

**Catholic Diocese of Pittsburgh
Central Administration Fund**

Financial Statements and
Supplementary Information

Years Ended June 30, 2018 and 2017
with Independent Auditor's Report

MaherDuessel

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CATHOLIC DIOCESE OF PITTSBURGH CENTRAL ADMINISTRATION FUND

YEARS ENDED JUNE 30, 2018 AND 2017

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Catholic Diocese of Pittsburgh Central Administration Fund (Central Administration Fund), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of a Matter

As discussed in Note 1 to the financial statements, the accompanying financial statements are not intended to present all funds and related entities of the Catholic Diocese of Pittsburgh at June 30, 2018 and 2017 and, thus, do not represent a comprehensive financial report. This report includes only the financial statements for the Central Administration Fund. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed in the table of contents (Schedules 1 – 7) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Restriction of Use

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

Mahe Duessel

Pittsburgh, Pennsylvania
December 18, 2018

**Catholic Diocese of Pittsburgh
Central Administration Fund**

Statements of Financial Position

June 30, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	\$ 73,321	\$ 81,351
Investments:		
For own account	4,016,882	5,683,095
Held for others	13,792,632	12,527,803
Accounts receivable	3,402,903	2,692,398
Loans receivable, net of allowance totaling \$222,231 for 2018 and 2017	57,397	70,597
Accrued interest receivable	7,147	9,250
Deferred charges	73,739	65,877
Due from other Diocesan funds	528,130	606,704
Due from capital campaign	6,611,786	6,458,100
Total Assets	\$ 28,563,937	\$ 28,195,175
Liabilities		
Accounts payable	\$ 833,227	\$ 1,055,993
Deferred income - Parish Share Program	5,937,601	6,248,720
Deferred income - other	699,155	1,198,427
Donations and deposits held for others	8,354,620	7,052,808
Scholastic Opportunity Scholarships payable	4,141,169	3,307,776
Other liabilities	1,296,843	2,167,219
Due to other Diocesan funds	1,499,194	1,393,961
Total Liabilities	22,761,809	22,424,904
Net Assets		
Unrestricted	2,236,500	2,369,106
Temporarily restricted	2,857,914	2,693,451
Permanently restricted	707,714	707,714
Total Net Assets	5,802,128	5,770,271
Total Liabilities and Net Assets	\$ 28,563,937	\$ 28,195,175

See accompanying notes to financial statements.

**Catholic Diocese of Pittsburgh
Central Administration Fund**

Statement of Activities

Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Parish Share Program Income	\$ 13,478,118	\$ -	\$ -	\$ 13,478,118
Less St. Anthony School distribution	(307,595)	-	-	(307,595)
Less DePaul School distribution	(76,899)	-	-	(76,899)
Net Parish Share Program Income available for operations	13,093,624	-	-	13,093,624
Diocesan Programs and Offices	6,589,468	1,141,129	-	7,730,597
Diocesan Foundation Support	2,365,261	-	-	2,365,261
Investment Income	143,071	9,738	-	152,809
Catholic Institute Endowment Fund income used for current support	361,629	-	-	361,629
Donations and Bequests	586,103	-	-	586,103
Other Revenue	583,323	45,640	-	628,963
Total revenues	23,722,479	1,196,507	-	24,918,986
Net assets released from restrictions	1,032,044	(1,032,044)	-	-
	24,754,523	164,463	-	24,918,986
Expenses:				
Clergy & Consecrated Life	2,547,240	-	-	2,547,240
External Affairs	7,850,532	-	-	7,850,532
Parish Services	852,321	-	-	852,321
Leadership Development	2,743,106	-	-	2,743,106
Temporal Affairs	3,118,311	-	-	3,118,311
Pastoral Administration	5,532,730	-	-	5,532,730
Diocesan Assessments and Pastoral Grants	2,147,413	-	-	2,147,413
Total expenses	24,791,653	-	-	24,791,653
Excess (Deficiency) of Revenues Over Expenses	(37,130)	164,463	-	127,333
Unrealized depreciation on investments	(95,476)	-	-	(95,476)
Change in Net Assets	(132,606)	164,463	-	31,857
Net Assets:				
Beginning of year	2,369,106	2,693,451	707,714	5,770,271
End of year	\$ 2,236,500	\$ 2,857,914	\$ 707,714	\$ 5,802,128

See accompanying notes to financial statements.

