

**ROMAN CATHOLIC DIOCESE
OF SYRACUSE, NEW YORK –
CENTRAL ADMINISTRATIVE OFFICE**

FINANCIAL STATEMENTS

June 30, 2015 and 2014

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Dermody, Burke & Brown, CPAs, LLC

INDEPENDENT AUDITORS' REPORT

MOST REVEREND ROBERT CUNNINGHAM, D.D. ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK – CENTRAL ADMINISTRATIVE OFFICE

Report on the Financial Statements

We have audited the accompanying financial statements of the **ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK – CENTRAL ADMINISTRATIVE OFFICE**, which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Roman Catholic Diocese of Syracuse, New York – Central Administrative Office as of June 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying information on pages 25 to 29 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Dermoddy, Burke & Brown

DERMODY, BURKE & BROWN, CPAs, LLC

Syracuse, New York

November 4, 2015

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK –
CENTRAL ADMINISTRATIVE OFFICE**

AUDITED FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

ASSETS

	2015	2014
Cash	\$ 1,327,191	\$ 728,861
Accounts Receivable - Net	3,516,789	2,955,177
Unconditional Promises to Give - Net	563,255	1,492,968
Mortgages and Notes Receivable - Net	112,989	114,124
Prepaid Expenses and Other Assets	693,279	422,800
Investments	39,845,941	41,268,529
Land, Building and Equipment, Net of Accumulated Depreciation	<u>3,325,866</u>	<u>2,837,965</u>
TOTAL ASSETS	<u><u>\$ 49,385,310</u></u>	<u><u>\$ 49,820,424</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 1,765,086	\$ 1,404,193
Accrued Insurance Reserves	6,960,989	6,653,476
Deferred Income	62,986	134,300
Due to Affiliated Organizations	460,138	2,123,608
Liability for Custodial Accounts	307,176	193,887
Unfunded Pension Obligation	<u>24,742,850</u>	<u>22,423,852</u>
Total Liabilities	34,299,225	32,933,316
NET ASSETS		
Unrestricted	7,602,932	9,617,800
Temporarily Restricted	<u>7,483,153</u>	<u>7,269,308</u>
Total Net Assets	<u>15,086,085</u>	<u>16,887,108</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 49,385,310</u></u>	<u><u>\$ 49,820,424</u></u>

See notes to financial statements.

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK –
CENTRAL ADMINISTRATIVE OFFICE**

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2015 and 2014

	2015	2014
REVENUE AND SUPPORT FROM OPERATIONS		
Contributions	\$ 5,252,922	\$ 4,940,772
Insurance Fees	24,981,249	24,506,530
Fees - Other Services	585,319	774,097
Catholic School Office - Fees and Services	604,002	969,442
Affiliation Fees and Assessments	2,115,754	1,905,441
Foundation Grant Revenue	785,947	917,400
Total Revenue and Support from Operations	34,325,193	34,013,682
EXPENSES		
Program Services	6,172,863	6,189,694
Supporting Services	4,336,097	4,727,135
Insurance Services	22,774,921	21,291,430
Total Expenses	33,283,881	32,208,259
CHANGE IN NET ASSETS BEFORE INVESTMENT ACTIVITY		
	1,041,312	1,805,423
REVENUE AND SUPPORT FROM INVESTMENT ACTIVITY		
Net Investment Activity	476,662	4,587,627
CHANGE IN NET ASSETS	1,517,975	6,393,050
Net Assets at Beginning of Year	16,887,108	28,525,097
Unfunded Pension Obligation Adjustment	(3,318,998)	(690,233)
Assumption of Affiliated Entities Unfunded Pension Obligations	0	(18,641,314)
Net Asset Transfer - Related Entities	0	1,300,508
Net Assets at End of Year	\$ 15,086,085	\$ 16,887,108

See notes to financial statements.

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK –
CENTRAL ADMINISTRATIVE OFFICE**

STATEMENTS OF CHANGES IN NET ASSETS

Years Ended June 30, 2015 and 2014

	2015	2014
CHANGES IN UNRESTRICTED NET ASSETS		
Total Revenue and Support	\$ 28,684,428	\$ 28,474,815
Total Operating Expenses	(33,283,881)	(32,208,259)
Investment Activity	477,646	4,587,642
Net Assets Released from Restrictions	<u>5,425,937</u>	<u>6,098,882</u>
Change in Operating Unrestricted Net Assets	1,304,130	6,953,080
Other Activity:		
Unfunded Pension Obligation Adjustment	(3,318,998)	(19,331,547)
Net Asset Transfer - Interfund Net Activity - Related Entities	<u>0</u>	<u>1,300,508</u>
Total Other Activity	(3,318,998)	(18,031,039)
Unrestricted Net Assets, Beginning of Year	<u>9,617,800</u>	<u>20,695,759</u>
Unrestricted Net Assets, End of Year	7,602,932	9,617,800
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	4,854,819	4,621,467
Investment Activity - Net	(984)	(15)
Foundation Grant Revenue	785,947	917,400
Net Assets Released from Restrictions	<u>(5,425,937)</u>	<u>(6,098,882)</u>
Change in Temporarily Restricted Net Assets	213,845	(560,030)
Temporarily Restricted Net Assets, Beginning of Year	<u>7,269,308</u>	<u>7,829,338</u>
Temporarily Restricted Net Assets, End of Year	<u>7,483,153</u>	<u>7,269,308</u>
TOTAL NET ASSETS, END OF YEAR	<u><u>\$ 15,086,085</u></u>	<u><u>\$ 16,887,108</u></u>

See notes to financial statements.

