

# Archdiocese of Oklahoma City Pastoral Office Funds

Audited Financial Report  
June 30, 2015

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## Independent Auditor's Report

Most Reverend Paul S. Coakley  
Archbishop of Archdiocese of Oklahoma City

### Report on the Financial Statements

We have audited the accompanying financial statements of Archdiocese of Oklahoma City Pastoral Office Funds (the Pastoral Office), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended and 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 conducting the audit 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 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 principles 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 qualified audit opinion.

### Basis for Qualified Opinion

As more fully described in Note 6 to the accompanying financial statements, the statement of financial position reflects some, but not all, land, buildings, and equipment (properties) owned by the Pastoral Office. In addition, the carrying amounts of certain properties are not recorded at cost or fair value at the date of gift, and no provisions for depreciation or impairment, if any, have been made. Due to the nature of the Pastoral Office's records, we were unable to satisfy ourselves as to the carrying amounts of such properties.

**Qualified Opinion**

In our opinion, except for the effects of the matters discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above of Archdiocese of Oklahoma City Pastoral Office Funds present fairly, in all material respects, the financial position of the Pastoral Office at June 30, 2015, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

The prior year's summarized comparative information has been derived from the 2014 financial statements that were audited by other auditors whose report dated December 3, 2014 expressed a qualified audit opinion on those financial statements, consistent with the qualification matters discussed in the 2015 Basis for Qualified Opinion.

*RSM US LLP*

Oklahoma City, Oklahoma  
February 8, 2016

**Archdiocese of Oklahoma City Pastoral Office Funds**

**Statements of Financial Position**

**June 30, 2015 and 2014 (With Summarized Financial Information for 2014)**

	2015	2014
<b>Assets</b>		
Cash	\$ 1,823,801	\$ 3,813,393
Accounts receivable, net of allowance for doubtful accounts of \$5,300,926 and \$5,540,368 at June 30, 2015 and 2014, respectively (Note 1)	1,508,131	1,800,118
Contributions receivable, net of allowance for doubtful accounts of \$89,465 and \$92,252 at June 30, 2015 and 2014, respectively (Note 1)	907,478	842,447
Investments (Notes 2 and 3)	100,770,333	94,138,392
Notes receivable, net of allowance for doubtful accounts of \$-0- at June 30, 2015 and 2014, respectively (Notes 1 and 5)	15,118,838	16,508,742
Land, buildings and equipment (Note 6)	52,947,447	50,559,718
Other	35,992	93,317
<b>Total assets</b>	<b>\$ 173,112,020</b>	<b>\$ 167,756,127</b>
<b>Liabilities and Net Assets</b>		
Accounts payable and other liabilities	\$ 598,834	\$ 1,281,466
Contributions payable, net of discount	1,530,122	2,483,026
Investments managed for related parties (Notes 3 and 4)	46,709,566	43,151,160
Accrued insurance claims (Note 1)	1,665,148	1,586,658
Bank borrowings (Note 7)	-	-
Accrued pension benefit cost (Note 9)	11,512,112	9,809,185
<b>Total liabilities</b>	<b>62,015,782</b>	<b>58,311,495</b>
Net assets:		
Unrestricted:		
Designated and operating (Notes 10 and 11)	55,979,939	54,307,855
Accumulated pension related changes other than net periodic pension benefit costs (Notes 9 and 10)	(4,553,291)	(2,105,960)
Net investment in property and equipment and other (Note 10)	52,947,447	50,559,718
<b>Total unrestricted net assets</b>	<b>104,374,095</b>	<b>102,761,613</b>
Temporarily restricted (Notes 10 and 11)	446,723	534,146
Permanently restricted (Notes 10 and 11)	6,275,420	6,148,873
<b>Total net assets</b>	<b>111,096,238</b>	<b>109,444,632</b>
<b>Total liabilities and net assets</b>	<b>\$ 173,112,020</b>	<b>\$ 167,756,127</b>

See notes to financial statements.

## Archdiocese Of Oklahoma City Pastoral Office Funds

### Statements Of Activities

For the Years Ended June 30, 2015 and 2014 (With Summarized Financial Information for 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2015	2014
Revenues, Gains, and other support:					
Contributions and collections:					
Archdiocesan Development Fund	\$ 3,210,029	-	-	\$ 3,210,029	\$ 3,132,232
Assessment for Central Archdiocesan Operations	1,752,634	-	-	1,752,634	1,682,417
Fees and revenues of budgeted departments and offices	1,846,273	-	-	1,846,273	1,584,666
Priest medical collections	-	139,960	-	139,960	65,049
Property additions by Bishop McGuinness					
Catholic High School (Note 6)	220,307	-	-	220,307	226,656
Bequests and other	1,274,782	-	-	1,274,782	550,793
Insurance premiums earned (net of premiums ceded of \$3,055,013 in 2015 and \$2,591,167 in 2014)	8,382,724	-	-	8,382,724	8,678,247
Oil, gas, and royalty income	852,862	-	-	852,862	529,941
Interest and dividend income:					
Investments	1,608,429	5,676	33,691	1,647,796	1,500,576
Notes receivable	275,408	-	-	275,408	221,079
Net gains on investments	2,603,056	4,413	92,856	2,700,325	7,777,078
Other income	379,610	-	-	379,610	422,095
Net assets released from restrictions	237,472	(237,472)	-	-	-
<b>Total Revenues, gains, and other support</b>	<b>22,643,586</b>	<b>(87,423)</b>	<b>126,547</b>	<b>22,682,710</b>	<b>26,370,829</b>
Expenses:					
Budgeted departments and offices:					
Pastoral Center	1,627,961	-	-	1,627,961	1,057,741
Business Office	1,130,564	-	-	1,130,564	1,234,879
Safe Environment	98,977	-	-	98,977	70,537
Archdiocesan Newspaper (Sooner Catholic)	419,179	-	-	419,179	440,596
Office of Communication	63,230	-	-	63,230	98,775
Office of Christian Education	612,020	-	-	612,020	490,361
Youth Ministry	513,372	-	-	513,372	509,275
Office of Family Life	219,677	-	-	219,677	220,866
Hispanic Ministry	427,089	-	-	427,089	408,546
Our Lady of Guadalupe	356,090	-	-	356,090	346,156
Office of Planning, Stewardship, and Development	171,920	-	-	171,920	191,292
Ministry to Priests, Permanent Deacons, and Clergy Education	417,147	-	-	417,147	292,013
Hospital Ministry	246,789	-	-	246,789	240,484
Tribunal	126,272	-	-	126,272	130,027
Office of Worship and Spiritual Life	245,140	-	-	245,140	150,837
United States Conference of Catholic Bishops	41,602	-	-	41,602	41,120
Priests' welfare, retirement, and disability	36,442	-	-	36,442	38,249
Property taxes and maintenance	81,725	-	-	81,725	73,450
<b>Total budgeted departments and offices</b>	<b>6,835,196</b>	<b>-</b>	<b>-</b>	<b>6,835,196</b>	<b>6,035,204</b>