**Catholic Diocese of Pittsburgh
Central Administration Fund**

Statement of Activities

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Parish Share Program Income	\$ 14,135,994	\$ -	\$ -	\$ 14,135,994
Less St. Anthony School distribution	(299,085)	-	-	(299,085)
Less DePaul School distribution	(74,771)	-	-	(74,771)
Net Parish Share Program Income available for operations	13,762,138	-	-	13,762,138
Diocesan Programs and Offices	7,360,911	793,970	-	8,154,881
Diocesan Foundation Support	2,353,854	-	-	2,353,854
Investment Income	151,582	8,790	-	160,372
Catholic Institute Endowment Fund income used for current support	474,749	-	-	474,749
Donations and Bequests	109,705	-	-	109,705
Other Revenue	578,694	-	-	578,694
Total revenues	24,791,633	802,760	-	25,594,393
Net assets released from restrictions	556,101	(556,101)	-	-
	25,347,734	246,659	-	25,594,393
Expenses:				
Clergy & Consecrated Life	2,386,152	-	-	2,386,152
External Affairs	7,577,674	-	-	7,577,674
Parish Services	1,843,496	-	-	1,843,496
Leadership Development	2,858,910	-	-	2,858,910
Temporal Affairs	3,239,158	-	-	3,239,158
Pastoral Administration	5,138,963	-	-	5,138,963
Diocesan Assessments and Pastoral Grants	2,367,979	-	-	2,367,979
Total expenses	25,412,332	-	-	25,412,332
Excess (Deficiency) of Revenues Over Expenses	(64,598)	246,659	-	182,061
Unrealized depreciation on investments	(154,817)	-	-	(154,817)
Change in Net Assets	(219,415)	246,659	-	27,244
Net Assets:				
Beginning of year	2,588,521	2,446,792	707,714	5,743,027
End of year	<u>\$ 2,369,106</u>	<u>\$ 2,693,451</u>	<u>\$ 707,714</u>	<u>\$ 5,770,271</u>

See accompanying notes to financial statements.

**Catholic Diocese of Pittsburgh
Central Administration Fund**

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities:		
Change in net assets	\$ 31,857	\$ 27,244
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized depreciation (appreciation) on investments	95,476	154,817
Changes in operating assets and liabilities:		
Accounts receivable	(710,505)	(352,650)
Accrued interest receivable	2,103	4,585
Due to/from other Diocesan Funds	183,807	1,626,828
Due from capital campaign	(153,686)	(1,116,337)
Deferred charges	(7,862)	34,610
Accounts payable	(222,766)	(251,366)
Deferred income	(810,391)	(292,112)
Scholastic Opportunity Scholarships payable	833,393	(287,419)
Other liabilities	(870,376)	(606,728)
	(1,628,950)	(1,058,528)
Net cash provided by (used in) operating activities	(1,628,950)	(1,058,528)
Cash Flows From Investing Activities:		
Net (increase) decrease in investments	305,908	848,257
Repayment of loans receivable	13,200	5,683
	319,108	853,940
Net cash provided by (used in) investing activities	319,108	853,940
Cash Flows From Financing Activities:		
Increase (decrease) in donations and deposits held for others	1,301,812	244,964
	(8,030)	40,376
(Decrease) Increase in Cash and Cash Equivalents	(8,030)	40,376
Cash and Cash Equivalents:		
Beginning of year	81,351	40,975
End of year	\$ 73,321	\$ 81,351

See accompanying notes to financial statements.

CATHOLIC DIOCESE OF PITTSBURGH

CENTRAL ADMINISTRATION FUND

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

1. Significant Accounting Policies

Description and Purpose

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

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

The following funds are related to the Diocese but not directly involved in the Central Administration Fund operations and are not included in the accompanying audited financial statements. In addition to the Central Administration Fund, the following entities are part of the Diocese of Pittsburgh Charitable Trust:

- Insurance Office Fund (Insurance) – is operated by the Diocese for the purpose of administering and placing insurance coverage for parishes, Diocesan programs, and other Catholic organizations operating in the Diocese.
- Gift Annuity Fund – was created to assist donors with long-term planned giving. The gift annuity program involves a contract between the Diocese and the contributor. In return for a donation of cash or other assets, the Diocese agrees to pay a fixed yearly amount for life, a portion of which is tax free, to the contributor or to another designated person. The contributor receives a charitable tax-deduction and favorable tax treatment on long-term capital gain assets.
- Missions Office Fund – was created in the 1920s to direct missionary work from the Diocese. The Missions Office acts as an intermediary for persons and institutions contributing monies to needed appeals, missions, and missionaries throughout the world.