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK –
CENTRAL ADMINISTRATIVE OFFICE**

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,517,975	\$ 6,393,050
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation Expense	407,190	388,812
Unrealized (Gain) Loss on Investments	85,756	(3,971,832)
Realized Gain on Investments	406,993	121,921
Bad Debt Expense	77,580	643,107
Net Asset Transfer - Interfund Net Activity - Related Entities	0	1,300,508
(Gain) Loss on Disposal of Building and Equipment	0	(240,959)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(639,192)	(489,239)
Unconditional Promises to Give	929,713	(279,736)
Prepaid Expenses and Other Assets	(270,479)	(38,500)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Insurance Reserves	668,406	1,553,922
Deferred Income	(71,313)	(25,920)
Due to Affiliated Organizations	(1,663,470)	657,649
Liability for Custodial Accounts	113,289	(85,247)
Net Cash Provided By Operating Activities	1,562,448	5,927,536
CASH FLOWS FROM INVESTING ACTIVITIES		
Building and Equipment Additions	(895,092)	(471,625)
Purchase of Investments	(5,413,959)	(16,466,573)
Proceeds from Sale of Investments	6,343,798	11,305,877
Notes and Mortgage Receivables - Net Change	1,135	860,923
Supplementary Contribution to Defined Benefit Pension Plan	(1,000,000)	(1,000,000)
Net Cash Used In Investing Activities	(964,118)	(5,771,398)
Net Change in Cash	598,330	156,138
Cash, Beginning of Year	728,861	572,723
Cash, End of Year	\$ 1,327,191	\$ 728,861
Supplemental Information:		
Adjustment of Unfunded Pension Obligation	\$ 3,318,998	\$ 690,233
Assumption of Unfunded Pension Liability	\$ 0	\$ 18,641,314

See notes to financial statements.

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK –
CENTRAL ADMINISTRATIVE OFFICE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

**NOTE 1 – STANDARDS FOR REPORTING AND SIGNIFICANT
ACCOUNTING POLICIES**

The financial statements of the Roman Catholic Diocese of Syracuse, New York – Central Administrative Office (the “Diocese”) have been prepared in accordance with Accounting Principles and Reporting Practices for Churches and Church-Related Organizations, adopted by the National Conference of Catholic Bishops, the Leadership Conference of Women Religious, and the Conference of Major Superiors of Men.

Basis of Presentation

The financial statements include the administrative and program offices of the Roman Catholic Diocese of Syracuse. The financial statements do not include other activities of the Diocese, such as parishes, schools, group homes, hospitals, Catholic Charities, Foundations and other Diocesan services and ministries. These activities may or may not be separately incorporated under civil law. Each is a distinct operating entity from the Diocese, maintaining separate accountability and carrying on its own services and programs.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting. The Roman Catholic Diocese of Syracuse, New York – Central Administrative Office reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There are no permanently restricted net assets as of June 30, 2015 and 2014.

Temporarily restricted net assets primarily account for the activity of the Diocese's annual gifting campaign, the Diocesan Hope Appeal. Contributions to this campaign are designated to fund specific programs in the subsequent fiscal period.

Reclassification

Certain reclassifications have been made to the 2014 financial statement presentation to correspond to the current year’s format.

Cash Flows

For purposes of the statements of cash flows, the Diocese uses the indirect method of reporting net cash flows from operating activities and considers all short-term investments with an original maturity of three months or less to be cash equivalents. At June 30, 2015 and 2014, there were no cash equivalents included in cash.

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK –
CENTRAL ADMINISTRATIVE OFFICE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

**NOTE 1 – STANDARDS FOR REPORTING AND SIGNIFICANT
ACCOUNTING POLICIES – Continued**

Investments

The Diocese reports investments at fair value with any realized and unrealized gains and losses being reported in the statements of activities. Investments are valued at fair value at June 30, 2015 and 2014. If available, quoted market prices are used to arrive at these values. Such investments are valued at the mean bid and ask prices, as obtained from one or more market makers in these securities. Adjustments for unrealized investment income or loss are accounted for in the investment pools in which they are managed.

Contributions

The Roman Catholic Diocese of Syracuse, New York – Central Administrative Office recognizes contributions received as either unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified from restrictions.

Diocesan Hope Appeal

The Roman Catholic Diocese of Syracuse, New York conducts an annual gifting campaign, known as the Diocesan Hope Appeal. Pledges outstanding at the end of a fiscal year are reviewed for collectability by analyzing remittances subsequent to year-end and application of collection ratios generated from prior campaigns and similar campaigns conducted throughout the country. Allowances are estimated to reflect the net pledges expected to be realized. At June 30, 2015 and 2014, the allowance for uncollectible pledges was estimated to be \$-0- each year. Collections realized in excess of the net pledge receivable figure are recognized as income in the year collected. The annual campaigns share with individual parishes cash collections in excess of parish pledge goals. The 2014-2015 campaign provisions call for the return of 50% to 100% of collections in excess of goal to be returned to parishes. The parishes' share of excess cash collections over pledge goals is estimated to be \$66,943 and \$89,429 at June 30, 2015 and 2014, respectively.