(Continued)

Archdiocese Of Oklahoma City Pastoral Office Funds

Statements Of Activities (Continued)

For the Years Ended June 30, 2015 and 2014 (With Summarized Financial Information for 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2015	2014
Expenses (Continued)					
Sponsored programs and other subsidies:					
Insurance claims and claims settlement expense	\$ 7,452,859	-	-	\$ 7,452,859	\$ 6,876,271
Administrative costs of self-insurance plan	1,394,200	-	-	1,394,200	1,188,229
Pilgrimage	34,359	-	-	34,359	38,738
Campus Ministry	124,650	-	-	124,650	105,600
Ecumenical and Interreligious	16,500	-	-	16,500	13,950
Contributions made to others	712,838	-	-	712,838	2,977,776
Seminarian programs	799,146	-	-	799,146	980,653
Net periodic pension benefit cost (Note 9)	485,463	-	-	485,463	788,739
PDLF investment pool interest expense	343,924	-	-	343,924	253,393
Other	384,637	-	-	384,637	426,167
<b>Total sponsored programs and other subsidies</b>	<b>11,748,576</b>	<b>-</b>	<b>-</b>	<b>11,748,576</b>	<b>13,649,516</b>
<b>Total expenses</b>	<b>18,583,772</b>	<b>-</b>	<b>-</b>	<b>18,583,772</b>	<b>19,684,720</b>
Change in net assets before pension related changes other than the net periodic pension benefit cost	4,059,814	(87,423)	126,547	4,098,938	6,686,109
Pension related changes other than the net periodic pension benefit cost (Note 9):					
Actuarial gain	(2,447,332)	-	-	(2,447,332)	47,811
<b>Change in net assets</b>	<b>1,612,482</b>	<b>(87,423)</b>	<b>126,547</b>	<b>1,651,606</b>	<b>6,733,920</b>
Net assets at beginning of year	102,761,613	534,146	6,148,873	109,444,632	102,710,712
<b>Net assets at end of year</b>	<b>\$104,374,095</b>	<b>\$ 446,723</b>	<b>\$ 6,275,420</b>	<b>\$111,096,238</b>	<b>\$109,444,632</b>

See notes to financial statements.

**Archdiocese Of Oklahoma City Pastoral Office Funds**

**Statements Of Cash Flows**

**For The Years Ended June 30, 2015 and 2014 (With Summarized Financial Information for 2014)**

	2015	2014
Cash Flows From Operating Activities		
Change in net assets	\$ 1,651,606	\$ 6,733,920
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in allowance on accounts and contributions receivable	(242,229)	63,143
Unrealized (gains) losses on investments	8,889,007	(2,922,590)
Realized gains on investments	(11,589,332)	(4,854,488)
Contributions of property from Bishop McGuinness Catholic High School	(220,307)	(226,656)
Net periodic pension cost	485,463	788,739
Pension related changes other than the net periodic pension benefit cost (Note 9)	2,447,332	(47,811)
Net change in operating assets and liabilities:		
Accounts receivable	531,429	427,579
Contributions receivable	(62,244)	40,244
Other	57,325	(44,917)
Accounts payable and other liabilities	(682,632)	(133,136)
Contributions payable, net	(952,904)	1,851,769
Accrued insurance claims	78,490	(402,355)
Accrued pension benefit cost, net of amounts included in pension related changes other than the net periodic pension benefit cost	(1,229,868)	(676,645)
<b>Net cash (used in) provided by operating activities</b>	<b>(838,864)</b>	<b>596,796</b>
Investing Activities		
Advances for notes receivable	(879,211)	(2,190,824)
Collections on notes receivable	2,269,115	3,585,319
Purchases of investments	(19,552,051)	(22,380,651)
Proceeds from sales of investments	16,278,638	16,642,703
Capital expenditures	(2,167,422)	(3,103,441)
Proceeds from disposal of equipment and land	-	568,436
<b>Net cash used in investing activities</b>	<b>(4,050,931)</b>	<b>(6,878,458)</b>
Financing Activities		
Net investments managed for related parties	2,900,203	4,827,521
<b>Net cash provided by financing activities</b>	<b>2,900,203</b>	<b>4,827,521</b>
Net change in cash	(1,989,592)	(1,454,141)
Cash at beginning of year	3,813,393	5,267,534
Cash at end of year	<u>\$ 1,823,801</u>	<u>\$ 3,813,393</u>
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	\$ 343,924	\$ 253,393
Investment income allocated to investments managed for others	658,203	1,490,661

See notes to financial statements.



## Archdiocese of Oklahoma City Pastoral Funds

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies

**Nature of operations:** Archdiocese of Oklahoma City (the Archdiocese) is a nonprofit organization that serves the parishes and parishioners of the Roman Catholic Archdiocese of Oklahoma City. The Archdiocese includes 46 counties and over 100 parishes and missions located throughout central and western Oklahoma. The Archdiocese charges each parish an annual assessment and conducts annual development fund drives through the parishes in order to fund operations. Services provided by the Archdiocese include various social services, Catholic communications, priests' support, and information about the Catholic faith.

**Basis of financial statements:** The accompanying financial statements include the accounts and funds of the Pastoral Office of the Archdiocese and certain budgeted departments and offices over which the Pastoral Office has accounting and reporting responsibility (collectively, the Pastoral Office). The Archdiocese has certain other Archdiocesan agencies, parishes, and organizations which operate within the Archdiocese; however, these organizations do not operate within the Pastoral Office. Accordingly, the accounts of these other agencies, parishes, and organizations have not been included with the Pastoral Office. As a result, the accompanying financial statements are not intended to present the consolidated financial position and changes in net assets of the Archdiocese as a whole.

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Pastoral Office's financial statements for 2014 from which the summarized information was derived.

**Concentrations of credit risk:** Financial instruments which potentially subject the Pastoral Office to concentrations of credit risk consist of cash, investment in securities (see Note 2), and unsecured accounts, contributions, and notes receivable (see Note 5).

The Pastoral Office's accounts receivable are unsecured and relate to assessments to parishes throughout central and western Oklahoma. Contributions receivable are unsecured and are due from various individuals in the parishes served by the Pastoral Office. Credit losses are provided based on periodic assessments of outstanding receivables, particularly those accounts which are past due, as well as historical trends related to the collection of contributions receivable.

As of June 30, 2015, allowance for doubtful accounts receivable and contributions receivable were \$5,300,926 and \$89,465, respectively, and as of June 30, 2014, were \$5,540,368 and \$92,252, respectively. Of the allowance for doubtful accounts, \$5,100,896 and \$5,254,881, as of June 30, 2015 and 2014, respectively, fully reserve accounts receivable balances due from All Saints Catholic Schools, Inc. (All Saints) for debt payments made on their behalf. During 2015 and 2014, respectively, All Saints made annual payments of \$130,000 and \$110,000 in 2015 and 2014 to the Pastoral Office towards its outstanding accounts receivable balance. All accounts and contributions receivable at June 30, 2015 and 2014, net of estimated uncollectable balances, are expected to be collected in one year.

