbishop's Annual Appeal pledges of $2,288,556; and PIE pledges of $889,800.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 15 years for equipment. Land, building and equipment balances at June 30 consist of the following:

	2019	2018
Buildings and improvements	$ 16,793,762	$ 16,793,762
Equipment, automobiles and furniture	4,718,397	5,143,778
	21,512,159	21,937,540
Less accumulated depreciation	(13,108,756)	(13,063,890)
Total building and equipment, net	8,403,403	8,873,650
Land	4,201,064	4,201,064
Land held for parishes	12,179,550	12,144,403
Total property and equipment, net	$ 24,784,017	$ 25,219,117

Depreciation expense was $508,429 and $512,972 for fiscal years 2019 and 2018, 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.

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. The funding sources are primarily associated with the Archbishops Annual Campaign and the Embracing Our Mission capital campaign.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Operating Leases

Central Services leases certain office equipment under non-cancelable operating leases expiring at various dates through fiscal year 2024. Central Services recognizes the expense per the monthly fixed rate agreements. The future minimum payments due under non-cancelable operating leases are as follows:

For fiscal year ending	
2020	$ 85,021
2021	$ 68,427
2022	$ 57,245
2023 - 2024	$ 54,993

Rent expense under all operating leases was $83,419 and $67,092 for years ended June 30, 2019 and 2018, respectively.

Adoption of New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). The ASU amends the current reporting model for not-for-profit organizations and requires certain additional disclosures. Central Services adopted ASU 2016-14 during fiscal 2019 and the significant changes include:

- Requiring the presentation of two net asset classes - "net assets without donor restrictions" and "net assets with donor restrictions";
- Modifying the presentation of underwater endowment funds and related disclosures;
- Requiring the use of the placed-in-service approach to recognize the satisfaction of restrictions on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations otherwise;
- Requiring that all not-for-profits present an analysis of expenses by function and nature either in a separate statement or in the notes to the financial statements;
- Requiring disclosure of quantitative and qualitative information on liquidity;
- Presenting investment return net of external and direct internal investment expenses; and
- Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness to the reader.

Net assets and changes in net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets are classified and reported as follows:

- *Net Assets Without Donor Restriction*

  Represent net assets which are not subject to donor-imposed stipulations and are fully available to be utilized in any of the Association's programs or supporting services.

- *Net Assets With Donor Restriction*

  Represent net assets which are subject to donor-imposed stipulations whose use is restricted by time and/or purpose.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Adoption of New Accounting Pronouncement - Continued

As required by ASU 2014-16, Central Services applied the requirements on a retrospective basis in the year of adoption. As a result, certain amounts presented in the prior year have been reclassified to conform to the new presentation. All amounts previously reported as “Unrestricted net assets” have been reclassified to be presented as “Net assets without donor restrictions.” Similarly, all amounts previously reported as “Temporarily restricted net assets” and “Permanently restricted net assets” have been reclassified to be presented as “Net assets with donor restrictions.” The changes in net assets have similarly been reclassified. There was no change in total net assets or total change in net assets as result of the adoption of ASU 2014-16 during 2019.

	2018		
Net Assets Classifications	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
As previously presented:			
Unrestricted	$ 63,002,224	$ -	$ 63,002,224
Temporarily restricted	-	12,247,294	12,247,294
Permanently restricted	-	17,437,184	17,437,184
Total net assets	$ 63,002,224	$ 29,684,478	$ 92,686,702

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for Central Services until annual periods beginning after December 15, 2018. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Central Services is currently evaluating the effect the provisions of this ASU will have on the consolidated financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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:

- **Donor Restricted in Perpetuity**

  Net assets subject to donor-imposed stipulations that they be maintained in perpetuity. 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. These 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 donor restricted in perpetuity net assets.

- **Time and Purpose 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.

- **Without Donor Restrictions**

  Net assets that are not considered restricted. Revenues are reported as increases in net assets without donor restriction unless they are limited by express donor-imposed restrictions. Expirations of time and/or purpose 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 time and/or purpose restricted to without donor restricted net assets.

  Certain net assets without donor restrictions 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 (“IRC” or “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 IRC for income tax purposes, and as such, is not directly subject to federal income taxes and state income taxes.

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, 2016.

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 combined financial statements.

Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 $19,644 and $16,925 for the years ended June 30, 2019 and 2018, respectively, related to demand notes payable to parishes, schools and affiliated entities. Additionally, Central Services paid interest of $857,773 and $683,586 in fiscal years 2019 and 2018, 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 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Derivative Instruments

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 balance on the tax-exempt debt that was not included in Swap No. 1. Details of the swaps as of June 30, 2019 and 2018 follow:

	2019	2018
Swap No. 1 (Tied to Tax-Exempt Loan)		
Notional amount	$ 12,085,000	$ 12,085,000
Fair value of agreement	$ (3,765,317)	$ (2,955,588)
Expiration date	7/1/2037	7/1/2037
Swap No. 2 (Tied to 20-Year Loan)		
Notional amount	$ 4,130,000	$ 4,620,000
Fair value of agreement	$ (562,820)	$ (553,197)
Expiration date	7/1/2025	7/1/2025
Swap No. 3 (Tied to Tax-Exempt Loan)		
Notional amount	$ 9,590,000	$ 9,590,000
Fair value of agreement	$ (1,565,578)	$ (934,230)
Expiration date	2/1/2037	2/1/2037

NOTE 3 - FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, follow:

Financial assets:	
Cash and cash equivalents	$ 16,874,719
Unrestricted investments	21,243,535
Board-designated investments	85,483,410
Investments held in perpetuity and split-interest agreements	17,599,669
Agency investments held for others	10,629,366
Accounts receivable, net of reserves	27,813,963
Contribution receivables, net of reserves	8,439,005
Total financial assets available	188,083,667

NOTE 3 - FINANCIAL ASSETS AND LIQUIDITY RESOURCES - Continued

Less amounts unavailable for general expenditures within one year due to:		
Net assets with donor restrictions – time and purpose	$	(7,360,317)
Investments held in perpetuity and split-interest agreements		(17,599,669)
Agency investments held for others		(10,629,366)
Contributions receivables, net – long-term		(2,562,419)
Accounts and notes receivables, net – long-term		(18,572,758)
Board-designated investments		(85,483,410)
Unrestricted investments held as collateral for long-term note payable (Note 9)		(9,633,160)
Total available financial assets to management for general expenditures within one year	$	36,242,568

Central Services maintains cash balances at a level designed to ensure short-term liquidity. A suitable proportion of Central Services investment balances are held in instruments that can readily be converted to cash, if needed. The available cash balance is also intended to serve the pension and post-retirement benefit obligation and tax-exempt note payable shown in the combined statement of financial position. In addition to the financial assets and liquidity resources available to meet general expenditures over the next 12 months, Central Services operates within a prudent range of fiscal responsibility and anticipates collecting sufficient revenue to cover its operating expenses.

NOTE 4 - 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, 2019 and 2018. 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, 2019 and 2018 totaled $7,706,528 and $8,555,597, 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 2019 and 2018 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.

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

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.

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.

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.

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

Fair Value Measurement - Continued

The following tables summarize the valuation of our financial instruments by the above authoritative pricing levels as of June 30, 2019 and 2018:

	June 30, 2019			
	Level 1	Level 2	Net Asset Value	Total Fair Value
Assets				
Investments				
Cash equivalents	$ 13,734,533	$ -	$ -	$ 13,734,533
Fixed income	19,312,794	35,457,980	271,523	55,042,297
Equities	51,212,842	2,634,955	-	53,847,797
Private equity funds *	-	-	1,701,987	1,701,987
Total investments	$ 84,260,169	$ 38,092,935	$ 1,973,510	$ 124,326,614
Agency assets held for others	$ 9,983,967	$ 645,399	$ -	$ 10,629,366
Liabilities				
Interest rate swap agreements	$ -	$ 5,893,715	$ -	$ 5,893,715

	June 30, 2018			
	Level 1	Level 2	Net Asset Value	Total Fair Value
Assets				
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
Liabilities				
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.

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

Fair Value Measurement - Continued

The following tables detail certain attributes pertaining to the investment reported at fair value using NAV, or its equivalent, as of June 30, 2019 and 2018:

2019

Type	Strategy	Fair Value	# of Funds	Unfunded Commitments	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	$ 526,585	1	$ 400,000	6 years with two 1 year optional extensions	No liquidity until end of term	No liquidity Until end of terms	No liquidity Until end of terms
Endowment	Long-term growth for Archdiocese Dept. of Communications	1,446,925	1	$ 0	N/A	Full liquidity	60 Days	60 Days
Total		$1,973,510	2					

2018

Type	Strategy	Fair Value	# of Funds	Unfunded Commitments	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	$ 500,000	7 years with two 1 year optional extensions	No liquidity until end of term	No liquidity Until end of terms	No liquidity Until end of terms

NOTE 5 - 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.