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK –
CENTRAL ADMINISTRATIVE OFFICE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

**NOTE 1 – STANDARDS FOR REPORTING AND SIGNIFICANT
ACCOUNTING POLICIES – Continued**

Unconditional Promises to Give

Pledges outstanding as of June 30 consist of the following:

	2015	2014
Diocesan Hope Appeal	\$ 563,255	\$ 1,492,968
Less: Allowance for Uncollectible Pledges	<u>0</u>	<u>0</u>
Total	<u><u>\$ 563,255</u></u>	<u><u>\$ 1,492,968</u></u>

The Roman Catholic Diocese of Syracuse, New York records the net present value of long-term pledges receivable as income in the year the pledge is made. Pledges outstanding at June 30, 2015 are payable in 2015. There are no long-term pledges outstanding.

Accounts Receivable – Net

At June 30, 2015 and 2014, accounts receivable amounted to \$6,391,645 and \$5,721,180, respectively. A summary of these receivables and related allowances for uncollectibility is presented as follows:

	2015	2014
General Receivables	\$ 2,735,067	\$ 1,707,561
Insurance Premiums	<u>3,656,578</u>	<u>4,013,619</u>
Gross Accounts Receivable	6,391,645	5,721,180
Less: Allowance for Uncollectibility	<u>2,874,856</u>	<u>2,766,003</u>
Total Accounts Receivable - Net	<u><u>\$ 3,516,789</u></u>	<u><u>\$ 2,955,177</u></u>

An allowance for uncollectible accounts is maintained, which is based on management's assessment of the collectability of accounts receivable.

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK –
CENTRAL ADMINISTRATIVE OFFICE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

**NOTE 1 – STANDARDS FOR REPORTING AND SIGNIFICANT
ACCOUNTING POLICIES – Continued**

Due to Affiliated Organizations

In 2014, the Diocese assumed the accounting for the Catholic Schools Office of the Diocese, which had been functioning as a separate department in previous years. The transfer of prior years' net financial position is shown as a transfer from related entity of \$1,300,508 on the statements of activities.

Land, Buildings and Equipment

Plant acquisitions are capitalized at cost when purchased or at fair value at date of donation. Depreciation on buildings and equipment is calculated using the straight-line method over the estimated useful life of the respective asset. All acquisitions of land, buildings and equipment in excess of \$5,000 and all expenditures for repairs and maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Maintenance and repairs are charged to expense when incurred. The summary of land, buildings and equipment is as follows:

	2015	2014
Land and Sites for Future Parishes	\$ 387,917	\$ 387,917
Land	350,000	350,000
Furniture and Fixtures	1,227,592	1,179,866
Buildings and Improvements	10,228,347	9,530,520
Equipment	519,195	426,379
Automobiles	<u>196,768</u>	<u>167,759</u>
Total Land, Buildings and Equipment	12,909,819	12,042,441
Less: Accumulated Depreciation	<u>9,583,953</u>	<u>9,204,476</u>
Net Land, Buildings and Equipment	<u>\$ 3,325,866</u>	<u>\$ 2,837,965</u>

Depreciation expense for the years ended June 30, 2015 and 2014 totaled \$407,190 and \$388,812, respectively.

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK –
CENTRAL ADMINISTRATIVE OFFICE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

**NOTE 1 – STANDARDS FOR REPORTING AND SIGNIFICANT
ACCOUNTING POLICIES – Continued**

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Risks and Uncertainties

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and obligations and the level of uncertainty related to changes in the value of these investments, it is at least reasonably possible that changes in risk in the near term would materially affect the amounts reported in the statements of financial position and the statements of activities.

Contributed Services

Contributions of services are recognized as revenues if the services received create or enhance nonfinancial assets (primarily property or other tangible assets) or require specialized skills, are provided by individuals possessing those skills would typically need to be purchased if not provided by the donation. Services donated to the Diocese generally include management functions performed by members of the clergy and various religious communities. Clergy and religious employees of the Central Administrative Office receive a monthly support payment. Contributed services of clergy and religious personnel are not deemed to have a material monetary effect on the financial statements and have not been recognized as contributions in-kind and monthly support payment expense.

Tax Exempt Status

No provision for income taxes is required since the Diocese is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, and under similar requirements of New York State law, no provision has been made for federal or state taxes. Management is not aware of any unrelated business activities that may be subject to unrelated business income tax or any activities that would jeopardize the Diocese's tax exempt status.

**ROMAN CATHLIC DIOCESE OF SYRACUSE, NEW YORK –
CENTRAL ADMINISTRATIVE OFFICE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

**NOTE 1 – STANDARDS FOR REPORTING AND SIGNIFICANT
ACCOUNTING POLICIES – Continued**

Pension Plans

Employees of the Central Administrative Office are participants within the Diocese of Syracuse Pension Plan. This plan is noncontributory and covers lay employees of the Diocese, its affiliated organizations and parish units who meet certain minimum service requirements. The Central Administrative Office's annual contribution to the Diocesan plan for the years ended June 30, 2015 and 2014 was \$209,334 and \$226,782, respectively (see Note 9).