The Pastoral Office makes loans to parishes throughout central and western Oklahoma based on an evaluation of each parish's financial condition and other factors. Except as noted in Note 5, the loans are generally unsecured. The Pastoral Office's periodic evaluation of credit losses is based on known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of the underlying collateral, if any, and current economic conditions. The Pastoral Office's periodic assessments of accounts, notes, and credit loss provision are based on the Pastoral Office's best estimates of amounts which may not be recoverable. As of June 30, 2015 and 2014, the Pastoral Office has not established an allowance as amounts are expected to be fully collectible.

## Archdiocese of Oklahoma City Pastoral Funds

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Contributions payable:** Contributions payable consist of unconditional amounts awarded, but not paid, to recipients. The contributions payable have no formal payment terms and are reduced by a discount \$70,968 at June 30, 2015 and \$128,064 at June 30, 2014.

**Net assets:** Net assets are classified into three categories: unrestricted net assets, which have no donor-imposed restrictions; temporarily restricted net assets, which have donor-imposed restrictions that will expire in the future; and permanently restricted net assets, which have donor-imposed restrictions which do not expire. Unrestricted net assets may be designated for specific purposes by action of the Finance Council of the Pastoral Office (see Note 10).

**Revenue recognition:** The Pastoral Office recognizes contributions, including unconditional promises to give, as support in the period received. The Pastoral Office records contributions received as permanently restricted, temporarily restricted, or unrestricted net assets based on donor-imposed restrictions, if any. Assessment and fee income is recognized ratably over the period for which the related assessments and fees relate, which generally corresponds with Pastoral Office's fiscal year. Insurance premiums received by the Pastoral Office from the insured parishes and organizations are recognized evenly over the contract period and are shown net of premiums paid to third parties for reinsurance coverage.

**Expiration of donor-imposed restrictions:** The expiration of donor-imposed restrictions on contributions or on endowment income is recognized in the year in which the restriction expires, and at that time, the related resources are reclassified to unrestricted net assets. Restrictions expire when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions of land, buildings, and equipment without donor stipulations concerning the use of such assets are reported as increases in unrestricted net assets. Contributions of cash or other assets to be used to acquire land, buildings, and equipment without such donor stipulations are reported as increases in temporarily restricted net assets. Restrictions are considered to be released at the time of acquisition.

Temporarily restricted contributions are recorded in the year the contribution or unconditional pledge is received. Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors or by the change of restrictions specified by the donors. The amount of net assets identified as released from donor restrictions includes any amount released whether received in the current or prior fiscal years.

**Income taxes:** The Internal Revenue Service has determined that the Archdiocese is exempt from federal income taxes under Internal Revenue Code (IRC) section 501(a) as an organization described in IRC section 501(c)(3). However, the Archdiocese may be subject to income taxes under IRC section 511 if it engages in activities which are not related to the purposes for which the Archdiocese was created.

Uncertain tax positions, if any, are recorded in accordance with FASB ASC 740, *Income Taxes*, which requires the recognition of a liability for tax positions taken that do not meet the more-likely-than-not standard that the position will be sustained upon examination by the taxing authorities. There is no liability for uncertain tax positions recorded at December 31, 2015 or 2014.

## Archdiocese of Oklahoma City Pastoral Funds

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Recent accounting pronouncements:** The FASB has issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* effective for fiscal periods beginning on or after December 15, 2016. The Pastoral Office may early adopt ASU 2015-07 and retrospectively apply to all periods presented when adopted. The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient.

**Investments:** All investments received by gift or bequest are recorded at fair value in the statement of financial position on the date received. If fair value is not determinable on the date received, the asset received by gift or bequest is recorded at nominal value. Investments in corporate stocks and bonds are marked to market at year end. Investments in real estate and commercial properties are carried at the value initially recorded unless there has been an indication of either (a) impairment of value considered to be other than temporary, which would result in a write-down to fair value or (b) increased market value, which would result in a write-up to fair value.

Investment and dividend income is recognized in the period in which it is earned. Unrestricted gains and losses on investments are recorded as increases or decreases in unrestricted net assets. Unrealized gains and losses are recorded as temporarily restricted and permanently restricted net assets in accordance with donor specifications.

**Self-insurance plan:** The Pastoral Office has a self-insured plan (the Plan) to serve the property and casualty and health and accident insurance needs of the Archdiocese and its parishes and organizations (collectively, the Insured Organizations). Premiums received by the Pastoral Office from the Insured Organizations are recognized evenly over the contract period and are shown net of premiums paid to third parties for reinsurance coverage. Unearned insurance premiums representing the portion of the premiums applicable to the unexpired period of the contract are included with liabilities in the accompanying statement of financial position. A plan administrator has been retained to oversee the administration of the Plan based upon guidelines established by the Pastoral Office.

The Plan consists of the following coverages:

**Property and casualty:** This Plan covers claims related to property, general liability, professional liability, crime, automobile, boiler and machinery, workers' compensation, and inland marine. The plan administrator utilizes a third party to process and administer claims under the Plan. The Insured Organizations are billed premiums annually by the plan administrator. As claims are incurred, the Plan is required to pay amounts of such claims up to the deductibles (i.e., individual claim stop-loss limits), which vary by policy year.

For the policy periods ending June 30, 2015 and 2014, the individual deductible levels were (a) \$125,000 on property and casualty claims; (b) \$50,000 in general liability claims, including crime coverage and directors and officers; and (c) \$125,000 on workers' compensation claims. Eligible claims in excess of the deductibles are covered by various reinsurance policies. All property and casualty claims (excluding workers' compensation) are limited to annual aggregate of \$650,000 per year after which the reinsurance will cover all costs.

## Archdiocese of Oklahoma City Pastoral Funds

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Health and accident:** In 2015 and 2014, the Plan covered medical expenses of the covered employees of the Insured Organizations based upon the terms established by the Archdiocese under the Health and Accident Benefit Plan (the Health Plan). The Pastoral Office utilizes a third party to process and administer claims under the Health Plan. The Insured Organizations are billed monthly for their employees' participation in the Health Plan. The terms of the Health Plan required the claimant to pay a deductible of \$1,000 (in network) or \$3,000 (out of network) each plan year (the claimant's deductible) and 20 percent (in network) or 40 percent (out of network) of the remaining difference of each eligible claim (the claimant's coinsurance percentage) up to a maximum coinsurance claim of \$20,000.

The Health Plan paid for the remaining 80 percent or 60 percent of eligible claims between the claimant's deductible and the maximum coinsurance claim amount of \$20,000. The amounts of an eligible claim exceeding \$20,000 were paid 100 percent by the Health Plan up to a maximum eligible claim of \$125,000. Eligible claims exceeding \$125,000 are paid by reinsurance companies.