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CENTRAL ADMINISTRATION FUND

NOTES TO FINANCIAL STATEMENTS

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The Catholic Institute of Pittsburgh, Inc. holds title to various parcels of real estate as well as various Funds. These Funds are as follows:

- Catholic Institute of Pittsburgh, Inc. – holds all real estate, buildings and equipment used in the operation of the Diocese.
- Catholic Institute Endowment Fund (Endowment) – includes endowment and quasi-endowment funds. Endowment funds are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and only the income be utilized. While quasi-endowment funds are established for the same purpose as endowment funds, any portion of quasi-endowment funds may be expended. The Bishop of the Diocese has stipulated that all income earned on certain funds held by the Catholic Institute Endowment Fund be used for support of Diocesan operations. The Bishop’s stipulation was made with the understanding that all legal restrictions regarding the use of such funds would be met. As a result, \$361,629 and \$474,749 at June 30, 2018 and 2017, respectively, have been included in unrestricted revenue of the Central Administration Fund.
- Plant Fund – includes liquid assets and the operating and capital expenses related to properties used in Diocesan operations. Capital expenditures are paid by the Plant Fund and not reflected in the Central Administration Fund statements. Plant Fund revenues and expenditures are not reported within the Central Administration Fund financial statements.
- Toner Institute Trust Fund – provides grants to other non-profit organizations for the training and education of needy children. The Toner Institute has separate legal status from the Diocese.

The following entities have been established as separate corporations or charitable trusts:

- Parish Deposit & Loan Fund Trust – represents resources from a cooperative investment and lending program administered by the Diocese for the mutual benefit of parishes. Funds are not available for Diocesan operations. The Parish Deposit & Loan Fund Trust has separate legal status from the Diocese.
 - Institutional Deposit & Loan Fund Trust – represents resources from a cooperative investment and lending program administered by the Diocese for the mutual benefit of institutions within the Diocese. Funds are not available for Diocesan operations. The Institutional Deposit & Loan Fund Trust has separate legal status from the Diocese.
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- Parish Common Fund Trust – serves as a long-term investment fund vehicle for various participating parishes within the Diocese. Funds are not available for Diocesan operations. The Parish Common Fund Trust has separate legal status from the Diocese.
- Institutional Common Fund Trust – serves as a long-term investment fund vehicle for various participating religious institutions within the Diocese. Funds are not available for Diocesan operations. The Institutional Common Fund Trust has separate legal status from the Diocese.
- Catholic Diocese of Pittsburgh Foundation (Foundation) – a Pennsylvania Charitable Trust created in October 1984 for the purpose of establishing a permanent endowment fund with which to stabilize, improve, and develop educational, social, and pastoral programs throughout the Diocese. The Foundation has separate legal status from the Diocese.
- Catholic Benefits Trust – is an asset protection trust whose purpose is to safeguard the assets available to pay out claims, reserves, and operating costs on behalf of employers whose employees are Benefit Plan participants. Funds are not available for Diocesan operations. The Catholic Benefits Trust has separate legal status from the Diocese.
- Procurator Assurance, Inc. (Procurator) – is a Diocese owned captive insurance company domiciled in Vermont. Procurator provides coverage for the property, liability, auto and workers’ compensation lines of insurance. Procurator has separate legal status from the Diocese.
- Scholastic Opportunity Scholarship Fund – is a 501(c)(3) preschool and kindergarten through twelfth grade tuition assistance program, which distributes funds to needy families with children in Catholic schools in the Diocese of Pittsburgh without regard to race, color, sex, religion, or national origin.
- Our Campaign for the Church Alive, Inc. – was created in 2012 for the purpose of overseeing the Catholic Diocese of Pittsburgh (Diocese) Our Campaign for The Church Alive! (Campaign). The Campaign has separate legal status from the Diocese.
- Priests’ Benefit Plan – is a retirement plan for priests that is administered by the Priests’ Benefit Plan Board of Trustees. The assets are held by the Trust Fund established under the Priests’ Benefit Plan of the Catholic Diocese of Pittsburgh with the Catholic Institute of Pittsburgh as Trustee.

CATHOLIC DIOCESE OF PITTSBURGH

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NOTES TO FINANCIAL STATEMENTS

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- Lay Employee Pension Plan – is a retirement plan administered by the Diocese covering all lay employees of the Central Administration Fund, parishes, and other participating Catholic organizations who met eligibility requirements. The plan was frozen effective June 30, 2012. The assets are held by the Trust Fund established under the Lay Employee Pension Plan of the Catholic Diocese of Pittsburgh with the Catholic Institute of Pittsburgh as Trustee.

The accompanying financial statements are not intended to present all funds and related entities of the Diocese at June 30, 2018 and 2017 and, thus, do not represent a comprehensive financial report. This report includes only the financial statements for the Central Administration Fund.

Basis of Presentation

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

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

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts in the financial statements and accompanying notes. Actual results could differ from the estimates and assumptions used.