Subsequent Events

Management has evaluated subsequent events through November 4, 2015, which is the date the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

The Roman Catholic Diocese of Syracuse, New York – Central Administrative Office investments consist of corporate equity securities, government and corporate debt securities and cash equivalents. These investments are subject to market and credit risks due to changes in market conditions and interest rates. Common stock is subject to market value changes associated with publicly held equity securities. Government and corporate debt security investment values will fluctuate due to interest rate changes. The Diocese utilizes the services of outside money managers for the majority of its investments.

Investments by category and net asset class are summarized below:

	Market	
	2015	2014
Cash Equivalents	\$ 878,605	\$ 1,099,808
Equity Securities	26,864,300	26,457,640
Governmental and Corporate Bonds	9,978,578	11,138,037
Other Investments	<u>2,124,458</u>	<u>2,573,044</u>
Total	<u>\$ 39,845,941</u>	<u>\$ 41,268,529</u>
Unrestricted	<u>\$ 39,845,941</u>	<u>\$ 41,268,529</u>

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK –
CENTRAL ADMINISTRATIVE OFFICE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 2 – INVESTMENTS – Continued

Net investment activity consists of the following:

	2015	2014
Dividends and Interest	\$ 832,632	\$ 797,800
Realized Gains	406,993	121,921
Investment and Affiliation Fees	(261,039)	(233,273)
Bad Debt Expense	(415,134)	(70,653)
Unrealized Gains (Losses)	<u>(86,790)</u>	<u>3,971,832</u>
Total	<u><u>\$ 476,662</u></u>	<u><u>\$ 4,587,627</u></u>

Fair Value Measurements

The Diocese has adopted the provisions of an accounting standard, which pertains to certain statement of financial position items measured at fair value on a recurring basis and defines fair value, establishes a framework for measuring fair value and expands disclosures about such measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the “exit price”) in an orderly transaction between market participants at the measurement date.

The accounting standard establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows: Level 1 – Quoted prices in active markets for identical assets or liabilities; Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data; and Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The assets or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK –
CENTRAL ADMINISTRATIVE OFFICE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 2 – INVESTMENTS – Continued

Fair Value Measurements – Continued

Assets measured at fair value on a recurring basis are summarized below by input level:

June 30, 2015

Description	Level 1	Level 3	Fair Value Measurements
Cash	\$ 500,043	\$ 0	\$ 500,043
Equity Securities	26,864,300	0	26,864,300
Money Market	378,562	0	378,562
Corporate Bonds	9,978,578	0	9,978,578
Other Assets	0	2,124,458	2,124,458
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 37,721,483</u>	<u>\$ 2,124,458</u>	<u>\$ 39,845,941</u>

June 30, 2014

Description	Level 1	Level 3	Fair Value Measurements
Cash	\$ 66,800	\$ 0	\$ 66,800
Equity Securities	26,457,640	0	26,457,640
Money Market	1,033,008	0	1,033,008
Corporate Bonds	11,138,037	0	11,138,037
Other Assets	0	2,573,044	2,573,044
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 38,695,485</u>	<u>\$ 2,573,044</u>	<u>\$ 41,268,529</u>

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK –
CENTRAL ADMINISTRATIVE OFFICE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 2 – INVESTMENTS – Continued

Fair Value Measurements – Continued

Following is a summary of activity in Level 3 Investments:

	2015	2014
Level 3 Investments - Beginning of Year	\$ 2,573,044	\$ 811,089
Transfer of Catholic School Office Investments	0	1,865,208
D.W. Barry Foundation - Net Activity	(72,772)	(301,119)
Net Investment Activity	<u>(375,814)</u>	<u>197,866</u>
Level 3 Investments - End of Year	<u>\$ 2,124,458</u>	<u>\$ 2,573,044</u>

NOTE 3 – MORTGAGES AND NOTES RECEIVABLE

A summary of mortgages and notes receivable are presented as follows:

	2015	2014
Loans to Diocesan Organizations at Various Interest Rates and Terms of Repayment:		
Schools	\$ 1,886,990	\$ 1,644,348
Parishes	187,579	14,806
Seminary	<u>148,776</u>	<u>152,165</u>
	2,223,345	1,811,319
Less: Allowance for Uncollectible Loans	<u>2,110,356</u>	<u>1,697,195</u>
Total	<u>\$ 112,989</u>	<u>\$ 114,124</u>

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK –
CENTRAL ADMINISTRATIVE OFFICE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 4 – INSURANCE RESERVES

The Roman Catholic Diocese of Syracuse, New York maintains self-insurance plans for property and general liability, workers' compensation, disability, unemployment compensation and health care insurance for participating Diocesan entities. The health care insurance plan maintains stop-loss coverage for individual and aggregate claims. Each Diocesan entity is charged its share of the estimated costs of claims, administration fees and excess coverage insurance policy premiums.

The self-insurance plan for property and general liability coverage includes an excess of loss insurance coverage purchased from outside insurance carriers. Generally, amounts are recoverable under this coverage after the amount of a specific claim has exceeded a specified retention limit.

Accrued reserve liabilities of \$6,960,989 and \$6,653,476 have been established to cover 2015-14 and 2014-13 claims in the various self-insured programs.