As discussed above, the Pastoral Office enters into certain reinsurance contracts in an effort to reduce the loss that may arise from catastrophes or other events that cause unfavorable underwriting results. Reinsurance contracts do not relieve the Pastoral Office from its obligation to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Pastoral Office; consequently, allowances may be established for any amounts deemed uncollectible (none as of June 30, 2015 or 2014).

**Fair value measurements:** The Pastoral Office follows ASC Topic 820, Fair Value Measurements and Disclosures. Topic 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs that are derived principally from or corroborated by observable market data; and

Level 3: Inputs that are unobservable and significant to the overall fair value measurement.

Financial assets and liabilities carried at fair value on a recurring basis include investments and investments managed for related parties (see Note 3).

**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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications:** Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the prior year ending net assets of the Pastoral Office.

**Subsequent events:** Management has evaluated subsequent events through February 8, 2016, the date the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

## Archdiocese of Oklahoma City Pastoral Funds

### Notes to Financial Statements

#### Note 2. Investments

Investments are comprised of the following as of June 30:

	2015		
	Held by Investment Managers (B)	Other	Total
Money funds	\$ 2,940,587	\$ 208,031	\$ 3,148,618
Corporate bonds and notes	15,312,532	-	15,312,532
Certificate of deposit	6,205,768	248,555	6,454,323
Government debt securities	22,001,689	-	22,001,689
Equity securities:			
Domestic	40,490,727	-	40,490,727
International	3,679,226	-	3,679,226
Mortgage backed securities	46,093	-	46,093
Pooled investment funds (A)	-	8,922,592	8,922,592
Real estate	714,533	-	714,533
Total investments at fair market value	<u>\$ 91,391,155</u>	<u>\$ 9,379,178</u>	<u>\$ 100,770,333</u>
	2014		
	Held by Investment Managers (B)	Other	Total
Money funds	\$ 2,816,450	\$ 7,338	\$ 2,823,788
Corporate bonds and notes	8,449,199	-	8,449,199
Certificate of deposit	6,919,164	247,593	7,166,757
Government debt securities	23,528,602	-	23,528,602
Equity securities:			
Domestic	34,311,732	-	34,311,732
International	4,066,781	-	4,066,781
Mortgage backed securities	60,028	-	60,028
Pooled investment funds (A)	-	13,479,654	13,479,654
Real estate	251,851	-	251,851
Total investments at fair market value	<u>\$ 80,403,807</u>	<u>\$ 13,734,585</u>	<u>\$ 94,138,392</u>

(A) The pooled investment funds represent the Pastoral Office's proportionate share of an investment pool which is the custodial responsibility of The Catholic Foundation of Oklahoma, Inc. (the Foundation). Pooled investment funds are held and managed by a trust company affiliated with a major regional bank which has investment authority over the investment transactions subject to investment policies which are established and periodically updated by the Board of Directors of the Foundation. The pooled investment funds are generally comprised of money funds, government debt securities, certificates of deposits, and equity securities.

(B) Investments held by investment managers consist of funds deposited with professional investment managers which have discretionary investment authority over investment transactions subject to investment policies which are established and periodically updated by the Pastoral Office.

## Archdiocese of Oklahoma City Pastoral Funds

### Notes to Financial Statements

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#### Note 2. Investments (continued)

The Pastoral Office has investments in various investment securities, which in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. As a result, significant fluctuations in fair value of investments may occur in periods subsequent to June 30, 2015.

Net investments gains are comprised of the following at June 30, 2015 and 2014:

	2015	2014
Realized gains	\$ 11,589,332	\$ 4,854,488
Unrealized gains and (losses)	(8,889,007)	2,922,590
Net gains on investments	<u>\$ 2,700,325</u>	<u>\$ 7,777,078</u>

#### Note 3. Fair Value Measurements

The Pastoral Office uses quoted market prices to determine the fair value of an asset or liability when available. If quoted market prices are not available, the Pastoral Office determines fair value using valuation techniques that use market-based or independently-sourced market data, such as interest rates.

The following methods and assumptions were used to estimate the fair value of assets and liabilities in the financial statements.

**Cash and cash equivalents, accounts receivables, contributions receivable, accounts payable, and accrued liabilities (including accrued insurance claims):** The carrying amounts approximate fair value due to their short maturity.

**Investments:** The fair value for investments in securities is determined based upon quoted market values for marketable securities. Generally, quoted market prices are available for cash and cash equivalents, common and preferred stocks, and most mutual funds and as such are classified as Level 1 in the fair value hierarchy. Other investments, such as money funds, pooled investment funds (with no withdrawal restrictions), government and corporate bonds, and bank certificates of deposit, are classified within Level 2 of the hierarchy due to their proprietary nature. Securities classified as Level 2 are independently valued by the fund manager. The fair value of investments managed by the Catholic Foundation is based on the Archdiocese's proportionate share of the investment pool managed by the Catholic Foundation for the Archdiocese and other third parties. Fair value for certificates of deposit is determined using discounted cash flow analyses based on current market rates for deposits with similar remaining maturities. Fair value for real estate is determined primarily based upon independent appraisals or contractual sales prices.

**Notes receivable:** The carrying amounts approximate fair value due to the notes' receivable carrying a variable rate of interest that is indexed to the two-year U.S. Treasury Notes.

**Contributions payable:** The fair value for contributions payable is derived by discounting future payments using a market discount rate. The carrying amount approximates fair value.

**Investments managed for related parties:** The fair value for investments managed for related parties is derived in the same manner as investments. Investments managed for related parties are comprised of Level 1 and Level 2 investments. As these funds represent pooled fund investments (with no withdrawal restrictions), they are classified as Level 2 within the fair value hierarchy.

## Archdiocese of Oklahoma City Pastoral Funds

### Notes to Financial Statements

#### Note 3. Fair Value Measurements (Continued)

**Bank borrowings:** The carrying amount approximates fair value due to the borrowings' carrying a variable rate of interest.

Assets and liabilities measured at fair value on a recurring basis are classified within the fair value hierarchy as follows:

	As of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Investments:				
Money funds	\$ 3,148,618	\$ -	\$ -	\$ 3,148,618
Certificates of deposit	-	6,454,323	-	6,454,323
Equity securities:				
Domestic	27,816,513	12,674,214	-	40,490,727
International	3,679,226	-	-	3,679,226
Corporate bonds and notes	-	15,312,532	-	15,312,532
Government debt securities	-	22,001,689	-	22,001,689
Mortgage backed securities	-	46,093	-	46,093
Real estate	-	714,533	-	714,533
Pooled investment funds	-	8,922,592	-	8,922,592
<b>Total assets carried at fair value</b>	<b>\$ 34,644,357</b>	<b>\$ 66,125,976</b>	<b>\$ -</b>	<b>\$ 100,770,333</b>
Investments managed for related parties	\$ -	\$ 46,709,566	\$ -	46,709,566
<b>Total liabilities carried at fair value</b>	<b>\$ -</b>	<b>\$ 46,709,566</b>	<b>\$ -</b>	<b>\$ 46,709,566</b>
	As of June 30, 2014			
	Level 1	Level 2	Level 3	Total
Investments:				
Money funds	\$ 2,823,788	\$ -	\$ -	\$ 2,823,788
Certificates of deposit	-	7,166,757	-	7,166,757
Equity securities:				
Domestic	34,311,732	-	-	34,311,732
International	4,066,781	-	-	4,066,781
Corporate bonds and notes	-	8,449,199	-	8,449,199
Government debt securities	-	23,528,602	-	23,528,602
Mortgage backed securities	-	60,028	-	60,028
Real estate	-	251,851	-	251,851
Pooled investment funds	-	13,479,654	-	13,479,654
<b>Total assets carried at fair value</b>	<b>\$ 41,202,301</b>	<b>\$ 52,936,091</b>	<b>\$ -</b>	<b>\$ 94,138,392</b>
Investments managed for related parties	\$ -	\$ 43,151,160	\$ -	\$ 43,151,160
<b>Total liabilities carried at fair value</b>	<b>\$ -</b>	<b>\$ 43,151,160</b>	<b>\$ -</b>	<b>\$ 43,151,160</b>