NOTE 5 - INSURANCE PROGRAM ACTIVITIES - Continued

Unrestricted designated assets and liabilities related to the insurance program activities primarily consist of the following at June 30, 2019 and 2018:

	2019	2018
Assets:		
Cash and investments, at fair value	$ 62,951,108	$ 56,559,533
Insurance receivables, net of allowance for doubtful insurance receivables of $27,253,746 and $24,810,326 in 2019 and 2018, respectively	$ 3,951,447	$ 4,241,234
Other asset:		
Expected insurance receivable on claims	$ 889,281	$ 1,027,836
Liabilities:		
Claims reserve for insurance liabilities	$ 14,319,013	$ 13,055,250

NOTE 6 - PENSION PLANS

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

<u>Lay Pension Plan</u>

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 $9,938,658 and $10,117,534 for the years ended June 30, 2019 and 2018, 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 $18,249,781 and $15,861,311 for the years ended June 30, 2019 and 2018, 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.

<u>Priest Pension Plan</u>

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 $1,292,561 and $1,126,855 for the years ended June 30, 2019 and 2018, respectively.

NOTE 6 - 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, 2019 and 2018 were calculated by a consulting actuary and are summarized as follows:

	2019	2018
Change in projected benefit obligation:		
Benefit obligation at beginning of year	$ 44,599,219	$ 47,822,005
Service cost	670,120	718,877
Interest cost	1,799,106	1,766,259
Plan amendments	-	-
Actuarial loss (gain)	3,270,386	(3,539,655)
Benefits paid	(2,241,573)	(2,168,267)
Benefit obligation at end of year	$ 48,097,258	$ 44,599,219
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 37,514,507	$ 34,718,750
Actual return on plan assets	1,914,101	3,837,169
Employer contributions	1,292,561	1,126,855
Benefits paid	(2,241,573)	(2,168,267)
Fair value of plan assets at end of year	$ 38,479,596	$ 37,514,507
Funded status at end of year:		
Funded status at end of year	$ (9,617,662)	$ (7,084,712)
Amount recognized at end of year	$ (9,617,662)	$ (7,084,712)
Amount recognized in unrestricted net assets:		
Unrecognized transition liability	$ -	$ -
Unrecognized prior service cost	194,961	272,359
Unrecognized net actuarial loss	12,249,115	8,523,020
Total amount recognized in unrestricted net assets	$ 12,444,076	$ 8,795,379
Components of net pension benefit costs:		
Service cost	$ 670,120	$ 718,877
Interest cost	1,799,106	1,766,259
Expected return on plan assets	(2,623,669)	(2,436,015)
Amortization of net loss	253,859	651,443
Amortization of prior service cost	77,398	131,975
Net periodic post-retirement benefit cost	$ 176,814	$ 832,539

NOTE 6 - PENSION PLANS - Continued

Priest Pension Plan - Continued

	2019	2018
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:		
Net actuarial loss (gain)	$ 3,979,954	$ (4,940,809)
Prior service cost	-	-
Amortization of prior service cost	(77,398)	(131,975)
Amortization of net gain	(253,859)	(651,443)
Total amount recognized in unrestricted net assets	$ 3,648,697	$ (5,724,227)
Additional information:		
Accumulated benefit obligation	$ 44,173,779	$ 41,192,044
Expected contributions for the fiscal year ending June 30	$ 1,120,000	$ 1,184,000

The Priest Plan assets fully met obligations and no expenses were recorded by Central Services for years ended June 30, 2019 and 2018:

	2019	2018
Expected benefit payments for the fiscal year ending:		
2020	$ 2,468,000	$ 2,420,000
2021	2,547,000	2,515,000
2022	2,627,000	2,586,000
2023	2,622,000	2,653,000
2024	2,629,000	2,639,000
Next five years	13,061,000	13,171,000
Expected amortizations:		
Expected amortization of prior service cost	$ 28,317	$ 77,398
Expected amortization of net loss	515,474	312,787

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

	2019	2018
Discount rate	4.21%	3.86%

The discount rate has a significant effect on the amounts reported. For example, an increase in the fiscal year 2019 discount rate by one percentage point would decrease projected benefit obligations by $5,715,000. Decreasing the fiscal year 2019 discount rate by one percentage point would increase projected benefit obligations by $7,165,000.

NOTE 6 - 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 a 6.5% annual return the past five years. The plan's asset allocation at June 30, by asset category, was as follows:

	Target	Actual
2019:		
Money market	0 - 10%	3%
Fixed income	20 - 50%	27%
Equities - U.S.	25 - 60%	53%
Equities - non-U.S.	10 - 25%	17%
2018:		
Money market	0 - 10%	6%
Fixed income	20 - 50%	23%
Equities - U.S.	25 - 60%	51%
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:

	Level 1	Level 2	Level 3	Total Fair Value
June 30, 2019:				
Cash equivalents	$ 1,730,098	$ -	$ -	$ 1,730,098
Fixed income	1,555,635	7,973,186	754,000	10,282,821
Equities	26,466,677	-	-	26,466,677
	$ 29,752,410	$ 7,973,186	$ 754,000	$ 38,479,596

	Level 1	Level 2	Level 3	Total Fair Value
June 30, 2018:				
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
	$ 29,557,840	$ 7,207,231	$ 749,436	$ 37,514,507

NOTE 7 - 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 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 $205,304 and $199,352 for the years ended June 30, 2019 and 2018, respectively.