Reserve estimates for reported claims are determined by evaluation of individual reported claims by the Plan Administrator. Procedures for establishing the resulting liabilities are periodically reviewed and updated. Any adjustments resulting therefrom are reflected in current operations.

In 2013, the Diocese transferred the administration of the workers' compensation claims to a third party administrator. In conjunction with this transfer, an actuarial study was conducted to determine the adequacy of claim reserves. Adjustments for workers' compensation claims incurred but not reported have been included in the reserve balances as of June 30, 2015 and 2014.

NOTE 5 – FINANCIAL INSTRUMENTS

Concentrations of Credit Risk

Financial instruments that potentially subject the Roman Catholic Diocese of Syracuse, New York – Central Administrative Office to concentrations of credit risk consist principally of cash, accounts receivable, investments, accounts payable, accrued liabilities and Diocesan loans. All financial instruments are held for purposes other than trading. The following methods and assumptions were used to estimate the fair value of each instrument for which it is practicable to estimate that value. The fair values of cash, receivables, and accounts payable and accrued expenses approximate their carrying amounts as reflected in the statements of financial position due to their short-term availability, maturity, and settlement.

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK –
CENTRAL ADMINISTRATIVE OFFICE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 5 – FINANCIAL INSTRUMENTS – Continued

Concentrations of Credit Risk – Continued

The Roman Catholic Diocese of Syracuse, New York – Central Administrative Office places its operating cash holdings with several financial institutions and thus all cash held in excess of the FDIC insurable limit is subject to the solvency of those particular financial institutions. From time to time throughout the year bank balances exceeded insurance limits and management considered those circumstances to be a normal business risk.

The Diocese monitors its cash position and deposits money only in institutions with strong financial position and which have been identified as having a top ranking by an independent rating service. Investments at brokerage houses as of June 30, 2015 and 2014 totaled approximately \$37,721,483 and \$38,695,485, respectively. Insurance coverage on these balances varies according to the extent of coverage established by each institution.

Loans to parishes and affiliated organizations total \$2,223,345 at June 30, 2015 (\$1,811,319 in 2014). Most of these loans are unsecured. Receivables for insurance programs and other services are uncollateralized. Like the Diocesan loans, the payment of these outstanding balances is dependent upon the financial strength of the borrower/customer.

Off-Balance Sheet Risks and Guarantees

The Diocese has assumed off-balance sheet risk by extending unconditional guarantees with regard to the following transactions:

- The Diocese has a \$5,300,000 letter of credit with a local financial institution for security to operate the self-insurance programs for workers' compensation and unemployment insurance.
- The D.W. Barry Foundation is a separate legal entity of the Roman Catholic Diocese of Syracuse, New York. The Diocese is holding a note receivable from Foundation in the amount of \$201,126 (\$273,898 in 2014).
- The Diocese is a guarantor on an installment loan that is directly held by a Diocesan parish. The proceeds of this loan were used to construct a parish ministry center. The loan is payable over a ten year period. The balance of this loan was paid in full during 2015 (\$52,500 outstanding in 2014).

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK –
CENTRAL ADMINISTRATIVE OFFICE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 6 – RELATED PARTY TRANSACTIONS

Christ the King Retreat House

Christ the King Retreat House owns property and a building used as a retreat facility. The organization is a membership Corporation affiliated with the Roman Catholic Diocese of Syracuse, New York. The Diocese had advanced monies to the Retreat House in the past. Total receivable due from Christ the King Retreat House at June 30, 2015 amounted to \$143,726 (\$214,231 in 2014).

Syracuse Catholic Press Association, Inc.

Syracuse Catholic Press Association, Inc. is responsible for the publication of the Diocesan newspaper and is separately incorporated. Advances of \$838 as of June 30, 2015 (\$7,746 in 2014) have been made in prior years to the Syracuse Catholic Press Association, Inc.

NOTE 7 – LITIGATIONS AND CLAIMS

The Roman Catholic Diocese of Syracuse, New York is currently defending one lawsuit relating to alleged acts of misconduct. The known aggregate monetary demands associated with this pending case are less than one million dollars, although all demands may not have been made. It is the intent of the Diocese to vigorously defend itself in this case. The pending lawsuit remains active within the litigation process and no assessment can be made at this time as to the probable outcome.

During the prior two years, the Diocese has settled two lawsuits involving misconduct. All costs associated with these settlements above the designated insurance deductible, were covered by insurance policies.

The Diocese is party to several property and casualty claims and litigations brought against entities that participate in the Property Self-Insurance Program. These claims and litigations are at various stages of the legal process. Legal counsel cannot determine the extent of any liability to the Diocese. As part of the self-insurance administration, each claim is assigned an estimated reserve figure. The various wrap-around-insurance coverage within the self-insurance fund is also available to settle potentially large claims.

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK –
CENTRAL ADMINISTRATIVE OFFICE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 8 – LEASES

The Diocese leases a vehicle and copy machines under operating leases expiring in various years through January 2018. Future minimum lease payments for 2016 amount to \$24,275; \$8,780 for 2017 and \$4,032 for 2018. Total lease expense for June 30, 2015 and 2014 amounted to \$44,050 and \$21,225, respectively.