The Pastoral Office accounts for transfers between the levels within the fair value hierarchy at the beginning of the reporting period. There were no transfers between levels in 2015 and 2014.

## Archdiocese of Oklahoma City Pastoral Funds

### Notes to Financial Statements

#### Note 3. Fair Value Measurements (Continued)

The Pastoral Office's investments in certain entities that calculate net asset value (NAV) per share for which there is not a readily determinable fair market value include the following:

	Fair Value		Redemption Frequency	Redemption Notice Period
	2015	2014		
Pooled investment funds (A)	\$ 8,922,592	\$ 13,479,654	Daily	None
Catholic Values index fund (B)	12,674,214	-	Daily	None
	<u>\$ 21,596,806</u>	<u>\$ 13,479,654</u>		

(A) The Pooled investment funds are The Pastoral Office's investments held with the Foundation which are discussed in Note 2.

(B) This fund's objective is to provide a similar price and yield performance, before expenses, of large cap equities. The Fund refrains from owning the securities of firms whose products or services are inconsistent with the philosophy of the Catholic Church through the investment guidelines published by the U.S. Conference of Catholic Bishops.

The Pastoral Office has no unfunded commitments to funds carried at NAV.

#### Note 4. Related Parties

Investments include investments managed for related parties. The Pastoral Office, in a fiduciary capacity, manages the following investments for parties associated with the Archdiocese as of June 30:

	2015	2014
Archdiocesan Parish Deposit and Loan Fund (PDLF)	\$ 35,273,361	\$ 32,466,504
Catholic Charities	1,471,408	1,385,027
Resurrection Memorial Cemetery, Inc.	7,167,956	6,689,483
St. Ann's Home, Inc.	1,014,924	947,176
Bishop McGuinness Catholic High School	1,781,917	1,662,970
	<u>\$ 46,709,566</u>	<u>\$ 43,151,160</u>

PDLF is an investment pool of funds deposited by the Pastoral Office and other members of the Archdiocese. PDLF was established to provide financing to defined members of the Archdiocese and is administered by the Pastoral Office and a third-party administrator. Funds deposited to PDLF earn interest at a rate based on the monthly average rate of two-year U.S. Treasury Notes plus 0.25 percent (0.63 percent at June 30, 2015), and loans (Note 5) from PDLF bear interest at a floating rate adjusted monthly based on the average rate of two-year U.S. Treasury Notes plus 1.25 percent (1.63 percent at June 30, 2015). The policy of PDLF is to limit outstanding loans to a range of approximately 75 percent to 90 percent of the total PDLF assets with the remaining assets being invested in cash or equity/fixed income securities.



## Archdiocese of Oklahoma City Pastoral Funds

### Notes to Financial Statements

#### Note 4. Related Parties (Continued)

Deposits to PDLF are guaranteed by the Pastoral Office. As of June 30, 2015 and 2014, PDLF had assets of \$44,629,143 and \$42,605,658, respectively, consisting of funds deposited by the Pastoral Office and other members of the Archdiocese, and had loans outstanding to members of the Archdiocese of \$14,432,006 and \$16,301,448 as of June 30, 2015 and 2014, respectively (Note 5).

#### Note 5. Notes Receivable

	2015	2014
Notes receivable from member parishes with balances outstanding as of June 30, 2015, ranging in amounts from approximately \$20,000 to \$163,800, with interest rates of 0% and maturities in installments through July 2020	\$ 186,832	\$ 207,294
120 day note receivable from member bearing an interest rate consistent with PDLF notes receivable (Note 4)	500,000	-
Notes receivable from member parishes related to borrowings from PDLF (Note 4) maturing at various dates through 2036	14,432,006	16,301,448
	<u>\$ 15,118,838</u>	<u>\$ 16,508,742</u>

#### Note 6. Land, Buildings and Equipment

All land, buildings, and equipment (properties) are not recorded as required by accounting principles generally accepted in the United States of America. Historically, the accounts of the Pastoral Office have reflected some, but not all, properties owned by the Pastoral Office. The carrying amounts of the Pastoral Center and Bishop McGuinness Catholic High School reflect replacement values as determined as of December 31, 1967 plus the historical cost of additions to the buildings subsequent to 1967. Although other recorded properties are stated at cost, no provisions have been made for depreciation or impairment, if any, because detail records are not sufficiently comprehensive to support the required computations. Accordingly, the effects on the financial statements cannot be determined; however, the effects are believed to be material.

Land, buildings and equipment recorded consist of the following as of June 30:

	2015	2014
Land and buildings:		
The Pastoral Center	\$ 8,497,748	\$ 8,494,663
Bishop McGuinness Catholic High School	27,210,735	26,990,428
Youth Camp	4,904,394	4,904,394
Other	3,437,408	3,437,408
Hispanic initiative	2,213,897	64,899
Archbishop's residence	590,572	590,572
Land held for parish sites and future development	4,902,400	4,902,400
Furniture and equipment	1,190,293	1,174,954
Total land, buildings, and equipment	<u>\$ 52,947,447</u>	<u>\$ 50,559,718</u>

## Archdiocese of Oklahoma City Pastoral Funds

### Notes to Financial Statements

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#### **Note 7. Bank Borrowings**

The Pastoral Office has a revolving line of credit (the Revolver) with a bank that provides for borrowings up to \$2,350,000 through March 28, 2016. Outstanding borrowings under the Revolver (none at June 30, 2015 or 2014) bear interest at the Two-Year Treasury Note Constant Maturity Index plus 1 percent. The Pastoral Office is required to make monthly payments of accrued interest with all outstanding borrowings due in March 2016. The Revolver contains several financial covenants which require, among other things, (a) maintenance of \$20 million of unrestricted and unencumbered liquid net assets, (b) maintenance of \$30 million of unrestricted net assets, and (c) limitation to \$50 million of aggregate funded and contingent debt.