CATHOLIC DIOCESE OF PITTSBURGH

CENTRAL ADMINISTRATION FUND

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

Financial Instruments

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

Concentration of Credit Risk

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

Investments

Investments at June 30, 2018 and 2017 are comprised primarily of cash equivalents (83% and 82%, respectively), corporate bonds (6% and 5%, respectively), governmental and municipal bonds (10% and 12%, respectively), and other investments (1% and 1%, respectively). The Central Administration Fund records investments at fair value and intends to hold the debt securities until maturity. Any gain or loss on the sale of investments is based on the specific identification method.

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

Fair Value Measurement

In accordance with accounting principles generally accepted in the United States of America, all investments of the Central Administration Fund as of June 30, 2018 and 2017 are measured at Level 1 inputs for fair value measurement. Level 1 input is defined as "measuring the value at quoted prices available in active markets for identical assets or liabilities as of the report date. A quoted price for an

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identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.”

Due from Capital Campaign

Amounts due from capital campaign at June 30, 2018 and 2017 include \$3,588,020 and \$3,005,768, respectively, of administrative expenses incurred by the Campaign, which were initially paid by the Central Administration Fund. The Campaign provides for an administrative allocation equal to 7% of cash collections, from which the Central Administration Fund will be reimbursed. In addition, the due from capital campaign balance at June 30, 2018 and 2017 includes \$2,728,464 and \$3,452,332, respectively, of grant funds due to be transferred to the Central Administration Fund. Revenues received from the Campaign are recorded on the statements of net assets as temporarily restricted Diocesan Programs and Offices revenues. Also included in the due from capital campaign balance at June 30, 2018 is \$295,302 representing monies remitted by a donor in excess of their campaign pledge that was to be transferred to the Central Administration Fund to be used at the Bishop’s discretion.

Due from/to other Diocesan Funds

The due from other Diocesan funds includes \$105,198 due from the Insurance Fund and \$422,932 due from the Endowment Fund at June 30, 2018. The due from other Diocesan funds includes \$105,198 due from the Insurance Fund, \$474,749, due from the Endowment Fund and \$26,757 due from the Chimbote Foundation at June 30, 2017.

The due to other Diocesan funds includes \$1,094,217 due to the Plant Fund, \$218,365 due to the Foundation, \$119,489 due to the Parish Deposit & Loan Fund Trust, \$54,254 due to the Institutional Deposit & Loan Fund Trust, and \$12,869 due to the Chimbote Foundation at June 30, 2018. The due to other Diocesan funds includes \$1,191,248 due to the Plant Fund, \$93,877 due to the Foundation, \$96,991 due to the Parish Deposit & Loan Fund Trust, and \$11,845 due to the Institutional Deposit & Loan Fund Trust at June 30, 2017.

Liabilities

Amounts included in donations and deposits held for others, Scholastic Opportunity Scholarships payable, and other liabilities at June 30, 2018 and 2017 represent funds accounted for by the Central Administration Fund that are not available for operational use. The Central Administration Fund acts merely as an agent in the collection and disbursement of these funds, as they provide no direct benefit to the Diocese.

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Deferred Income and Charges - Parish Share Program

The 2018 and 2017 Parish Share Program Goal receipts collected as of June 30, 2018 and 2017, will be used to fund Diocesan operations in the 2019 and 2018 fiscal year, respectively. These are recorded as deferred income upon receipt and recognized as revenue in the subsequent fiscal year. The costs incurred as of June 30, 2018 and 2017 related to these deferred revenues are also deferred and are included in deferred charges in the statements of financial position.

Cash and Cash Equivalents

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

Pending Pronouncements

The Financial Accounting Standards Board (FASB) has issued statements that will become effective in future years as outlined below. Management has not yet determined the impact of these statements on the financial statements.

ASU 2016-14, *“Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,”* is effective for the financial statements for the year ending June 30, 2019. This amendment aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The ASU changes the net asset classification, requires presentation of expenses both by nature and function, requires investment return reported net of investment expenses, requires placed-in-service approach for gifts of/for long-lived assets, and provides enhanced disclosures for: governing body restrictions; composition of net assets with donor restrictions; qualitative and quantitative information on liquidity; methods to allocate costs among program and support functions; and underwater donor-restricted endowment.

ASU 2018-08, *“Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958),”* is effective for the financial statements for the year ending June 30, 2020. This amendment provides guidance for characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions.