**NOTE 9 – DIOCESE OF SYRACUSE DEFINED BENEFIT
PENSION PLAN**

The Roman Catholic Diocese of Syracuse Pension Plan (Lay Defined Benefit Plan) provides retirement income to the lay employees of the Diocese, Parishes, Cemeteries and Schools affiliated with the Diocese of Syracuse. The plan is non-contributory and covers lay employees who meet certain minimum service requirements. The plan is a “church plan” which exempts it from certain requirements enumerated by ERISA and the Department of Labor.

Participating organizations have a responsibility to contribute to the plan amounts as may be required to meet minimum funding standards. The Central Administrative Office’s current year’s contribution for all eligible employees totaled \$209,334 (\$226,782 in 2014). In addition, in 2015 the Central Administrative Office paid \$1,000,000 (\$1,000,000 in 2014) in additional contributions as a means of reducing the unfunded status of the plan.

In 2014, actuarial studies had determined that the plan had an unfunded pension obligation of approximately \$48,150,000 as of June 30, 2014. Prior to 2014, each participating organization was allocated a portion of this obligation based on employment data of individual employees. In 2014, the Diocese adopted a new reporting treatment for this obligation. The Diocese assumed the unfunded pension obligation for the following participating entities:

- Non-aligned parishes, closed prior to July 1, 2014
- Parish schools closed prior to July 1, 2014
- Diocesan regional schools

The liability assumed at June 30, 2014 totaled \$18,641,314.

Active parishes, Diocesan cemeteries and other legal entities will continue to be allocated their portion of the unfunded liability.

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK –
CENTRAL ADMINISTRATIVE OFFICE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

**NOTE 9 – DIOCESE OF SYRACUSE DEFINED BENEFIT
PENSION PLAN – Continued**

As of June 30, 2015 and 2014, the unfunded pension obligation which is recognized on the statements of financial position for each entity is allocated as follows:

	2015	2014
Roman Catholic Diocese of Syracuse	\$ 24,742,850	\$ 22,423,852
Diocesan Cemeteries	1,890,312	1,710,147
Active Parishes and Other Entities	<u>26,283,576</u>	<u>24,015,587</u>
Total	<u><u>\$ 52,916,738</u></u>	<u><u>\$ 48,149,586</u></u>

Plan Summary

A summary of the actuarial information used in determining the unfunded status of the plan is described below:

- Active and retired participants in the plan at the end of 2015 totaled 3,298 (3,319 in 2014).
- The Central Administrative Office administers the plan.
- Benefits are based on years of service and the employee's compensation during their years of employment.
- The Roman Catholic Diocese of Syracuse, New York and its related affiliates contribute annually a prorated share of the total liabilities as determined by the Actuary.
- The current year's contribution for all eligible employees totaled \$3,450,397 (\$3,366,800 in 2014).
- Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.
- In 2015, benefit payments totaled \$3,187,846 (\$2,840,297 in 2014).
- Participation in the plan for new employees has been frozen as of July 1, 2011. New employees are eligible to participate in a Diocesan sponsored 403 (b) plan.

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK –
CENTRAL ADMINISTRATIVE OFFICE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

**NOTE 9 – DIOCESE OF SYRACUSE DEFINED BENEFIT
PENSION PLAN – Continued**

The following sets forth the plan’s funded status as of June 30, 2015 and 2014 from the most recent actuarial study, which was prepared for the July 1, 2015 and 2014 plan year. The changes in the benefit obligation and fair value of plan assets, the funded status of the plan, the components of net periodic pension cost and the assumptions used in the measurement of the Diocese’s benefit obligation are as follows:

	2015	2014
Change in Benefit Obligation:		
Projected Benefit Obligation at the Beginning of the Year	\$ 90,180,106	\$ 78,505,342
Service Cost	1,483,796	1,471,590
Interest Cost	4,419,395	4,075,289
Actuarial Loss	2,600,590	8,968,182
Benefits Paid	<u>(3,187,846)</u>	<u>(2,840,297)</u>
Projected Benefit Obligation at the End of the Year	<u>\$ 95,496,041</u>	<u>\$ 90,180,106</u>
Change in Plan Assets:		
Fair Value of Plan Assets at the Beginning of the Year	\$ 42,030,520	\$ 37,593,881
Actual Return on Plan Assets	286,232	3,910,136
Contributions	3,450,397	3,366,800
Expenses	0	0
Benefits Paid	<u>(3,187,846)</u>	<u>(2,840,297)</u>
Fair Value of Plan Assets at the End the Year	<u>\$ 42,579,303</u>	<u>\$ 42,030,520</u>
Funded Status:		
Unfunded Status of Plan	<u>\$ 52,916,738</u>	<u>\$ 48,149,586</u>

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK –
CENTRAL ADMINISTRATIVE OFFICE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

**NOTE 9 – DIOCESE OF SYRACUSE DEFINED BENEFIT
PENSION PLAN – Continued**

For the fiscal years ending June 30, 2015 and 2014, the net periodic pension cost included the following components:

	2015	2014
Service Cost	\$ 1,483,796	\$ 1,471,590
Interest Cost	4,419,395	4,075,289
Expected Return on Assets	<u>(2,926,354)</u>	<u>(2,609,033)</u>
Net Periodic Pension Cost	2,976,837	2,937,846
One Time Change for Implementation of Full Accrual of Pension Obligations	<u>0</u>	<u>40,911,461</u>
Total	<u>\$ 2,976,837</u>	<u>\$ 43,849,307</u>

The accumulated benefit obligation totaled \$91,920,403 and \$86,415,285 at June 30, 2015 and 2014, respectively.

