

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

FINANCIAL STATEMENTS

June 30, 2012

Table of Contents

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

INDEPENDENT AUDITORS' REPORT	1
AUDITED FINANCIAL STATEMENTS	3
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF CHANGES IN NET ASSETS	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7
OTHER FINANCIAL INFORMATION	24
SCHEDULE OF UNRESTRICTED PROGRAM AND SUPPORTING EXPENSES	24



Dermody, Burke & Brown, CPAs, LLC

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of the **ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK – CENTRAL ADMINISTRATIVE OFFICE** as of June 30, 2012 and the related statements of activities, changes in net assets and the cash flows for the year then ended. These financial statements are the responsibility of Diocesan management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Roman Catholic Diocese of Syracuse, New York – Central Administrative Office taken as a whole. The accompanying supplemental schedule on pages 24 and 25 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Dermody, Burke & Brown

DERMODY, BURKE & BROWN, CPAs, LLC

Syracuse, New York

October 31, 2012

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

AUDITED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

June 30, 2012

	2012	2011 Restated
ASSETS		
Cash	\$ 702,053	\$ 3,455,897
Accounts Receivable - Net	3,558,382	2,319,313
Unconditional Promises to Give - Net	1,651,437	1,403,090
Mortgages and Notes Receivable - Net	0	131,391
Prepaid Expenses and Other Assets	0	122,993
Due from Affiliated Organizations	706,365	1,114,993
Investments	29,390,511	32,269,250
Property and Equipment, Net of Accumulated Depreciation and Amortization	<u>2,616,489</u>	<u>2,409,671</u>
TOTAL ASSETS	<u><u>\$ 38,625,237</u></u>	<u><u>\$ 43,226,598</u></u>
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 1,749,443	\$ 507,882
Accrued Insurance Claims	4,329,158	7,190,695
Deferred Income	150,837	192,031
Liability for Custodial Accounts	265,818	349,300
Unfunded Pension Obligation	<u>1,804,792</u>	<u>1,961,491</u>
Total Liabilities	8,300,048	10,201,399
NET ASSETS		
Unrestricted	23,072,194	26,096,334
Temporarily Restricted	7,252,995	6,928,865
Permanently Restricted	<u>0</u>	<u>0</u>
Total Net Assets	<u>30,325,189</u>	<u>33,025,199</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 38,625,237</u></u>	<u><u>\$ 43,226,598</u></u>

See notes to financial statements.

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

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

	2012	2011 Restated
REVENUE AND SUPPORT FROM OPERATIONS		
Contributions	\$ 4,755,001	\$ 5,250,782
Insurance Fees	21,848,906	21,528,258
Fees - Other Services	131,668	166,428
Affiliation Fees and Assessments	1,864,179	1,893,708
Insurance Proceeds	1,999,992	0
Foundation Grant Revenue	216,482	0
Other Income	1,398,479	1,211,546
	<u>32,214,707</u>	<u>30,050,722</u>
EXPENSES		
Program Services	4,062,974	4,420,802
Supporting Services	27,442,104	29,252,206
	<u>31,505,078</u>	<u>33,673,008</u>
CHANGE IN NET ASSETS BEFORE INVESTMENT ACTIVITY	709,629	(3,622,286)
REVENUE AND SUPPORT FROM INVESTMENT ACTIVITY		
Dividends and Interest	720,740	1,786,070
Realized Gains	249,514	2,864,791
Unrealized Gains (Losses)	(1,142,661)	1,990,641
	<u>(172,407)</u>	<u>6,641,502</u>
CHANGE IN NET ASSETS BEFORE OTHER INCOME (EXPENSE)	537,222	3,019,216
OTHER INCOME AND EXPENSE		
Unfunded Pension Obligation Adjustment	156,699	139,300
	<u>156,699</u>	<u>139,300</u>
CHANGE IN NET ASSETS	693,921	3,158,516
Net Assets at Beginning of Year	33,025,199	31,441,433
Net Asset Transfer - Related Entities	(3,393,931)	(1,574,750)
	<u>(3,393,931)</u>	<u>(1,574,750)</u>
Net Assets at End of Year	\$ 30,325,189	\$ 33,025,199
	<u>\$ 30,325,189</u>	<u>\$ 33,025,199</u>

See notes to financial statements.