The Pastoral Office has a \$475,000 irrevocable letter of credit with a bank for the benefit of Oklahoma's Workers' Compensation Court in relation to the Self-Insurance Plan (See Note 1). The letter of credit provides borrowings through July 30, 2016 and automatically renews each year unless otherwise terminated.

#### **Note 8. Contingencies**

The Pastoral Office is contingently liable as guarantor for certain bank debts of its priests (for automobiles), which total \$113,794 at June 30, 2015. In the event the debtors fails to make the required principal and interest payments on the bank debt, the Pastoral Office would be required to make such payments.

The Pastoral Office is also contingently liable as guarantor for a loan between Good Shepherd Catholic School, Inc. (the School) and a nonprofit corporation for \$250,000 at June 30, 2015. In the event the School fail to make payments, the Pastoral Office would be required to make such payments. This note was extended through September 1, 2015, and since there was no default prior to that date and the School paid the accrued interest through August 31, 2015, this loan was renewed for one additional year with all outstanding principal and interest due and payable on September 1, 2016.

St. Ann's had obligations as of June 30, 2015 related to 2011 Revenue Bonds (Bonds). In connection with the Bonds, the Pastoral Office has entered into a Guaranty Agreement which will remain in effect through the maturity and settlement of the Bonds. The Bonds bear interest at an annual fixed rate of 4.06 percent and require monthly principal and interest payments through December 1, 2027. Remaining payments (net of reserve fund balances) total approximately \$10,018,000 as of June 30, 2015.

#### **Note 9. Pension and Other Post Retirement Benefit Plans**

The Pastoral Office has an unfunded noncontributory defined benefit pension plan that covers all incardinated priests (the Pension Plan). The priests are eligible to receive pension benefits upon reaching their normal retirement age of 75; however, early or late retirement may be granted by the Archbishop in specific instances (average retirement age is 70). The pension benefits include (1) retired priests receive the same salary as active priests, adjusted every June for inflation; (2) \$1,000 per year for personal expenses; (3) monthly rent subsidies of \$500; and (4) nursing home care provided at no cost; however, monthly pension payments are reduced to \$100. The Pension Plan is currently funded by assessments to parishes, monthly contributions from the Pastoral Office, and receipts of discretionary contributions from parishioners. The Pastoral Office uses a June 30 measurement date for the Pension Plan.

## Archdiocese of Oklahoma City Pastoral Funds

### Notes to Financial Statements

#### Note 9. Pension and Other Post Retirement Benefit Plans (Continued)

The following table sets forth the Pension Plan's funded status as of June 30:

	2015	2014
Plan assets at fair value	\$ 3,950,333	\$ 3,330,424
Less actuarial present value of projected benefit obligations	15,462,445	13,139,609
Unfunded status	<u>(11,512,112)</u>	<u>(9,809,185)</u>
Unrecognized net actuarial loss	4,553,291	2,105,960
Net amount recognized	<u>\$ (6,958,821)</u>	<u>\$ (7,703,225)</u>
	2015	2014
Amounts reflected in the statements of financial position:		
Accrued pension benefit cost	\$ (11,512,112)	\$ (9,809,185)
Accumulated pension related changes other than net the net periodic pension benefit costs	4,553,291	2,105,960
	<u>\$ (6,958,821)</u>	<u>\$ (7,703,225)</u>

In addition to the Pension Plan's assets segregated in a trust for the benefit of future payments under the Pension Plan, the Pastoral Office has internally designated \$2,957,598 and \$3,863,020 as of June 30, 2015 and 2014, respectively, of its unrestricted net assets for funding of the Pension Plan's obligations.

The accumulated benefit obligation was \$11,526,583 and \$11,870,112 as of June 30, 2015 and 2014, respectively. In fiscal years 2015 and 2014, respectively, the Archdiocese contributed \$1,565,503 and \$676,644 to segregated Pension Plan assets held in the Pension Plan trust. During 2015 and 2014, respectively, the Pension Plan paid \$1,026,355 and \$910,929 in benefits.

During fiscal years 2015 and 2014, the Pastoral Office recognized \$-0- of unrecognized prior service cost as a component of net periodic benefit cost. All of the prior service costs as components of net periodic pension cost have been amortized as of June 30, 2015.

Weighted average assumptions used to determine pension benefit obligations and net periodic pension benefit cost as of June 30 are as follows:

	2015	2014
Discount rate	4.30%	4.75%
Rate of compensation increase	4.00%	4.00%
Rate of nursing home care increase	3.00%	3.00%
Expected long-term return on plan assets	7.00%	7.00%

The Pastoral Office's expected long-term return on plan assets assumption was derived from an analysis conducted by the Pastoral Office's actuaries. The analysis included a review of the asset allocation strategy, anticipated future long-term performance of individual asset classes, and risks and correlations for each of the asset classes that comprise the asset mix. While the analysis gives appropriate consideration to recent performance and historical returns, the assumption is primarily a long-term, prospective rate.

## Archdiocese of Oklahoma City Pastoral Funds

### Notes to Financial Statements

#### Note 9. Pension and Other Post Retirement Benefit Plans (Continued)

The fair values of the Pastoral Office's pension plan assets weighted-average asset allocations at June 30, 2015 and 2014, by asset category are as follows:

	Fair Value Measurements at June 30, 2015			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents	\$ 99,959	\$ -	\$ -	\$ 99,959
Equity funds	1,500,277	-	-	1,500,277
Fixed income funds	2,350,097	-	-	2,350,097
Plan assets carried at fair value	<u>\$ 3,950,333</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,950,333</u>

	Fair Value Measurements at June 30, 2014			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents	\$ 99,240	\$ -	\$ -	\$ 99,240
Equity funds	2,129,023	-	-	2,129,023
Fixed income funds	1,102,161	-	-	1,102,161
Plan assets carried at fair value	<u>\$ 3,330,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,330,424</u>

The pension benefit plan assets are carried at fair value in accordance with the fair value hierarchy as discussed in Note 3.

In setting investment policies and strategies, the ability of the selected investment mix to fund the pension plan liabilities effectively, meet the long-term asset return target of 7 percent, and align the selected mix with the risk tolerance of the plan's fiduciaries was taken into account. The strategic mix has reduced exposure to an equity market risk and increased allocation to asset classes which are not highly correlated, as well as asset classes where management has historically generated excess returns, and places greater emphasis on manager skills to produce excess return while employing various risk mitigation strategies to reduce volatility.

The Pastoral Office expects to contribute \$449,399 to the Pension Plan in fiscal year 2016.

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid:

2016	\$ 846,743
2017	759,920
2018	688,103
2019	597,655
2020	550,342
Years 2021 to 2025	2,658,275
	<u>\$ 6,101,038</u>

## Archdiocese of Oklahoma City Pastoral Funds

### Notes to Financial Statements

#### Note 9. Pension and Other Post Retirement Benefit Plans (Continued)

The Pastoral Office also sponsors a 403(b) Church Retirement Plan (the 403(b) Plan). The 403(b) Plan covers substantially all Archdiocesan or affiliated Catholic organizations' lay employees. Each affiliated Catholic organization contributes a discretionary amount (3 percent of the participant's salary for fiscal years 2015 and 2014). In addition, organizations match the first 4 percent of employee contributions at 50 percent of such amount. New participants become vested in six years (20 percent per year after the second year of service). Expenses for the Pastoral Office's portion of the 403(b) Plan were not significant in fiscal years 2015 or 2014.