The total amount recognized in net periodic cost and unrestricted net assets totaled \$8,217,549 and \$51,516,386 in 2015 and 2014, respectively.

The total change in recognized unrestricted net assets of each participating entity is as follows:

	2015	2014
Actuarial Net Loss	<u>\$ 5,240,712</u>	<u>\$ 7,667,079</u>

The plan assets are measured at fair value on a recurring basis. Fair value is defined as the price that would be received to sell an asset in an ordinary transaction between market participants at the measurement date. Accounting standards establish a three level hierarchy based upon the prioritization of inputs to measure fair value. All the plan assets have been designated as Level 1. Fair value at this level is determined by quoted prices in active markets for identical assets.

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK –
CENTRAL ADMINISTRATIVE OFFICE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

**NOTE 9 – DIOCESE OF SYRACUSE DEFINED BENEFIT
PENSION PLAN – Continued**

Plan assets as of June 30, 2015 and 2014 were as follows:

	2015	2014
Investments at Fair Value (Level 1):		
Defined Benefit Guaranteed Portfolio	\$ 9,615,717	\$ 12,899,167
Emerging Markets	3,145,840	3,131,274
International Core Equity	7,706,638	4,888,149
Real Estate Securities	2,676,455	2,450,379
U.S. Core Equity	11,892,164	9,393,821
Short-Term Government	<u>7,542,489</u>	<u>9,267,730</u>
Total	<u>\$ 42,579,303</u>	<u>\$ 42,030,520</u>

Long-term investment objectives are to maintain plan assets that will assist in covering long-term obligations and to generate a return on plan assets sufficient to off-set the growth of obligations. A diversified portfolio and various risk management techniques are used to achieve these objectives.

The discount rate used in determining the actuarial present value of the projected benefit obligation was 5% in 2015 and 2014. The expected long-term return on plan assets was 7% in 2015 and 2014. The rate of compensation increase was 3% for both years. The discount rates were selected to reflect the interest rate environment at the respective measurement dates. The expected long-term rate of return assumptions were selected to represent reasonable expectations of future experience.

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK –
CENTRAL ADMINISTRATIVE OFFICE**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 9 – DIOCESE OF SYRACUSE DEFINED BENEFIT

PENSION PLAN – Continued

Plan benefits expected to be paid by the organizations for the next ten years are as follows:

2016	\$ 4,162,868
2017	4,447,467
2018	4,928,601
2019	5,254,582
2020	5,547,436
2021-2025	30,893,633

Plan contributions expected to be paid in 2016 amount to \$4,000,000.

In 2015, the plan adopted the RP-2014 mortality tables for annuitants and non-annuitants, with projected mortality improvements using Scale MP-2014 with no collar adjustment.

In 2014, the plan changed an actuarial assumption adopting the sex-distinct RP-2000 mortality table for annuitants and non-annuitants with projected mortality improvements using Scale BB on a generational basis. Prior to 2014, the RP-2000 table using Scale AA was used.

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK –
CENTRAL ADMINISTRATIVE OFFICE**

OTHER FINANCIAL INFORMATION

SCHEDULES OF UNRESTRICTED PROGRAM SERVICES – NET ACTIVITY

Years Ended June 30, 2015 and 2014

	2015	2014
REVENUE		
Contributions	\$ 5,114,159	\$ 4,862,807
Fees - Other Services	104,054	115,344
Catholic School Office Fees and Services	604,002	969,442
McDevitt Grants	350,000	350,000
McDevitt Distributions	435,947	567,400
	<hr/>	<hr/>
Total Program Services Revenue	6,608,162	6,864,993
 EXPENSES		
Educational Programs - Catholic Schools Office	983,144	1,267,360
Educational Programs - Tuition Assistance	627,131	627,128
Educational Programs - Religious Education	453,393	450,291
Community Service	1,043,752	1,001,701
Parish Pastoral	439,383	512,309
Ministry for Higher Education	409,881	375,452
Hospital Ministry	184,293	224,905
Family Life, Youth and Young Adult	554,304	487,826
Retreat House	54,400	56,700
Communications	502,817	464,915
Hope Appeal Expenses	174,512	126,326
McDevitt Grants	403,904	348,774
National Assessments	156,952	126,790
Strategic Planning	0	22,192
Vicar for Parishes	184,997	97,024
	<hr/>	<hr/>
Total Program Services	6,172,863	6,189,693
 NET ACTIVITY PROGRAM SERVICES	435,299	675,300
 NET ACTIVITY - SUPPORTING SERVICES (See Page 26)	<hr/> (1,600,314) <hr/>	<hr/> (2,084,974) <hr/>
 CHANGE IN NET ASSETS	(1,165,015)	(1,409,674)
Net Assets at Beginning of Year	(23,920,909)	(4,780,196)
Unfunded Pension Obligation	(3,318,998)	(19,331,547)
Other Activity - Net	140,156	1,600,508
	<hr/>	<hr/>
Net Assets at End of Year	<u>\$ (28,264,766)</u>	<u>\$ (23,920,909)</u>

See notes to financial statements.