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

STATEMENT OF CHANGES IN NET ASSETS

Year Ended June 30, 2012

	2012	2011 Restated
CHANGES IN UNRESTRICTED NET ASSETS		
Total Revenue and Support	\$ 27,128,367	\$ 32,556,782
Total Operating Expenses	(31,505,078)	(33,673,008)
Investment Activity	(172,042)	0
Net Assets Released from Restrictions	<u>4,761,845</u>	<u>4,475,465</u>
Change in Operating Unrestricted Net Assets	213,092	3,359,239
Other Activity:		
Unfunded Pension Obligation Adjustment	156,699	139,300
Net Asset Transfer - Interfund Net Activity - Related Entities	(3,393,931)	21,054,278
Net Assets Reclassification - Endowment Deficiency	<u>0</u>	<u>916,617</u>
Total Other Activity	(3,237,232)	22,110,195
Unrestricted Net Assets, Beginning of Year	<u>26,096,334</u>	<u>626,900</u>
Unrestricted Net Assets, End of Year	23,072,194	26,096,334
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	4,252,340	4,894,955
Investment Activity - Net	(365)	847,188
Other Income and Assessments	834,000	820,243
Net Assets Released from Restrictions	<u>(4,761,845)</u>	<u>(4,475,465)</u>
Change in Temporarily Restricted Net Assets	324,130	2,086,921
Temporarily Restricted Net Assets, Beginning of Year	6,928,865	7,149,809
Net Assets Transferred to Related Entities	0	(4,100,532)
Net Assets Released - Endowment Deficiency	0	(916,617)
Net Assets Transferred - Interfund Net Activity - Related Entities	0	2,686,795
Net Assets Reclassification - Endowment Principal	<u>0</u>	<u>22,489</u>
Temporarily Restricted Net Assets, End of Year	7,252,995	6,928,865
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Permanently Restricted Net Assets, Beginning of Year	0	11,352,870
Net Assets Transferred to Related Entity	0	(11,330,381)
Net Assets Reclassification - Endowment Principal	<u>0</u>	<u>(22,489)</u>
Permanently Restricted Net Assets, End of Year	<u>0</u>	<u>0</u>
TOTAL NET ASSETS, END OF YEAR	<u><u>\$ 30,325,189</u></u>	<u><u>\$ 33,025,199</u></u>

See notes to financial statements.

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

STATEMENT OF CASH FLOWS

Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 693,921
Adjustments to Reconcile Change in Net Assets to Net Cash Used In Operating Activities:	
Depreciation Expense	328,010
Unrealized Loss on Investments	1,142,661
Bad Debt Expense	205,814
Net Asset Transfer - Interfund Net Activity - Related Entities	(3,393,931)
Loss on Disposal of Building and Equipment	144,502
(Increase) Decrease in Operating Assets:	
Accounts Receivable	(1,475,883)
Pledges Receivable	(217,347)
Prepaid Expenses and Other Assets	122,993
Due from Affiliated Organizations	408,628
Increase (Decrease) in Operating Liabilities:	
Accounts Payable and Insurance Claims	(1,619,976)
Deferred Income	(41,194)
Liability for Custodial Accounts	(83,482)
Unfunded Pension Obligation	<u>(156,699)</u>
 Net Cash Used In Operating Activities	 (3,941,983)

CASH FLOWS FROM INVESTING ACTIVITIES

Building and Equipment Additions	(679,030)
Investments – Net Change	1,736,078
Principal Reduction of Notes and Mortgage Receivables	<u>131,091</u>
 Net Cash Provided By Investing Activities	 <u>1,188,139</u>

Net Change in Cash	(2,753,844)
 Cash, Beginning of Year	 <u>3,455,897</u>
 Cash, End of Year	 <u><u>\$ 702,053</u></u>

See notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 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.