**CATHOLIC DIOCESE OF PITTSBURGH
CENTRAL ADMINISTRATION FUND**

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

Subsequent Events

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

2. Temporarily and Permanently Restricted Net Assets

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

	<u>2018</u>	<u>2017</u>
Temporarily restricted net assets:		
Memorial Funds	\$ 778,657	\$ 770,947
Black Catholic Ministries Fund	253,635	253,635
Human Development Fund	-	106,129
Education Related Funds	82,725	82,006
Diocesan Relief Fund	25,114	24,866
Cultural Diversity and Persons with Disabilities	9,989	9,989
Clergy and Consecrated Life	7,000	-
Continuing Education/Leadership Program	590,769	506,445
Seminarian Day of Recollection	-	12,500
Priestly Vocations	16,277	30,750
Campus Ministry	9,600	-
Catholic Committee on Scouting	8,000	8,000
New Evangelization	19,109	44,078
Learning Media Center	990	5,490
Ethnic Ministries	165,303	-
Communications	329,506	490,595
Canonical Services	234,521	-
Youth Ministry	286,043	288,021
Diaconate	20,676	-
Tribunal	20,000	60,000
	<u>\$ 2,857,914</u>	<u>\$ 2,693,451</u>

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CENTRAL ADMINISTRATION FUND

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

	<u>2018</u>	<u>2017</u>
Permanently restricted net assets:		
Charitable and Religious Funds	\$ 308,936	\$ 308,936
Education of Priests Fund	398,778	398,778
	<u>\$ 707,714</u>	<u>\$ 707,714</u>

3. Retirement Plans

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

Pension expense paid by Central Administration for both Plans was \$1,310,291 and \$1,252,601 in 2018 and 2017, respectively.

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NOTES TO FINANCIAL STATEMENTS

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Below is additional information regarding the common control defined benefit Lay Plan as of June 30, 2018 and 2017:

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

Ratio of Assets to Accrued Benefits per 1/1/18 actuarial report - actuarial valuation (6.75%)	102% funded
Ratio of Assets to Accrued Benefits per 1/1/18 actuarial report - market valuation (4.00%)	76% funded
Total FY 2018 Employer Contributions to the Plans	\$ 1,310,291 *
Ratio of Assets to Accrued Benefits per 1/1/17 actuarial report - actuarial valuation (7.15%)	95% funded
Ratio of Assets to Accrued Benefits per 1/1/17 actuarial report - market valuation (4.00%)	67% funded
Total FY 2017 Employer Contributions to the Plans	\$ 1,252,601 *

* Contributions by the Central Administration Fund represent more than 5% of the total contributions to the Lay Plan and represent Central Administration's contribution to both the Lay Plan and the 403(b) Plan.

Employer contributions are reviewed on an annual actuarial assumption completed each January. Effective July 1, 2012, the total employer pension contribution of 12% is divided amongst the Lay Plan and the 403(b) Plan. Effective July 1, 2015, the Lay Plan contribution was between 4% and 6% as employees were given the option of a 2% match to the 403(b) Plan, which if not utilized was paid into the Lay Plan.

Below is additional quantitative information regarding the multiemployer defined benefit plan as of January 1, 2018 (the most recent actuarial valuation date) and January 1, 2017:

	1/1/2018	1/1/2017
Market Value of Plan Assets	\$ 189,438,895	\$ 169,141,024
Actuarial Present Value of Accumulated Benefits	\$ 185,378,455	\$ 178,535,402
Total Contributions for Plan Year	\$ 5,082,311	\$ 4,331,940

4. Construction Note and Interest Rate Swap

During 2012, the Catholic Diocese of Pittsburgh Foundation (Foundation), Roman Catholic Diocese of Pittsburgh Charitable Trust, North Catholic High School, Inc., and the North Catholic High School, individually and collectively (Diocese) entered into an agreement with PNC Bank and Huntington Bank to issue \$58,500,000 in variable rate Butler County Industrial Development Authority Tax Exempt

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Notes to fund the construction of the North Catholic High School. Concurrently, the parties entered into a “pay fixed receive variable” interest rate swap agreement to mitigate the risk of changes in interest rates associated with the variable interest rate on the Notes. Under the swap arrangement, the Diocese would make monthly interest payments at a fixed rate of 2.260% and receive variable rate payments based on one-month US LIBOR multiplied by 0.7. The intention of the interest rate swap is to effectively change the Diocese’s variable interest rate on the Note to a synthetic fixed rate of 2.260%. No liability for the Construction Note and interest rate swap is recorded on the financial statements of the Central Administration Fund, as North Catholic High School is the indebted party intended to repay such obligation. In addition, the assets acquired with the proceeds of the Notes are recorded on the financial statements of North Catholic High School. The Diocese of Pittsburgh has recorded a liability of approximately \$13.7 million on the Foundation’s financial statements, which represents management's estimate, based on projected future enrollment, of debt service support which will be provided by the Foundation to assist the North Catholic High School in the repayment of the Notes until the school’s enrollment increases sufficiently to support the debt.

