

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

FINANCIAL STATEMENTS

June 30, 2013 and 2012

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Dermody, Burke & Brown, CPAs, LLC

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the **ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK – CENTRAL ADMINISTRATIVE OFFICE** which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Roman Catholic Diocese of Syracuse, New York – Central Administrative Office as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompany information on pages 23 and 24 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

DERMODY, BURKE & BROWN

DERMODY, BURKE & BROWN, CPAs, LLC

Syracuse, New York

November 7, 2013

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

AUDITED FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION

June 30, 2013 and 2012

	2013	2012
ASSETS		
Cash	\$ 572,723	\$ 702,053
Accounts Receivable - Net	3,109,045	3,558,382
Unconditional Promises to Give - Net	1,213,232	1,651,437
Mortgages and Notes Receivable - Net	975,047	0
Prepaid Expenses and Other Assets	384,300	0
Due (To) From Affiliated Organizations	(2,483,960)	706,365
Investments	32,257,922	29,390,511
Land, Building and Equipment, Net of Accumulated Depreciation	<u>2,514,193</u>	<u>2,616,489</u>
TOTAL ASSETS	<u><u>\$ 38,542,502</u></u>	<u><u>\$ 38,625,237</u></u>
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 727,452	\$ 952,572
Accrued Insurance Reserves	5,776,295	5,126,029
Deferred Income	160,220	150,837
Liability for Custodial Accounts	279,134	265,818
Unfunded Pension Obligation	<u>3,074,304</u>	<u>1,804,792</u>
Total Liabilities	10,017,405	8,300,048
NET ASSETS		
Unrestricted	20,695,759	23,072,194
Temporarily Restricted	7,829,338	7,252,995
Permanently Restricted	<u>0</u>	<u>0</u>
Total Net Assets	<u>28,525,097</u>	<u>30,325,189</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 38,542,502</u></u>	<u><u>\$ 38,625,237</u></u>

See notes to financial statements.

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

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2013 and 2012

	2013	2012
REVENUE AND SUPPORT FROM OPERATIONS		
Contributions	\$ 5,093,756	\$ 4,755,001
Insurance Fees	22,528,471	21,848,906
Fees - Other Services	144,257	131,668
Affiliation Fees and Assessments	1,147,975	1,864,179
Insurance Proceeds	0	1,999,992
Foundation Grant Revenue	889,600	216,482
Expense Reimbursement	233,819	0
Other Income	0	1,398,479
	<hr/>	<hr/>
Total Revenue and Support from Operations	30,037,878	32,214,707
EXPENSES		
Program Services	5,400,081	5,229,765
Insurance Services	19,422,930	21,769,494
Supporting Services	3,462,234	4,377,038
	<hr/>	<hr/>
Total Expenses	28,285,245	31,376,297
CHANGE IN NET ASSETS BEFORE INVESTMENT ACTIVITY	1,752,633	838,410
REVENUE AND SUPPORT FROM INVESTMENT ACTIVITY		
Dividends and Interest	963,539	720,740
Realized Gains	3,034,123	249,514
Investment Fees	(145,044)	(128,781)
Unrealized Gains (Losses)	(90,359)	(1,142,661)
	<hr/>	<hr/>
Net Investment Activity	3,762,259	(301,188)
CHANGE IN NET ASSETS BEFORE OTHER INCOME (EXPENSE)	5,514,892	537,222
OTHER INCOME AND (EXPENSE)		
Unfunded Pension Obligation Adjustment	(1,769,512)	156,699
	<hr/>	<hr/>
CHANGE IN NET ASSETS	3,745,380	693,921
Net Assets at Beginning of Year	30,325,189	33,025,199
Net Asset Transfer - Related Entities	(5,545,472)	(3,393,931)
	<hr/>	<hr/>
Net Assets at End of Year	<u>\$ 28,525,097</u>	<u>\$ 30,325,189</u>

See notes to financial statements.