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 $16,317,577 and $12,820,187 as of June 30, 2019 and 2018, respectively, and is included in the combined statements of financial position. The net periodic post-retirement benefit cost was $807,670 and $839,252 for the years ended June 30, 2019 and 2018, respectively. The post-retirement benefit obligation was a net loss of $3,497,390 and a net gragain of $3,123,876 for the years ended June 30, 2019 and 2018, respectively. Changes in the years were impacted by market conditions to investments and obligation valuations.

NOTE 7 - 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:

	2019	2018
Change in projected benefit obligation:		
Benefit obligation at beginning of year	$ 24,671,435	$ 26,441,509
Service cost	589,025	573,402
Interest cost	1,095,020	1,000,671
Actuarial loss (gain)	3,101,208	(2,831,497)
Benefits paid and plan expenses	(567,359)	(583,150)
Medicare D reimbursement	60,368	70,500
Benefit obligation at end of year	$ 28,949,697	$ 24,671,435
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 11,851,248	$ 10,497,446
Actual return on plan assets	664,147	1,283,150
Employer contributions	623,716	583,302
Benefits paid	(567,359)	(583,150)
Expenses paid	-	-
Medicare D reimbursement	60,368	70,500
Fair value of plan assets at end of year	$ 12,632,120	$ 11,851,248
Funded status at end of year		
Funded status at end of year	$ (16,317,577)	$ (12,820,187)
Amount recognized at end of year	$ (16,317,577)	$ (12,820,187)
Amount recognized in unrestricted net assets		
Unrecognized net actuarial gain	$ (1,349,233)	$ (4,662,669)
Total amount recognized in unrestricted net assets	$ (1,349,233)	$ (4,662,669)

NOTE 7 - POST-RETIREMENT BENEFIT PLANS - Continued

Retired Priests - Continued

	2019	2018
Components of net post-retirement benefit costs		
Service cost	$ 589,025	$ 573,402
Interest cost	1,095,020	1,000,671
Expected return on plan assets	(829,587)	(734,821)
Amortization of net transition liability	-	-
Amortization of net loss	(46,788)	-
Amortization of prior service cost	-	-
Net periodic post-retirement benefit cost	$ 807,670	$ 839,252
Additional information		
Accumulated benefit obligation	$ 28,949,697	$ 24,671,435
Expected contributions in fiscal year ending June 30	$ 1,170,212	$ 1,147,344

Expected benefit payment for fiscal year ending	
2020	$ 1,170,000
2021	1,062,000
2022	1,133,000
2023	1,198,000
2024	1,256,000
Next five years	6,818,000

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

	2019	2018
Discount rate	3.72%	4.27%
Health care – medical	8.50% *	8.00% *
Nursing home/auto	5.00%	5.00%
Dental	4.50%	5.20%

**** Trending downward to 4.50% by 2028***

NOTE 7 - 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, 2019 by $5,418,712 and the aggregate of service and interest cost components of net periodic post-retirement benefit cost for the year by $398,089. Decreasing the health care rate by one percentage point in each year would decrease the accumulated post-retirement benefit obligation at June 30, 2019 by $4,267,853 and the aggregate of service and interest cost components of net periodic post-retirement benefit cost for the year ended by $300,456.

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 6.5% 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:

	Target	Actual
2019:		
Money market	0 - 10%	2%
Fixed income	20 - 50%	28%
Equities - U.S.	25 - 60%	53%
Equities - non-U.S.	10 - 25%	17%
Alternatives	0 - 20%	0%
2018:		
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%

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.

NOTE 7 - 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:

	Level 1	Level 2	Level 3	Total Fair Value
2019:				
Cash equivalents	$ 229,674	$ -	$ -	$ 229,674
Fixed income	509,634	2,828,626	251,360	3,589,620
Equities	8,812,826	-	-	8,812,826
	$ 9,552,134	$ 2,828,626	$ 251,360	$ 12,632,120
2018:				
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

NOTE 8 - BANK FINANCING ARRANGEMENTS (SHORT-TERM)

At June 30, 2019 and 2018, the Corporation Sole had available letters of credit totaling $629,348.56 and $546,054, 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.

NOTE 9 - TAX-EXEMPT AND LONG-TERM NOTES PAYABLE

Central Services has two long-term financing arrangements with a balance of $29,381,528 and $30,230,597 as of June 30, 2019 and 2018, 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.