5. Co-Borrower Agreement

During 2013, as an amendment to the Letter of Credit, Reimbursement and Security Agreement between Saint Joseph High School, Inc. and PNC Bank, National Association, the Diocese and Foundation were named as co-borrowers related to the outstanding Allegheny County Industrial Development Authority Variable Rate Demand Revenue Bonds, Series 2009 (2009 Bonds). In December 2017, Saint Joseph High School, Inc. entered into a Tax-Exempt Term Loan Facility Credit and Security Agreement with a regional financial institution through the Allegheny County Industrial Development Authority for a \$7,900,000 Revenue Note, Series A of 2017 (2017 Note), of which the Diocese and Foundation are named as co-borrowers. The 2017 Note refinanced the 2009 Bonds and allowed Saint Joseph High School, Inc. to borrow an additional \$225,000. The guaranty on the 2017 Note extends through 2021. The Diocese and/or the Foundation would be required to make payments on such debt in the event that Saint Joseph High School, Inc. defaulted. The outstanding balance related to such obligation was \$7,900,000 and \$7,865,000 at June 30, 2018 and 2017, respectively. The Diocese of Pittsburgh has recorded a liability of approximately \$6.3 million on the Foundation’s financial statements, which represents management's estimate, based on projected future enrollment, of debt service support which will be provided by the Foundation to assist the Saint Joseph High School, Inc. in the repayment of the 2017 Note.

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6. Grand Jury Report

The Diocese of Pittsburgh, along with five other Dioceses in Pennsylvania, was the subject of a grand jury investigation into potential sexual abuse of minors in the past seven decades. In August 2018, the Attorney General of Pennsylvania released a report detailing the findings of the grand jury investigation. The Diocese of Pittsburgh has had several lawsuits filed against it related to potential sexual abuse since the release of the report. Also, as a result of the report's release, legislation is pending in the state legislature which among other things would provide a two-year period where previously time barred civil cases related to the sexual abuse of minors could be filed. At this stage, it is unclear if or when such legislation would pass. If the pending legislation passes, the Diocese could face additional lawsuits or claims and significant potential liability. At this time, the probability and amount of such risk is unknown and therefore no liability has been recorded on the financial statements of the Diocese of Pittsburgh.

The Diocese of Pittsburgh recently announced the creation of a voluntary fund to provide payments to claimants of sexual abuse by Diocesan clergy. The fund is in the process of being finalized and the total amount and source of the fund is under consideration.

In October 2018, the Diocese of Pittsburgh, along with all other Dioceses in Pennsylvania, received a subpoena from the U.S. Department of Justice issued by a federal grand jury empaneled in Philadelphia. The subpoena required the production of certain documents related to the sexual abuse of minors. The Diocese of Pittsburgh is fully cooperating with the subpoena.

7. Subsequent Event

In light of the Grand Jury report and the potential financial risks, the Diocese of Pittsburgh is analyzing reducing its operating costs should those risks materialize.

SUPPLEMENTARY INFORMATION

**Catholic Diocese of Pittsburgh
Central Administration Fund**

Schedule 1 - Clergy & Consecrated Life Revenue and Expenses

Years Ended June 30, 2018 and 2017

	2018	2017
Clergy summary:		
Revenue	\$ 402,393	\$ 341,300
Expenses	2,547,240	2,386,152
Net expenses	\$ 2,144,847	\$ 2,044,852
Program/office revenue:		
Chaplaincies Program	\$ 247,483	\$ 282,587
Saint John Vianney Manor	90,275	54,663
Other Clergy Revenue	64,635	4,050
Total revenue	\$ 402,393	\$ 341,300
Program/office expenses:		
Secretariat for Clergy & Consecrated Life	\$ 240,417	\$ 216,728
Department for Consecrated Life	60,154	75,457
Department for Institutional Ministries	83,154	82,900
Office of the Diocesan Assistance Coordinator	104,458	103,526
Office of the Vicar for Clergy Personnel	67,491	73,934
Delegate for Retired Priests	69,787	70,006
Saint John Vianney Manor	435,797	364,560
Chaplaincies Program	1,428,621	1,384,591
Miscellaneous expense	57,361	14,450
Total expenses	\$ 2,547,240	\$ 2,386,152