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK –
CENTRAL ADMINISTRATIVE OFFICE**

SCHEDULES OF UNRESTRICTED SUPPORTING SERVICES – NET ACTIVITY

Years Ended June 30, 2015 and 2014

	2015	2014
REVENUE		
Contributions	\$ 138,763	\$ 77,966
Fees - Other Services	481,266	658,753
Affiliation Fees and Assessments	<u>2,115,754</u>	<u>1,905,442</u>
Total Support Services Revenue	2,735,783	2,642,161
EXPENSES		
Bad Debt Expense	77,580	643,107
Executive Management	556,954	613,689
Development and Fundraising	482,148	546,397
Building and Grounds	916,122	912,413
Depreciation	407,190	388,812
Information Technology	389,160	253,477
Finance and Payroll	973,231	861,187
Banking Fees	53,086	13,481
Parish Services	207,718	229,610
Central Purchasing	140,014	131,833
Archives	57,870	55,679
Marriage Tribunal	<u>75,024</u>	<u>77,450</u>
Total Supporting Services	<u>4,336,097</u>	<u>4,727,135</u>
NET ACTIVITY - SUPPORTING SERVICES	<u><u>\$ (1,600,314)</u></u>	<u><u>\$ (2,084,974)</u></u>

See notes to financial statements.

SCHEDULE OF INSURANCE FUND ACTIVITY

Year Ended June 30, 2015 with Comparative Totals for June 30, 2014

	PSI	Health
REVENUE		
Insurance Premiums	\$ 4,503,019	\$ 19,085,422
Rebates	<u>24,355</u>	<u>570,138</u>
Total Revenue	4,527,374	19,655,560
EXPENSES		
Administrative and Operational	509,431	1,924,863
Insurance - Outside Carrier	1,535,412	340,382
Insurance - Claims Paid	1,263,368	15,432,153
Insurance - Claims Accrued	384,743	(99,947)
Program Expense - Departments	<u>445,785</u>	<u>362,287</u>
Total Expenses	<u>4,138,739</u>	<u>17,959,738</u>
CHANGE IN NET ASSETS	388,635	1,695,822
Net Assets at Beginning of Year	<u>3,624,598</u>	<u>10,253,701</u>
Net Assets at End of Year	<u>\$ 4,013,233</u>	<u>\$ 11,949,523</u>

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK –
CENTRAL ADMINISTRATIVE OFFICE**

Unemployment	Disability	2015	Total	2014
\$ 473,582	\$ 324,733	\$ 24,386,756		\$ 23,977,265
<u>0</u>	<u>0</u>	<u>594,493</u>		<u>529,265</u>
473,582	324,733	24,981,249		24,506,530
6,300	18,000	2,458,594		1,582,105
0	0	1,875,794		2,058,214
443,543	208,602	17,347,666		16,009,071
0	0	284,796		875,918
<u>0</u>	<u>0</u>	<u>808,072</u>		<u>766,122</u>
<u>449,843</u>	<u>226,602</u>	<u>22,774,921</u>		<u>21,291,430</u>
23,739	98,131	2,206,327		3,215,100
<u>2,681,973</u>	<u>1,246,688</u>	<u>17,806,960</u>		<u>14,591,860</u>
<u>\$ 2,705,712</u>	<u>\$ 1,344,819</u>	<u>\$ 20,013,287</u>		<u>\$ 17,806,960</u>

See notes to financial statements.

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK –
CENTRAL ADMINISTRATIVE OFFICE**

SCHEDULE OF INVESTMENT FUND ACTIVITY

Year Ended June 30, 2015 with Comparative Totals for June 30, 2014

	Investment Pool	Deposit and Loan	Total 2015	Total 2014
REVENUE				
Investment Earnings	\$ 820,748	\$ 11,883	\$ 832,631	\$ 797,800
Realized Gains	405,959	0	405,959	121,921
Unrealized Gains (Losses)	<u>(85,756)</u>	<u>0</u>	<u>(85,756)</u>	<u>3,971,832</u>
Total Revenue	1,140,951	11,883	1,152,834	4,891,553
EXPENSES				
Investment Fees	171,039	0	171,039	143,273
Affiliation Fees - Support Services	90,000	0	90,000	90,000
Bad Debt Expense	<u>0</u>	<u>415,134</u>	<u>415,134</u>	<u>70,653</u>
Total Expenses	<u>261,039</u>	<u>415,134</u>	<u>676,173</u>	<u>303,926</u>
CHANGE IN NET ASSETS	879,912	(403,251)	476,662	4,587,627
Net Assets at Beginning of Year	15,492,020	239,730	15,731,750	11,444,123
Transfer to Plant Fund for Capital Expenses	<u>(354,000)</u>	<u>0</u>	<u>(354,000)</u>	<u>(300,000)</u>
Net Assets at End of Year	<u><u>\$ 16,017,932</u></u>	<u><u>\$ (163,521)</u></u>	<u><u>\$ 15,854,412</u></u>	<u><u>\$ 15,731,750</u></u>

See notes to financial statements.