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

STATEMENTS OF CHANGES IN NET ASSETS

Years Ended June 30, 2013 and 2012

	2013	2012
CHANGES IN UNRESTRICTED NET ASSETS		
Total Revenue and Support	\$ 24,481,975	\$ 27,128,367
Total Operating Expenses	(28,285,245)	(31,376,297)
Investment Activity	3,762,259	(300,823)
Net Assets Released from Restrictions	<u>4,979,560</u>	<u>4,761,845</u>
Change in Operating Unrestricted Net Assets	4,938,549	213,092
Other Activity:		
Unfunded Pension Obligation Adjustment	(1,769,512)	156,699
Net Asset Transfer - Interfund Net Activity - Related Entities	<u>(5,545,472)</u>	<u>(3,393,931)</u>
Total Other Activity	(7,314,984)	(3,237,232)
Unrestricted Net Assets, Beginning of Year	<u>23,072,194</u>	<u>26,096,334</u>
Unrestricted Net Assets, End of Year	20,695,759	23,072,194
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	4,667,172	4,252,340
Investment Activity - Net	(869)	(365)
Other Income and Assessments	889,600	834,000
Net Assets Released from Restrictions	<u>(4,979,560)</u>	<u>(4,761,845)</u>
Change in Temporarily Restricted Net Assets	576,343	324,130
Temporarily Restricted Net Assets, Beginning of Year	<u>7,252,995</u>	<u>6,928,865</u>
Temporarily Restricted Net Assets, End of Year	7,829,338	7,252,995
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Permanently Restricted Net Assets, Beginning of Year	0	0
Permanently Restricted Net Assets, End of Year	<u>0</u>	<u>0</u>
TOTAL NET ASSETS, END OF YEAR	<u><u>\$ 28,525,097</u></u>	<u><u>\$ 30,325,189</u></u>

See notes to financial statements.

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

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 3,745,380	\$ 693,921
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Depreciation Expense	388,476	328,010
Unrealized Loss on Investments	90,359	1,142,661
Bad Debt Expense	86,245	205,814
Net Asset Transfer - Interfund Net Activity - Related Entities	(5,545,472)	(3,393,931)
Loss on Disposal of Building and Equipment	5,951	144,502
(Increase) Decrease in Operating Assets:		
Accounts Receivable	363,092	(1,475,883)
Unconditional Promises to Give	438,205	(217,347)
Prepaid Expenses and Other Assets	(384,300)	122,993
Due (To) From Affiliated Organizations	3,190,325	408,628
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Insurance Reserves	425,146	(1,619,976)
Deferred Income	9,383	(41,194)
Liability for Custodial Accounts	13,316	(83,482)
Unfunded Pension Obligation	<u>1,269,512</u>	<u>(156,699)</u>
Net Cash Provided By (Used In) Operating Activities	4,095,618	(3,941,983)
CASH FLOWS FROM INVESTING ACTIVITIES		
Building and Equipment Additions	(292,131)	(679,030)
Investments – Net Change	(2,957,770)	1,736,078
Notes and Mortgage Receivables - Net Change	<u>(975,047)</u>	<u>131,091</u>
Net Cash Provided By (Used In) Investing Activities	<u>(4,224,948)</u>	<u>1,188,139</u>
Net Change in Cash	(129,330)	(2,753,844)
Cash, Beginning of Year	<u>702,053</u>	<u>3,455,897</u>
Cash, End of Year	<u>\$ 572,723</u>	<u>\$ 702,053</u>

See notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

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

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

Basis of Presentation

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

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting. The Roman Catholic Diocese of Syracuse, New York – Central Administrative Office reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There are no permanently restricted net assets as of June 30, 2013.

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

Reclassification

Certain reclassifications have been made to the 2012 financial statement presentation to correspond to the current year’s format.

Cash Flows

For purposes of the statements of cash flows, the Diocese uses the indirect method of reporting net cash flows from operating activities and considers all short-term investments with an original maturity of three months or less to be cash equivalents. At June 30, 2013 and 2012, there were no cash equivalents included in cash.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

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

Investments

The Diocese reports investments at fair value with any realized and unrealized gains and losses being reported in the statements of activities. Investments are valued at fair value at June 30, 2013 and 2012. If available, quoted market prices are used to arrive at these values. Such investments are valued at the mean bid and ask prices, as obtained from one or more market makers in these securities. Adjustments for unrealized investment income or loss are accounted for in the investment pools in which they are managed.