**Catholic Diocese of Pittsburgh
Central Administration Fund**

Schedule 2 - External Affairs Revenue and Expenses

Years Ended June 30, 2018 and 2017

	2018	2017
Catholic Education summary:		
Revenue	\$ 4,851,272	\$ 4,984,605
Expenses	7,850,532	7,577,674
Net expenses	\$ 2,999,260	\$ 2,593,069
Program/office revenue:		
Department for Communications	\$ 285,000	\$ 410,050
Office for Legal Services	86,000	86,900
Office for Stewardship	205,077	118,456
Elementary School Grants Funding	3,985,900	4,040,800
Other External Affairs Revenue	289,295	328,399
Total revenue	\$ 4,851,272	\$ 4,984,605
Program/office expenses:		
Secretariat for External Affairs	\$ 186,726	\$ 173,727
Department for Catholic Schools	1,144,946	1,285,692
Department for Communications	1,131,015	729,912
Department for Media & Technology	162,413	162,321
Office for Legal Services	440,189	448,772
Office for the Protection of Children & Young People	220,462	205,553
Office for Stewardship	461,690	391,485
Compliance with the Charter	20,841	15,836
Diocesan Television Production	-	2,620
Learning Media Center	-	4,946
Elementary School Grants	3,890,900	3,945,800
Inner-City Schools Subsidies	150,000	150,000
Parish High School Grants	41,000	41,000
Miscellaneous expense	350	20,010
Total expenses	\$ 7,850,532	\$ 7,577,674

**Catholic Diocese of Pittsburgh
Central Administration Fund**

Schedule 3 - Parish Services Revenue and Expenses

Years Ended June 30, 2018 and 2017

	2018	2017
Parish life summary:		
Revenue	\$ 287,002	\$ 1,159,881
Expenses	852,321	1,843,496
Net expenses	\$ 565,319	\$ 683,615
Program/office revenue:		
On Mission Planning	\$ 287,002	\$ 1,159,881
Total revenue	\$ 287,002	\$ 1,159,881
Program/office expenses:		
Secretariat for Parish Services	\$ 565,319	\$ 683,615
On Mission Planning	287,002	1,159,881
Total expenses	\$ 852,321	\$ 1,843,496

**Catholic Diocese of Pittsburgh
Central Administration Fund**

Schedule 4 - Leadership Development Revenue and Expenses

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Leadership development summary:		
Revenue	\$ 760,298	\$ 648,727
Expenses	<u>2,743,106</u>	<u>2,858,910</u>
Net expenses	<u>\$ 1,982,808</u>	<u>\$ 2,210,183</u>
Program/office revenue:		
Continuing Education/Leadership Programs	\$ 191,500	\$ 393,878
Office for Adolescence Ministry	9,550	7,200
Office for Catholic Identity and Education	86,365	30,928
Office for Family Ministry & Faith Formation	5,724	58,682
Ethnic Ministries Program	249,053	46,931
Ryan Catholic Newman Center	42,006	29,985
Slippery Rock Newman Center	60,000	-
Washington & Jefferson Campus Ministry	102,152	-
Diocesan Pilgrimage	-	51,235
Other Leadership Development Revenue	<u>13,948</u>	<u>29,888</u>
Total revenue	<u>\$ 760,298</u>	<u>\$ 648,727</u>
Program/office expenses:		
Secretariat for Leadership Development	\$ 215,174	\$ 214,408
Department for Liturgy & Worship	149,706	155,049
Institute for Pastoral Leadership	511,261	509,793
Office for Adolescence Ministry	132,507	278,784
Office for Catholic Identity and Education	168,036	179,027
Office for Clergy Ongoing Formation	2,291	3,809
Office for Evangelization & Missionary Outreach	169,759	180,643
Office for Family Ministry & Faith Formation	133,037	169,568
Office for Leadership for Lay Apostolates	2,729	4,926
Office for the New Evangelization	25,868	56,431
Office for Parish Leadership Support & Advocacy	135,444	145,462
Office for Young Adult Outreach	92,752	44,294
Catholic Committee on Scouting	5,816	5,074
Clergy Graduate Studies	237,674	144,776
Clergy Sabbaticals	-	3,700
Continuing Education/Leadership Programs	108,409	210,910
Ethnic Ministries Program	83,750	46,931
Office for Campus Ministry	-	1,605
Ryan Catholic Newman Center (Carnegie-Mellon University, Chatham College, and University of Pittsburgh)	182,927	164,228
Robert Morris - Moon Township and Penn State - Beaver Campus Ministry	101,367	96,086
Slippery Rock Newman Center	166,783	116,422
Washington & Jefferson Campus Ministry	103,084	69,226
Other Campus Ministries	16	84
Retreats and Seminars	14,716	2,614
Diocesan Pilgrimage	-	55,060
Total expenses	<u>\$ 2,743,106</u>	<u>\$ 2,858,910</u>