NOTE 9 - TAX-EXEMPT AND LONG-TERM NOTES PAYABLE - Continued

Bank Qualified Tax-Exempt Note Payable - Continued

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, 2019 and 2018 was 4.68% and 4.66%, 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, 2019 and 2018.

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.

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,	
2020	$ -
2021	-
2022	-
2023	-
2024	-
Thereafter	21,675,000
	$ 21,675,000

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, 2019 and 2018, Note A has an outstanding balance of $4,458,656 and $4,982,353, respectively. Note B outstanding amounts were $3,247,873 and $3,573,244 as of June 30, 2019 and 2018, 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 2019 and 2018 was 5.08% and 4.71%, respectively.

NOTE 9 - TAX-EXEMPT AND LONG-TERM NOTES PAYABLE - Continued

Long-Term Note Payable - Continued

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.

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, 2019. Principal payments due over the next five years and thereafter are as follows:

Fiscal year ending June 30,	
2020	$ 849,068
2021	849,068
2022	849,068
2023	849,068
2024	849,068
Thereafter	3,461,188
	$ 7,706,528

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS – TIME AND PURPOSE RESTRICTED

Net assets with donor restrictions, for purpose and/or time, as of June 30 include the following:

	2019	**2018**
PIE	$ 502,042	$ 746,017
EOM	6,149,804	11,048,436
Other Central Services initiatives	708,471	452,841
	$ 7,360,317	$ 12,247,294

NOTE 11 - 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.

NOTE 11 - 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, 2019, the required balance is believed to be sufficient to cover the estimated remaining annuity payments.

NOTE 12 - 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 $152,524 and $151,124 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018, the Archdiocese received sponsorship fees from Mercy Ridge, Inc. totaling $605,833 and $588,998, 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, 2019 and 2018. Total expenses paid to Mercy Ridge were $1,005,585 and $918,317, respectively.

Central Services was awarded $523,331 and $233,183 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, 2019 and 2018, respectively.

Central Services awarded grants of $3,705,679 and $7,405,523 to parishes and schools for the years ended June 30, 2019 and 2018, respectively. Included in the Central Services awards in fiscal years 2019 and 2018, respectively, are $1,546,325 and $1,496,701 in tuition assistance from Partners in Excellence, and $1,653,510 and $1,921,750 in tuition assistance and subsidy to Archdiocesan schools, and $143,500 and $49,127 in Mustard Seed Match for tuition assistance endowments within CCF. The Archbishop's Annual Appeal annual campaign awarded grants of $3,908,285 and of $4,960,573 to parishes, schools, and other Archdiocesan entities for the years ended June 30, 2019 and 2018, respectively. EOM recognized grants of $2,928,343 and $1,722,091 for parishes, schools, and other Archdiocesan entities for the years ended June 30, 2019 and 2018, respectively.

Central Services was awarded $1,156,756 and $760,588 in grants to fund specific operating areas from CCF, a non-combined affiliate within the Archdiocese, for the years ended June 30, 2019 and 2018, respectively. Additionally, Central Services recorded $751,600 and $654,000 in fee income to provide administrative services for CCF and awarded CCF $66,100 and $0in grants for the years ended June 30, 2019 and 2018, respectively.

Central Services recorded $421,500 and $434,060 in fee income to provide administrative services to IPLF, a non-combined affiliate within the Archdiocese, for the years ended June 30, 2019 and 2018, respectively.

NOTE 13 - 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 14 - 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.

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 and changes in net assets 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		(1,792,722)
Excess of assets acquired over liabilities assumed in the donation of the Foundation	$	777,385

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 15 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 20, 2019, 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, 2019.

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 INSURANCE OPERATIONS

Year ended June 30, 2019

Schedule I

	General Reserve Fund*	Health Reserve Fund	Misconduct Fund	2019 Total
Premium contributions	$ 15,387,514	$ 45,554,997	$ 1,617,511	$ 62,560,022
Premium expense	6,582,090	2,429,880	25,650	9,037,620
Claims expense	6,706,209	35,914,023	922,195	43,542,427
Administrative charges	2,206,595	1,317,695	692,663	4,216,953
Other expenses	1,576,533	1,345,196	-	2,921,729
Total expenses	17,071,427	41,006,794	1,640,508	59,718,729
Net operating surplus	(1,683,913)	4,548,203	(22,997)	2,841,293
Investments:				
Return on investments, net	1,894,205	604,366	223,004	2,721,575
Net surplus	$ 210,292	$ 5,152,569	$ 200,007	$ 5,562,868

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

This schedule should be read in conjunction with the accompanying report of independent certified public accountants and the combined 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 - CONTINUED