Contributions

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

Diocesan Hope Appeal

The Roman Catholic Diocese of Syracuse, New York conducts an annual gifting campaign, known as the Diocesan Hope Appeal. Pledges outstanding at the end of a fiscal year are reviewed for collectability by analyzing remittances subsequent to year-end and application of collection ratios generated from prior campaigns and similar campaigns conducted throughout the country. Allowances are estimated to reflect the net pledges expected to be realized. At June 30, 2013 and 2012, the allowance for uncollectible pledges was estimated to be \$-0- and \$25,000, respectively. Collections realized in excess of the net pledge receivable figure are recognized as income in the year collected. The annual campaigns share with individual parishes cash collections in excess of parish pledge goals. The 2012-2013 campaign provisions call for the return of 50% to 100% of collections in excess of goal to be returned to parishes. The parishes' share of excess cash collections over pledge goals is estimated to be \$110,413 and \$103,709 at June 30, 2013 and 2012, respectively.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

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

Unconditional Promises to Give

Pledges outstanding as of June 30 consist of the following:

	2013	2012
Diocesan Hope Appeal	\$ 1,213,232	\$ 1,676,437
Less: Allowance for Uncollectible Pledges	<u>0</u>	<u>25,000</u>
Total	<u><u>\$ 1,213,232</u></u>	<u><u>\$ 1,651,437</u></u>

The Roman Catholic Diocese of Syracuse, New York records the net present value of long-term pledges receivable as income in the year the pledge is made. Pledges outstanding at June 30, 2013 are payable in 2013. There are no long-term pledges outstanding.

Accounts Receivable – Net

At June 30, 2013 and 2012, accounts receivable amounted to \$6,767,810 and \$7,749,323, respectively. A summary of these receivables and related allowances for uncollectibility is presented as follows:

	2013	2012
General Receivables	\$ 2,022,705	\$ 1,735,896
Insurance Premiums	<u>4,745,105</u>	<u>6,013,427</u>
Gross Accounts Receivable	6,767,810	7,749,323
Less: Allowance for Uncollectibility	<u>3,658,765</u>	<u>4,190,941</u>
Total Accounts Receivable - Net	<u><u>\$ 3,109,045</u></u>	<u><u>\$ 3,558,382</u></u>

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

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

Due (To) From Affiliated Organizations

In 2012, the Diocese spun off three legal entities, Clerical Fund Society, St. Thomas Preparatory Seminary Fund and the Foundation of the Roman Catholic Diocese of Syracuse. The activity for these entities was transferred from the Diocese to each of the separate entities and is reflected in the net assets as Transfer to Related Entities.

In 2013, the Diocese assumed responsibility for billing, collections and bad debt exposure for three related entities: St. Thomas Preparatory Seminary Fund, Clerical Fund Society and Secular Priests Retirement Plan. As a result, the receivable balances were transferred to the Diocese and are now shown on the Diocese's statements of activities along with an off-setting liability.

Land, Buildings and Equipment

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

	2013	2012
Land and Sites for Future Parishes	\$ 387,917	\$ 387,917
Land	350,000	350,000
Furniture and Fixtures	1,130,793	1,108,440
Buildings and Improvements	9,295,702	9,155,900
Equipment	310,331	209,754
Automobiles	<u>149,114</u>	<u>165,007</u>
 Total Land, Buildings and Equipment	 11,623,857	 11,377,018
Less: Accumulated Depreciation	<u>9,109,664</u>	<u>8,760,529</u>
 Net Land, Buildings and Equipment	 <u><u>\$ 2,514,193</u></u>	 <u><u>\$ 2,616,489</u></u>

Depreciation expense for the years ended June 30, 2013 and 2012 totaled \$388,476 and \$328,010, respectively.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

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

Use of Estimates

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

Risks and Uncertainties

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

Contributed Services

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

Tax Exempt Status

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

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

Pension Plans

Employees of the Central Administrative Office are participants within the Diocese of Syracuse Pension Plan. This plan is noncontributory and covers lay employees of the Diocese, its affiliated organizations and parish units who meet certain minimum service requirements. The Central Administrative Office's annual contribution to the Diocesan plan for the years ended June 30, 2013 and 2012 was \$199,367 and \$193,181, respectively. (See Note 9)

Subsequent Events

Management has evaluated subsequent events through November 7, 2013, which is the date the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

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

Investments by category and net asset class are summarized below:

	2013	Market 2012
Cash Equivalents	\$ 1,759,447	\$ 876,504
Equity Securities	20,010,433	19,683,491
Governmental and Corporate Bonds	9,676,953	7,979,187
Other Investments	811,089	851,329
	<u>32,257,922</u>	<u>29,390,511</u>
Total	<u>\$ 32,257,922</u>	<u>\$ 29,390,511</u>
Unrestricted	<u>\$ 32,257,922</u>	<u>\$ 29,390,511</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 2 – INVESTMENTS – Continued

Net investment activity consists of the following:

	2013	2012
Dividends and Interest	\$ 963,539	\$ 720,740
Realized Gains, at Original Cost	3,034,123	249,514
Investment Fees	(145,044)	(128,781)
Unrealized Gains (Losses)	<u>(90,359)</u>	<u>(1,142,661)</u>
Total	<u>\$ 3,762,259</u>	<u>\$ (301,188)</u>

Fair Value Measurements

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 2 – INVESTMENTS – Continued

Fair Value Measurements – Continued

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

June 30, 2013			
Description	Level 1	Level 3	Fair Value Measurements
Cash	\$ 484,955	\$ 0	\$ 484,955
Equity Securities	20,010,433	0	20,010,433
Government and Agency Fixed Income	268,590	0	268,590
Money Market	1,274,493	0	1,274,493
Corporate Bonds	9,408,362	0	9,408,362
Other Assets	0	811,089	811,089
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 31,446,833</u>	<u>\$ 811,089</u>	<u>\$ 32,257,922</u>

June 30, 2012			
Description	Level 1	Level 3	Fair Value Measurements
Cash	\$ 876,492	\$ 0	\$ 876,492
Equity Securities	19,683,491	0	19,683,491
Government and Agency Fixed Income	2,298,361	0	2,298,361
Money Market	0	0	0
Corporate Bonds	5,680,838	0	5,680,838
Other Assets	0	851,329	851,329
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 28,539,182</u>	<u>\$ 851,329</u>	<u>\$ 29,390,511</u>

Following is a summary of activity in Level 3 Investments:

Level 3 Investments - June 30, 2012	\$ 851,329
Net Investment Activity	<u>(40,240)</u>
Level 3 Investments - June 30, 2013	<u>\$ 811,089</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 3 – MORTGAGES AND NOTES RECEIVABLE

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

	2013	2012
Loans to Diocesan Organizations at Various Interest Rates and Terms of Repayment	\$ 2,930,039	\$ 1,642,375
Less: Allowance for Uncollectible Loans	<u>1,954,992</u>	<u>1,642,375</u>
Total	<u>\$ 975,047</u>	<u>\$ 0</u>

NOTE 4 – INSURANCE RESERVES

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

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

Accrued reserve liabilities of \$5,776,295 and \$5,126,029 have been established to cover 2013-12 and 2012-11 claims in the various self-insured programs.

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

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 5 – FINANCIAL INSTRUMENTS

Concentrations of Credit Risk

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

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

The Diocese monitors its cash position and deposits money only in institutions with strong financial position and which have been identified as having a top ranking by an independent rating service. Investments at brokerage houses as of June 30, 2013 and 2012 totaled approximately \$31,446,834 and \$28,539,182, respectively. Insurance coverage on these balances varies according to the extent of coverage established by each institution.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 5 – FINANCIAL INSTRUMENTS – Continued

Concentrations of Credit Risk – Continued

Off-Balance Sheet Risks and Guarantees

Loans to parishes and affiliated organizations total \$2,930,039 at June 30, 2013 (\$1,642,375 in 2012). Most of these loans are unsecured. Receivables for insurance programs and other services are uncollateralized. Like the Diocesan loans, the payment of these outstanding balances is dependent upon the financial strength of the borrower/customer.

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

- The Diocese has a \$5,300,000 letter of credit with a local financial institution for security to operate the self-insurance programs for workers' compensation and unemployment insurance.
- The D.W. Barry Foundation is a foundation affiliated with the Roman Catholic Diocese of Syracuse, New York. The Diocese is holding an investment in the Foundation in the amount of \$575,017 (\$627,366 in 2012).
- The Diocese is a guarantor on an installment loan that is directly held by a Diocesan parish. The proceeds of this loan were used to construct a parish ministry center. The loan is payable over a ten year period. The balance of this loan as of June 30, 2013 amounted to \$309,296 (\$398,801 in 2012).