#### Note 10. Net Assets

The breakdown of the Pastoral Office's net assets at June 30, 2015 and 2014, by restriction are as follows:

	2015						Total
	Unrestricted		Temporarily Restricted	Permanently Restricted			
	Designated and Operating	Pension Related Changes Other than the Net Periodic Pension Benefit Cost					
Seminary Burses Fund	\$ 6,366,046	\$ -	\$ -	\$ -	\$ 782,841	\$ 7,148,887	
Joseph Danne Fund	1,473,810	-	-	-	3,571,612	5,045,422	
Archdiocesan Endowment Fund:							
Operating activity	22,210,249	-	-	-	-	22,210,249	
Archdiocesan Pastoral Center	4,072,142	-	-	-	-	4,072,142	
Archbishop's residence	2,121,265	-	-	-	-	2,121,265	
Mount St. Mary High School	2,612,310	-	-	-	-	2,612,310	
Catholic school support	3,753,743	-	-	-	-	3,753,743	
Bombing tuition	-	-	-	158,880	-	158,880	
Pastoral ministry	-	-	-	77,989	135,000	212,989	
Crested Butte	40,230	-	-	-	-	40,230	
Salatka & Zagar	-	-	-	10,724	-	10,724	
Donald Mileur	-	-	-	170,704	-	170,704	
SARC-Elderly Support	-	-	-	28,426	-	28,426	
Maloney Trust	329,686	-	-	-	1,785,967	2,115,653	
Youth Camp	799,464	-	-	-	-	799,464	
Total Archdiocesan Endowment Fund	35,939,089	-	-	446,723	1,920,967	38,306,779	
St. Joseph's Children's Fund	7,082,419	-	-	-	-	7,082,419	
Land, Buildings, and Equipment Fund	-	-	52,947,447	-	-	52,947,447	
Operating Fund:							
Self-insurance fund	9,117,637	-	-	-	-	9,117,637	
Retirement benefits	(3,999,062)	(4,553,291)	-	-	-	(8,552,353)	
Total Operating Fund	5,118,575	(4,553,291)	-	-	-	565,284	
Total Net Assets	\$ 55,979,939	\$ (4,553,291)	\$ 52,947,447	\$ 446,723	\$ 6,275,420	\$ 111,096,238	

## Archdiocese of Oklahoma City Pastoral Funds

### Notes to Financial Statements

#### Note 10. Net Assets (Continued)

	2014						Total
	Designated and Operating	Unrestricted Pension Related Changes Other than the Net Periodic Pension Benefit Cost	Net Investment in Land Buildings, and Equipment	Temporarily Restricted	Permanently Restricted		
Seminary Burses Fund	\$ 5,700,461	\$ -	\$ -	\$ -	\$ 782,841	\$ 6,483,302	
Joseph Danne Fund	1,354,755	-	-	-	3,445,066	4,799,821	
Archdiocesan Endowment Fund:							
Operating activity	22,955,737	-	-	-	-	22,955,737	
Archdiocesan Pastoral Center	3,824,077	-	-	-	-	3,824,077	
Archbishop's residence	2,047,646	-	-	-	-	2,047,646	
Mount St. Mary High School	2,559,852	-	-	-	-	2,559,852	
Catholic school support	3,750,550	-	-	25,208	-	3,775,758	
Bombing tuition	-	-	-	165,695	-	165,695	
Pastoral ministry	-	-	-	76,714	135,000	211,714	
Crested Butte	39,208	-	-	-	-	39,208	
Salatka & Zagar	-	-	-	10,638	-	10,638	
Donald Mileur	-	-	-	166,366	-	166,366	
SARC-Elderly Support	-	-	-	89,525	-	89,525	
Maloney Trust	651,298	-	-	-	1,785,966	2,437,264	
Youth Camp	779,150	-	-	-	-	779,150	
Total Archdiocesan Endowment Fund	36,607,518	-	-	534,146	1,920,966	39,062,630	
St. Joseph's Children's Fund	6,715,432	-	-	-	-	6,715,432	
Land, Buildings, and Equipment Fund	-	-	50,559,718	-	-	50,559,718	
Operating Fund:							
Self-insurance fund	7,964,421	-	-	-	-	7,964,421	
Retirement benefits	(4,034,732)	(2,105,960)	-	-	-	(6,140,692)	
Total Operating Fund	3,929,689	(2,105,960)	-	-	-	1,823,729	
Total Net Assets	\$ 54,307,855	\$ (2,105,960)	\$ 50,559,718	\$ 534,146	\$ 6,148,873	\$109,444,632	

The Seminary Burses Fund provides financial resources for seminarians. Earnings in excess of disbursements are retained in the fund.

## Archdiocese of Oklahoma City Pastoral Funds

### Notes to Financial Statements

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#### Note 10. Net Assets (Continued)

The Joseph Danne Fund provides education and financial support to orphans, to help build parochial schools in needy parishes, and to provide interest-free loans to poor parishes for the purpose of constructing churches. The original bequest provided for the principal of the fund to remain intact and 50 percent of the earnings to be reinvested to become corpus of the Joseph Danne Foundation endowment. The remaining 50 percent of earnings is to be used for charitable purposes at the discretion of the Archbishop.

The Pastoral Office established the Archdiocesan Endowment Fund to meet anticipated long-term needs of the Pastoral Office. To the extent that unrestricted net assets are not required to meet the operating or other financial needs of the Pastoral Office, it is intended that the accumulated earnings and principal of the fund will be reinvested. In addition, the Archdiocesan Endowment Fund includes other miscellaneous temporary and permanently restricted net assets, the use of which is restricted by the respective gift agreements. Activity in the Archdiocesan Endowment Fund for fiscal year 2015 and 2014 is summarized as follows:

	2015	2014
Net assets at beginning of year	\$ 39,062,630	\$ 39,549,018
Contributions	381,644	302
Net investment income	3,603,240	7,085,053
Other income	852,929	460,902
Expenses	(2,877,181)	(3,838,209)
Inter-fund transfers	(2,716,483)	(4,194,436)
Net assets at end of year	<u>\$ 38,306,779</u>	<u>\$ 39,062,630</u>

#### Note 11. Endowment Disclosures

The Pastoral Office's endowments consist of various donor and board-restricted funds which are managed and controlled by the Pastoral Office and were established for various donor restricted purposes (see below and Note 10). The net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. All of the endowment funds held by the Pastoral Office are managed and controlled by the Pastoral office in accordance with the following policies.

##### Interpretation of Relevant Law

The Finance Council of the Archdiocese has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Pastoral Office classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the gift is made.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Archdiocese in a manner consistent with the standard of prudence prescribed by SPMIFA.