Year ended June 30, 2018

Schedule I

	General Reserve Fund*	Health Reserve Fund	Misconduct Fund	2018 Total
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	14,075,509	42,585,148	1,131,256	57,791,913
Net operating surplus	1,228,300	1,011,836	133,244	2,373,380
Investments:				
Return on investments, net	2,261,804	719,927	204,220	3,185,951
Net surplus	$ 3,490,104	$ 1,731,763	$ 337,464	$ 5,559,331

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

This schedule should be read in conjunction with the accompanying report of independent certified public accountants and the combined 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 CENTRAL SERVICES

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2019 and 2018

Schedule II

	2019	2018
ASSETS		
Cash and cash equivalents	$ 5,414,666	$ 9,564,805
Investment, at fair value		
Unrestricted	21,243,535	20,483,697
Designated to Support Central Service programs	20,506,881	19,702,472
Designated for insurance programs	60,699,237	54,442,412
Designated for Partners in Excellence	994,206	1,559,807
Investments held in perpetuity	17,599,669	17,437,184
Agency	11,660,581	3,700,633
Total cash, cash equivalents and investments	138,118,775	126,891,010
Contributions receivable, net	905,030	821,.066
IPLF Loans and accounts receivable from Archdiocesan parishes, schools and entities, net	38,102,563	37,761,452
Prepaid expenses and other assets	3,692,660	4,170,724
Land, buildings and equipment, net	15,877,531	16,345,770
Total assets	$ 196,696,559	$ 185,990,022
LIABILITIES AND NET ASSETS		
LIABILITIES		
Demand notes payable to parishes, schools and related entities	$ 1,260,994	$ 1,191,434
Agency investments and liabilities to related entities	11,960,293	5,944,112
Accounts payable and accrued expenses	15,672,461	14,780,359
Grants payable	153,185	303,185
Claims reserve	13,749,342	12,624,224
Pension and post-retirement benefit obligation	44,390,324	35,965,562
Bonds and long-term notes payable	29,381,528	30,230,597
Total liabilities	116,568,127	101,039,473
NET ASSETS		
Without donor restrictions	61,318,251	66,635,806
With donor restrictions	18,810,181	18,314,743
Total net assets	80,128,432	84,950,549
Total liabilities and net assets	$ 196,696,559	$ 185,990,022

This schedule should be read in conjunction with the accompanying report of independent certified public accountants and the combined 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

Year ended June 30, 2019

Schedule III

	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 2019
Operating revenue:								
Cathedraticum	$ 5,513,731	$ 3,417,402	$ 1,099,699	$ 935,774	$ 2,006,587	$ 1,539,922	$ (64,396)	$ 14,448,719
Program contributions and service fees	2,604,475	1,789,253	2,021,113	92,800	279,945	840,683	543,356	8,171,625
Annual appeal	685,000	-	-	-	552,000	25,000	715,000	1,977,000
CCF grants	161,135	2,440	-	-	45,975	155,078	734,387	1,099,015
Gifts and bequests	740,818	-	-	-	131,222	14,900	3,584,109	4,471,049
Other income	739,230	295,577	-	-	4,925	17,118	2,565	1,059,415
Investment income	392,745	-	-	-	27,267	7,500	1,252,264	1,679,776
Total operating revenue	10,837,134	5,504,672	3,120,812	1,028,574	3,047,921	2,600,201	6,767,285	32,906,599
Operating expenses:								
Salaries and benefits	5,222,749	4,437,892	2,297,771	828,761	1,732,778	1,897,492	(1,028,772)	15,388,671
Program and office	5,105,025	912,571	655,034	199,813	1,266,781	631,752	2,070,223	10,841,199
Professional fees and dues	258,761	151,879	87,057	-	41,092	63,047	1,983,342	2,585,178
Grants	250,599	2,330	80,950	-	7,270	7,910	3,705,679	4,054,738
Total operating expenses	10,837,134	5,504,672	3,120,812	1,028,574	3,047,921	2,600,201	6,730,472	32,869,786
Operating surplus (deficit)	-	-	-	-	-	-	36,813	36,813
Other activity:								
Bond financing project, net	-	-	-	-	-	-	(581,003)	(581,003)
Insurance program, net	-	-	-	-	-	-	5,131,152	5,131,152
Clergy on special assignment	-	-	-	-	-	-	(563,096)	(563,096)
Retired clergy medical care, net	-	-	-	-	-	-	(152,963)	(152,963)
Loss on retirement plan valuation	-	-	-	-	-	-	(8,424,762)	(8,424,762)
Realized/unrealized investment gains	-	-	-	-	-	-	1,182,442	1,182,442
Loss on SWAP agreements	-	-	-	-	-	-	(1,450,700)	(1,450,700)
Total other activity	-	-	-	-	-	-	(4,858,930)	(4,858,930)
Total surplus	$ -	$ -	$ -	$ -	$ -	$ -	$ (4,822,117)	$ (4,822,117)