NOTE 6 – RELATED PARTY TRANSACTIONS

Christ the King Retreat House

Christ the King Retreat House owns property and a building used as a retreat facility. The organization is owned 100% by the Roman Catholic Diocese of Syracuse, New York and the investment in the organization is carried in the investment pool utilizing the equity basis of valuation. The entity has a deficit equity position. The investment is carried at a zero value on the books of the Diocese. The total invested in the property has aggregated \$692,000 over the years. Total receivable due from Christ the King Retreat House at June 30, 2013 amounted to \$237,181 (\$400,044 in 2012). During 2013, the Diocese forgave \$185,988 of the outstanding receivable.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 6 – RELATED PARTY TRANSACTIONS – Continued

Syracuse Catholic Press Association, Inc.

Syracuse Catholic Press Association, Inc. is responsible for the publication of the Diocesan newspaper and is separately incorporated with the Diocese as the sole shareholder. Advances of \$46,022 as of June 30, 2013 (\$306,987 in 2012) have been made in prior years to the Syracuse Catholic Press Association, Inc. During 2013, the Diocese forgave \$260,639 of the outstanding advances.

NOTE 7 – LITIGATIONS AND CLAIMS

The Roman Catholic Diocese of Syracuse, New York is currently defending three lawsuits relating to either alleged acts of misconduct or associated investigations. The known aggregate monetary demands associated with the active pending cases are less than one million dollars, although demands have not been made in all the known cases. It is the intent of the Diocese to vigorously defend itself in each individual case. The pending lawsuits remain in various stages of the litigation process and no assessment can be made at this time as to the probable outcomes.

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

NOTE 8 – LEASES

The Diocese leases a vehicle and copy machines under operating leases expiring in various years through November 2016. Future minimum lease payments for 2014 amount to \$21,225; \$15,061 for 2015; and \$4,214 for 2016. Total lease expense for June 30, 2013 and 2012 amounted to \$25,863 and \$17,712, respectively.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

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

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

Participating organizations have a responsibility to contribute to the Plan amounts as may be required to meet minimum funding standards. The Central Administrative Office’s current year’s contribution for all eligible employees totaled \$199,367 (\$193,181 in 2012). In addition, the Central Administrative Office paid \$500,000 in additional contributions in 2013 as a means of reducing the unfunded status of the plan.

Actuarial studies have determined that the plan has an unfunded pension obligation of \$40,900,000 as of June 30, 2013. Each participating organization has been allocated a portion of this obligation based on employment data of individual employees. As of June 30, 2013 the Central Administrative Office’s estimated portion of the overall obligation liability totaled \$3,074,304 (\$1,804,792 in 2012).

Plan Summary

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

- Active and retired participants in the Plan at the end of 2013 totaled 3,319 (3,341 in 2012).
- The Central Administrative Office administers the Plan.
- Benefits are based on years of service and the employee’s compensation during their years of employment.
- The Roman Catholic Diocese of Syracuse, New York and its related affiliates contribute annually 8.5% of employee’s compensation.
- The current year’s contribution for all eligible employees totaled \$2,696,415 (\$2,034,763 in 2012).
- Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.
- In 2013, benefit payments totaled \$2,577,148 (\$2,284,008 in 2012).
- Participation in the plan for new employees has been frozen as of July 1, 2011. New employees are eligible to participate in a Diocesan sponsored 403 (b) plan.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 9 – DIOCESE OF SYRACUSE DEFINED BENEFIT

PENSION PLAN – Continued

The following sets forth the plan's funded status as of June 30, 2013 from the most recent actuarial study, which was prepared for the July 1, 2013 plan year:

Actuarial Present Value Obligations:	
All Future Benefit Obligations	<u>\$ 84,571,975</u>
Actuarial Accrued Obligations	<u>\$ 78,505,342</u>
Plan Assets at Fair Value	<u>\$ 37,593,881</u>
Normal Cost Calculation:	
Unfunded Actual Present Value of Future Benefits	<u>\$ 40,911,461</u>
Average Temporary Annuity Factor	<u>7.7737</u>
Estimated Costs for 2013-2014 Plan Year	<u>\$ 242,032</u>
Covered Payroll	<u>\$ 24,142,836</u>
Normal Cost Calculation	<u>\$ 1,022,438</u>
Rate of Investment Return	<u>7.0%</u>
Rate of Salary Increase	<u>3.0%</u>
Discount Rate	<u>5.0%</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