## Archdiocese of Oklahoma City Pastoral Funds

### Notes to Financial Statements

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#### Note 11. Endowment Disclosures (Continued)

Endowment net asset composition by type of fund as of June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 77,989	\$ 6,275,420	\$ 6,353,409
Board designated endowment funds	8,169,542	-	-	8,169,542
	<u>\$ 8,169,542</u>	<u>\$ 77,989</u>	<u>\$ 6,275,420</u>	<u>\$ 14,522,951</u>

Endowment net asset composition by type of fund as of June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 76,714	\$ 6,148,873	\$ 6,225,587
Board designated endowment funds	7,706,514	-	-	7,706,514
	<u>\$ 7,706,514</u>	<u>\$ 76,714</u>	<u>\$ 6,148,873</u>	<u>\$ 13,932,101</u>



## Archdiocese of Oklahoma City Pastoral Funds

### Notes to Financial Statements

#### Note 11. Endowment Disclosures (Continued)

Change in endowment net assets for the year ended June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year:				
Seminary Burses Fund	\$ 5,700,461	\$ -	\$ 782,841	\$ 6,483,302
Joseph Danne Fund	1,354,755	-	3,445,066	4,799,821
Maloney Trust	651,298	-	1,785,966	2,437,264
Pastoral Ministry	-	76,714	135,000	211,714
	<u>7,706,514</u>	<u>76,714</u>	<u>6,148,873</u>	<u>13,932,101</u>
Investment return:				
Seminary Burses Fund:				
Interest income	104,357	-	-	104,357
Realized and unrealized	240,189	-	-	240,189
Joseph Danne Fund:				
Interest income	33,691	-	33,691	67,382
Realized and unrealized	92,856	-	92,856	185,712
Other	14,546	-	-	14,546
Maloney Trust:				
Interest income	40,010	-	-	40,010
Realized and unrealized	22,246	-	-	22,246
Other	-	-	-	-
Pastoral Ministry:				
Interest income	-	3,921	-	3,921
Realized and unrealized	-	2,282	-	2,282
Other	-	-	-	-
Total investment return	<u>-</u>	<u>6,203</u>	<u>126,547</u>	<u>-</u>
Contributions and other income:				
Seminary Burses Fund	348,015	-	-	348,015
Joseph Danne Fund	1,228	-	-	1,228
Total contributions	<u>349,243</u>	<u>-</u>	<u>-</u>	<u>349,243</u>
Expenditures of endowment assets during year:				
Seminary Burses Fund	(26,976)	-	-	(26,976)
Joseph Danne Fund	(23,267)	-	-	(23,267)
Maloney Trust	(383,867)	-	-	(383,867)
Pastoral Ministry	-	(4,928)	-	(4,928)
Total expenditures	<u>-</u>	<u>(4,928)</u>	<u>-</u>	<u>(439,038)</u>
Endowment net assets, end of year:				
Seminary Burses Fund	6,366,046	-	782,841	7,148,887
Joseph Danne Fund	1,473,809	-	3,571,613	5,045,422
Maloney Trust	329,687	-	1,785,966	2,115,653
Pastoral Ministry	-	77,989	135,000	212,989
	<u>\$ 8,169,542</u>	<u>\$ 77,989</u>	<u>\$ 6,275,420</u>	<u>\$ 14,522,951</u>

## Archdiocese of Oklahoma City Pastoral Funds

### Notes to Financial Statements

#### Note 11. Endowment Disclosures (Continued)

Change in endowment net assets for the year ended June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year:				
Seminary Burses Fund	\$ 4,834,358	\$ -	\$ 782,841	\$ 5,617,199
Joseph Danne Fund	1,058,527	-	3,151,073	4,209,600
Maloney Trust	706,131	-	1,785,966	2,492,097
Pastoral Ministry	-	54,784	135,000	189,784
	<u>6,599,016</u>	<u>54,784</u>	<u>5,854,880</u>	<u>12,508,680</u>
Investment return:				
Seminary Burses Fund:				
Interest income	92,004	-	-	92,004
Realized and unrealized	704,797	-	-	704,797
Other	-	-	-	-
Joseph Danne Fund:				
Interest income	30,920	-	30,920	61,840
Realized and unrealized	263,072	-	263,073	526,145
Other	24,504	-	-	24,504
Maloney Trust:				
Interest income	45,050	-	-	45,050
Realized and unrealized	308,490	-	-	308,490
Pastoral Ministry:				
Interest income	-	3,814	-	3,814
Realized and unrealized	-	25,865	-	25,865
Other	-	-	-	-
Total investment return	<u>1,468,837</u>	<u>29,679</u>	<u>293,993</u>	<u>1,792,509</u>
Contributions:				
Seminary Burses Fund	92,970	-	-	92,970
Total contributions	<u>92,970</u>	<u>-</u>	<u>-</u>	<u>92,970</u>
Expenditures of endowment assets during year:				
Seminary Burses Fund	(23,668)	-	-	(23,668)
Joseph Danne Fund	(22,268)	-	-	(22,268)
Maloney Trust	(408,373)	-	-	(408,373)
Pastoral Ministry	-	(7,749)	-	(7,749)
Total expenditures	<u>(454,309)</u>	<u>(7,749)</u>	<u>-</u>	<u>(462,058)</u>
Endowment net assets, end of year:				
Seminary Burses Fund	5,700,461	-	782,841	6,483,302
Joseph Danne Fund	1,354,755	-	3,445,066	4,799,821
Maloney Trust	651,298	-	1,785,966	2,437,264
Pastoral Ministry	-	76,714	135,000	211,714
	<u>\$ 7,706,514</u>	<u>\$ 76,714</u>	<u>\$ 6,148,873</u>	<u>\$ 13,932,101</u>

## Archdiocese of Oklahoma City Pastoral Funds

### Notes to Financial Statements

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#### Note 11. Endowment Disclosures (Continued)

**Funds with deficiencies:** From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Pastoral Office to retain as a fund of perpetual duration. As of June 30, 2015, there was \$46,239 of donor-restricted endowment funds with fund deficiencies (\$45,060 at June 30, 2014).

**Return objectives and risk parameters:** The Pastoral Office has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Pastoral Office must hold in perpetuity. Under this policy, as approved by the governing body, the endowment assets are invested with the combined objectives of growth and current income. The asset allocation policies (see below) reflect and are consistent with the investment objectives and risk tolerances expressed through the investment policy.

**Strategies employed for achieving objectives:** To satisfy its long-term rate-of-return objectives, the Pastoral Office relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Pastoral Office targets a diversified asset allocation via investments managed by professional investment managers who have discretionary investment authority over investment transactions subject to investment policies which are established and periodically updated by the Pastoral Office.

**Spending policy and how the investment objectives relate to spending policy:** The Pastoral Office has a policy of appropriating for distribution each year amounts up to, but not to exceed, actual investment performance for that year. Since the Pastoral Office limits appropriations to actual investment performance, it feels that this policy protects the purchasing power of the endowment as outlined by donor specifications.