**Catholic Diocese of Pittsburgh
Central Administration Fund**

Schedule 5 - Temporal Affairs Revenue and Expenses

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
General and administrative summary:		
Revenue	\$ 781,826	\$ 707,834
Expenses	<u>3,118,311</u>	<u>3,239,158</u>
Net expenses	<u><u>\$ 2,336,485</u></u>	<u><u>\$ 2,531,324</u></u>
Program/office revenue:		
Secretariat for Temporal Affairs	\$ 154,031	\$ 139,000
Office for Facilities Management & Maintenance	353,023	353,028
Office for Financial Services	254,552	195,586
Other Temporal Affairs Revenue	<u>20,220</u>	<u>20,220</u>
Total revenue	<u><u>\$ 781,826</u></u>	<u><u>\$ 707,834</u></u>
Program/office expenses:		
Secretariat for Temporal Affairs	\$ 511,048	\$ 470,866
Department for Human Resources	194,362	182,670
Office for the Auditors/Analysts	287,190	289,335
Office for Facilities Management & Maintenance	437,302	524,459
Office for Financial Services	832,977	884,949
Office for Information Technology	704,421	715,265
Maintenance and taxes on Diocesan real estate	126,858	120,687
Miscellaneous expense	<u>24,153</u>	<u>50,927</u>
Total expenses	<u><u>\$ 3,118,311</u></u>	<u><u>\$ 3,239,158</u></u>

**Catholic Diocese of Pittsburgh
Central Administration Fund**

Schedule 6 - Pastoral Administration Revenue and Expenses

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Pastoral vicariates summary:		
Revenue	\$ 609,406	\$ 294,934
Expenses	<u>5,532,730</u>	<u>5,138,963</u>
Net expenses	<u>\$ 4,923,324</u>	<u>\$ 4,844,029</u>
Program/office revenue:		
Archives and Record Center	\$ 10,520	\$ 12,685
Saint Paul Seminary Facilities	227,507	205,801
Office for Canonical Services	241,729	-
Office for Diaconate Formation	53,750	-
Office for the Tribunal	41,940	60,100
Other Pastoral Administration Revenue	<u>33,960</u>	<u>16,348</u>
Total revenue	<u>\$ 609,406</u>	<u>\$ 294,934</u>
Program/office expenses:		
Office of the Bishop	\$ 489,779	\$ 500,859
Offices of the Auxiliary Bishops	12,600	6,900
Office of the General Secretary	146,730	150,599
Office of the Associate General Secretary	108,518	42,075
Pastoral Vicariate Region I	144,141	145,719
Pastoral Vicariate Region II	169,013	162,922
Pastoral Vicariate Region III	117,756	130,896
Vicar for On Mission	49,876	-
Pastoral Vicariate Region IV	156,960	155,360
Department for Pre-Ordination Formation	101,743	155,678
Office for Canonical Services	131,043	96,698
Office of the Chancellor	15,331	16,834
Office for Diaconate Formation	189,992	219,498
Office for Mission Integration	138,494	65,356
Office for Pastoral Formation	75,509	75,551
Office for Priestly Vocations	194,624	165,980
Office for the Tribunal	849,694	840,980
Office of the Vicar for Church Relations	42,127	39,080
Archives and Records Center	251,179	251,636
Saint Paul Seminary Facilities	979,002	877,286
Saint Paul Seminary Program	224,312	179,415
Seminarian Pastoral Programs	141,527	172,331
Seminary Tuition and Expense	757,311	601,129
Miscellaneous expense	<u>45,469</u>	<u>86,181</u>
Total expenses	<u>\$ 5,532,730</u>	<u>\$ 5,138,963</u>

**Catholic Diocese of Pittsburgh
Central Administration Fund**

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

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Diocesan assessments and pastoral grants summary:		
Revenue	\$ 38,400	\$ 17,600
Expenses	<u>2,147,413</u>	<u>2,367,979</u>
Net expenses	<u>\$ 2,109,013</u>	<u>\$ 2,350,379</u>
Program/office revenue:		
Grants for Works of Charity	<u>\$ 38,400</u>	<u>\$ 17,600</u>
Total revenue	<u>\$ 38,400</u>	<u>\$ 17,600</u>
Diocesan assessments and pastoral grants expense:		
Ecumenism	\$ 55,967	\$ 40,000
Holy See - Provisions of Canon 1271 and other related expenses	130,000	130,000
United States Conference of Catholic Bishops and other related expenses	134,739	136,695
Pennsylvania Catholic Conference and other related expenses	380,088	372,647
Catholic Charities of the Diocese of Pittsburgh, Inc.:		
Grant for Operations	178,501	238,001
Grant for Aging Services	51,351	68,468
Grant for Roselia Center	28,687	38,249
Grants for Works of Charity	33,600	17,600
Pastoral Grants	<u>1,154,480</u>	<u>1,326,319</u>
Total expenses	<u>\$ 2,147,413</u>	<u>\$ 2,367,979</u>