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

The funded status of the Plan as of June 30, 2013 is as follows:

Change in Unfunded Accrued Liability:	
Projected Unfunded Obligation at the Beginning of the Year	\$ 27,553,488
Normal Cost Amortization	(1,125,389)
Interest Cost	2,014,387
Actuarial (Gain) Loss	12,349,708
Employee Contributions	2,696,415
Benefits Paid	<u>(2,577,148)</u>
Projected Unfunded Obligation at the End of the Year	<u>\$ 40,911,461</u>
Change in Plan Assets	
Fair Value of Plan Assets at the Beginning of the Year	\$ 34,675,693
Actual Gain (Loss) on Plan Assets	3,040,953
Contributions	2,696,415
Expenses	(242,032)
Benefits Paid	<u>(2,577,148)</u>
Fair Value of Plan Assets at the End the Year	<u>\$ 37,593,881</u>

The measurement date for net periodic pension costs and other disclosure items is June 30, 2013.
Components of net periodic pension cost are as follows:

Change in Actuarial Assumptions	\$ 13,085,898
Interest Cost	1,928,744
Amortization of Prior Service Cost	<u>(1,656,669)</u>
Net Periodic Pension Cost	<u>\$ 13,357,973</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

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

Plan assets as of June 30, 2013 were as follows:

Investments at Actuarial Value:	
Defined Benefit Guaranteed Portfolio	\$ 12,782,903
Emerging Markets	2,631,467
International Core Equity	4,135,163
Real Estate Securities	1,879,620
U.S. Core Equity	7,894,402
Short-Term Government	<u>8,270,326</u>
 Total	 <u><u>\$ 37,593,881</u></u>

In 2013 the Plan changed an actuarial assumption that significantly impacted the calculation of the unfunded position. In prior years the availability of assets to satisfy accrued obligations was calculated by using a 7% return on investment. In 2013 the present value of anticipated obligation was calculated using a discount rate of 5%. This change in actuarial assumption resulted in an increase of the Plans unfunded position by approximately \$12,000,000.

The discount rate is representative of the yield on high quality corporate bonds as of June 30, 2013. Mortality rates were determined using the RP-2000 Mortality Table.

OTHER FINANCIAL INFORMATION

SCHEDULE OF UNRESTRICTED PROGRAM AND SUPPORTING EXPENSES

Year Ended June 30, 2013 with Comparative Totals for June 30, 2012

	General Operating
EXPENSES	
Program Services:	
Educational Programs - Catholic Schools Office	\$ 414,658
Educational Programs - Tuition Assistance	530,150
Educational Programs - Religious Education	444,528
Community Service	977,190
Parish Pastoral	659,196
Ministry for Higher Education	381,631
Hospital Ministry	229,576
Family Life, Youth and Young Adult	480,483
Retreat House	43,242
Communications	390,345
Hope Appeal Expenses	122,062
McDevitt Grants	390,560
National Assessments	112,184
Parish Services	127,082
Vicar for Parishes	97,194
	<hr/>
Total Program Services	5,400,081
Supporting Services:	
Administrative and Operational	425,053
Executive Management	611,632
Insurance Programs	0
Development and Fundraising	427,260
Finance	702,768
Building and Grounds	1,046,450
Information Technology	249,071
Human Resources and Benefits	0
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Total Supporting Services	3,462,234
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TOTAL EXPENSES	\$ 8,862,315
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**ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK –
CENTRAL ADMINISTRATIVE OFFICE**

Insurance Programs	Total	
	2013	2012
\$ 0	\$ 414,658	\$ 431,553
0	530,150	490,150
0	444,528	440,610
0	977,190	839,727
0	659,196	618,778
0	381,631	391,759
0	229,576	256,022
0	480,483	345,195
0	43,242	7,394
0	390,345	241,786
0	122,062	315,910
0	390,560	505,613
0	112,184	145,669
0	127,082	103,434
0	97,194	96,165
0	5,400,081	5,229,765
230,328	655,381	1,033,656
0	611,632	899,801
18,839,432	18,839,432	21,494,584
0	427,260	513,681
0	702,768	610,415
0	1,046,450	1,094,052
0	249,071	220,142
353,170	353,170	280,201
19,422,930	22,885,164	26,146,532
\$ 19,422,930	\$ 28,285,245	\$ 31,376,297

See notes to financial statements.