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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 - CONTINUED

Year ended June 30, 2018

Schedule III

	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 2018
Operating revenue:								
Cathedraticum	$ 4,553,879	$ 3,196,260	$ 1,099,572	$ 999,757	$ 1,563,656	$ 1,634,570	$ 1,830,034	$ 14,877,728
Program contributions and service 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	10,175,305	5,624,504	3,023,713	1,014,757	3,001,700	2,515,795	8,438,878	33,794,652
Operating expenses:								
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	10,175,305	5,624,504	3,023,713	1,014,757	3,001,700	2,515,795	11,114,123	36,469,897
Operating surplus (deficit)	-	-	-	-	-	-	(2,675,245)	(2,675,245)
Other activity:								
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	-	-	-	-	- -	-	21,750,638	21,750,638
Total surplus	$ -	$ -	$ -	$ -	$ -	$ -	$ 19,075,393	$ 19,075,393

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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, 2019 and 2018

Schedule IV

	2019	2018
ASSETS		
Cash and investments	$ 3,496,699	$ 5,043,832
Pledges receivable, net of allowance of $440,231 and $534,461 in 2019 and 2018, respectively	1,460,101	1,754,095
Total assets	$ 4,956,800	$ 6,797,927
LIABILITIES AND NET ASSETS		
LIABILITIES		
Campaign grants payable	$ 1,319,018	$ 2,323,367
Accounts payable and accrued liabilities	2,443,992	3,181,911
Total liabilities	3,763,010	5,505,278
NET ASSETS		
Designated without donor restrictions	1,193,790	1,292,649
Total liabilities and net assets	$ 4,956,800	$ 6,797,927

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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, 2019 and 2018

Schedule V

	2019	2018
Revenues:		
Gifts and pledges	$ 8,073,723	$ 9,088,871
Allowance for uncollectibles	(440,485)	(524,275)
Investments, net	14,273	7,205
Total net revenue	7,647,511	8,571,801
Expenses:		
Fundraising costs and administration	1,751,085	1,664,423
Grant expenditures:		
Evangelization and Pastoral Services		
Associated Catholic Charities	1,195,100	1,355,200
Strengthening parishes and forming church leaders	2,923,185	3,702,873
Respect life ministries and programs	100,000	160,000
Chaplaincy (hospital, prison, and Apostleship of the Sea)	90,000	90,000
Care for the elderly and impaired	30,000	50,000
Hispanic ministries	80,000	130,000
Continuing education and Evangelization programs	300,000	300,000
Supporting work for the Holy Father	100,000	120,000
Western MD housing	-	2,500
AIDS ministries	-	15,000
US/International Outreach	-	-
Total Liturgical and Pastoral Services	4,818,285	5,925,573
Priest Care and Clergy Services:		
Vocations	-	350,000
Sr. Priest medical care	210,000	210,000
Total Priest Care and Clergy Services	210,000	560,000
Young Adult and Youth Education Ministries:		
Tuition and school assistance	515,000	530,000
Newman Centers	352,000	352,000
O'Dwyer retreat house and Youth Ministry Support	75,000	25,000
Pride Program	25,000	25,000
Total Young Adult and Youth Education Ministries	967,000	932,000
Total expenses and grant expenditures	7,746,370	9,081,996
NET DEFICIT	$ (98,859)	$ (510,195)

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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, 2019 and 2018

Schedule VI

	2019	2018
Assets		
Cash and marketable securities	$ 1,200,606	$ 1,735,316
Pledges receivable, net of allowances of $71,844 and $76,086 in fiscal 2019 and 2018, respectively	579,456	813,714
Investments with donor restrictions	598,300	598,300
Total assets	$ 2,378,362	$ 3,147,330
Net Assets		
Without Donor Restrictions	$ 1,278,020	$ 1,803,013
With Donor Restrictions	1,100,342	1,344,317
Total net assets	$ 2,378,362	$ 3,147,330

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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, 2019 and 2018

Schedule VII

	2019	2018
Revenues:		
Gifts and pledges	$ 1,104,602	$ 1,131,367
Investment income, net	26,772	33,279
Total revenues	1,131,374	1,164,646
Expenses:		
Fund raising expenditures	354,017	351,344
Adult and faith education ministries - tuition assistance	1,546,325	1,496,701
Total expenses	1,900,342	1,848,045
Net deficit	$ (768,968)	$ (683,399)

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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, 2019 and 2018

Schedule VIII

	2019	2018
ASSETS		
Cash and cash equivalents	$ 118,719	$ 121,130
Accounts receivable	21,069	102,162
Office and kitchen equipment, net	21,374	23,381
Total assets	$ 161,162	$ 246,673
LIABILITIES AND NET DEFICIT		
LIABILITIES		
Accounts payable and accrued liabilities	$ 1,125,909	$ 938,447
Total liabilities	128,320	938,447
NET DEFICIT		
Without donor restriction	(964,747)	(691,774)
Total liabilities and net deficit	$ 161,162	$ 246,673

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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, 2019 and 2018

Schedule IX

	2019	2018
Revenues:		
Federal reimbursements	$ 496,957	$ 560,037
State reimbursements	30,595	35,041
Commodities received	43,948	52,773
Food sales at schools	194,538	156,795
Other income	-	-
Total revenues	766,038	804,646
Expenses:		
Salaries and benefits	468,757	431,188
Food services, storage and commodities	476,456	425,828
Equipment rentals and expenses	16,398	10,028
Office supplies and miscellaneous	77,400	73,733
Total expenses	1,039,011	940,777
Net deficit	$ (272,973)	$ (136,131)

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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, 2019 and 2018

Schedule X

	2019	2018
ASSETS		
Cash and investments	$ 8,156,972	$ 8,264,330
Pledges receivable, net of allowances of $2,551,730 and $3,205,728 in 2019 and 2018, respectively	6,073,873	11,510,191
Total assets	$ 14,230,845	$ 19,774,521
LIABILITIES AND NET ASSETS		
LIABILITIES		
Campaign grants payable	$ 5,067,488	$ 4,152,712
Accounts payable and accrued liabilities	6,136,505	8,124,091
Total liabilities	11,203,993	12,276,803
NET ASSETS		
With Donor Restrictions	3,026,852	7,497,718
Total liabilities and net assets	$ 14,230,845	$ 19,774,521

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Central Services of the Roman Catholic Archbishop of Baltimore
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SUPPLEMENTAL SCHEDULES OF EMBRACING OUR MISSION PROGRAM

STATEMENTS OF ACTIVITIES

Years ended June 30, 2019 and 2018

Schedule XI

	2019	2018	Campaign to Date
Revenues:			
Gifts and pledges	$ 454,376	$ 3,751,591	$127,437,050
Allowance for uncollectible amounts	(644,812)	(576,720)	(20,600,193)
Total net revenue	(190,436)	3,174,871	106,836,857
Expenses:			
Fundraising costs and administration	514,187	908,671	15,393,535
Grant commitments:			
Support of Catholic Charities	25,000	598,274	8,150,000
Support of Catholic Education:			
Capital improvements to schools	1,225,427	(379,895)	13,385,139
Academic program enhancements	1,005,000	120,000	4,530,845
Tuition assistance endowment	300,000	300,000	10,215,085
Direct tuition assistance	-	-	957,501
Support of Cathedrals	67,379	-	6,440,000
Support of Clergy:			
Vocations	350,000	-	1,030,050
Priest retirement/medical	96,200	-	6,904,751
Support of evangelization and religious education	800,000	25,378	3,131,378
Other	-	-	4,184,249
Parish share	(102,763)	1,089,380	29,487,472
Total grant commitments	3,766,243	1,753,137	88,416,470
Total expenses and support area grant commitments	4,280,430	2,661,808	103,810,005
CHANGES IN NET ASSETS (will be allocated to support areas when cash is available)	$ (4,470,866)	$ 513,063	$ 3,026,852

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, 2019	Campaign Overall Goal
Campaign Priority Areas of Support:		
Support of Catholic Charities (includes $350,000 in CCF, Inc.)	$ 9,150,000	$ 9,200,000
Support of Catholic Education:		
Tuition assistance and endowments (includes $10,189,935 in CCF, Inc.)	21,105,020	22,200,000
Capital improvements to schools	13,385,139	14,294,200
Academic program enhancements (includes $400,000 in CCF, Inc.)	3,938,846	4,600,000
Direct tuition assistance (includes $2,238,109 in PIE)	4,105,793	4,105,800
Support of Clergy (Retirement Vocations) (includes $387,310 in CCF, Inc.)	8,322,111	9,200,000
Support of Cathedrals	6,440,000	6,440,000
Support of Evangelization and Rel. Educ (includes $25,000 in CCF, Inc.)	3,156,379	3,560,000
Local Parish Support (includes $461,333 in CCF, Inc.)	30,173,831	18,400,000
Unallocated but expected future collections	3,026,852	-
Total Priority Areas of Campaign	$ 102,803,971	$ 92,000,000

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