At July 1, 2011 the Diocese created the Foundation of the Roman Catholic Diocese of Syracuse, Inc. As of July 1, 2011 the assets that had been accounted for within the Diocese’s financial statements as permanently restricted endowments and temporarily restricted assets were transferred to the new Foundation and are accounted for within this new Foundation on an ongoing basis. The June 30, 2011 activity and net assets relating to the assets that were transferred to the Foundation have been extracted from the June 30, 2011 financial information presented for comparative purposes.

As of July 1, 2011 the Clerical Fund Society of the Roman Catholic Diocese of Syracuse, Inc. was separated from the Central Administrative Office and will be accounted for as a stand-alone entity. This entity accounts for the retirement, health, welfare and educational benefits of the priests of the Diocese. The June 30, 2011 net activity relating to these funds has been extracted from the Diocese’s June 30, 2011 financial information presented for comparative purposes.

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, 2012.

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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

Reclassification

Certain reclassifications have been made to the 2011 financial statement presentation to correspond to the current year's format.

As previously stated, the June 30, 2011 activity relating to the permanently restricted endowments and temporarily restricted donations have been extracted and moved to the newly created Foundation, The Foundation of the Roman Catholic Diocese of Syracuse, Inc. The net assets that were transferred as of June 30, 2011 amounted to \$4,929,498.

In addition, the June 30, 2011 activity relating to the Clerical Fund, Priest Retirement Home Funds and the General Seminary Fund have been extracted and are now being accounted for in the newly created entity, The Clerical Fund Society of the Roman Catholic Diocese of Syracuse, New York Inc. The net assets deficit position transferred as of June 30, 2011 amounted to \$(15,059,512).

Investments

The Diocese reports investments at fair value with any realized and unrealized gains and losses being reported in the statement of activities. Investments are valued at fair value at June 30, 2012 and 2011. 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. Donor-restricted contributions whose restrictions are met within the same year as received are reflected in the accompanying financial statements as unrestricted contributions.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

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, 2012 and 2011, the allowance for uncollectible pledges was estimated to be \$25,000 and \$56,000, 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 2011-2012 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 \$103,709 and \$103,007 at June 30, 2012 and 2011, respectively.

Unconditional Promises to Give

Pledges outstanding as of June 30 consist of the following:

	2012	2011
Diocesan Hope Appeal	\$ 1,676,437	\$ 1,459,090
Less: Allowance for Uncollectible Pledges	<u>25,000</u>	<u>56,000</u>
Total	<u>\$ 1,651,437</u>	<u>\$ 1,403,090</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, 2012 are payable in 2013. There are no long-term pledges outstanding.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

Accounts Receivable – Net

At June 30, 2012 and 2011, accounts receivable amounted to \$7,749,323 and \$8,020,299, respectively. A summary of these receivables and related allowances for uncollectibility is presented as follows:

	2012	2011
General Receivables	\$ 1,735,896	\$ 2,372,894
Insurance Premiums	<u>6,013,427</u>	<u>5,647,405</u>
Gross Accounts Receivable	7,749,323	8,020,299
Less: Allowance for Uncollectibility	<u>4,190,941</u>	<u>5,700,986</u>
Total Accounts Receivable - Net	<u><u>\$ 3,558,382</u></u>	<u><u>\$ 2,319,313</u></u>

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

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.

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 \$2,000 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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

Land, Buildings and Equipment – Continued

The summary of land, buildings and equipment is as follows:

	2012	2011
Land and Sites for Future Parishes	\$ 387,917	\$ 387,917
Land	350,000	350,000
Furniture and Fixtures	1,108,440	1,301,208
Buildings and Improvements	9,155,900	9,741,835
Equipment	209,754	955,015
Automobiles	<u>165,007</u>	<u>208,368</u>
Total Land, Buildings and Equipment	11,377,018	12,944,343
Less: Accumulated Depreciation	<u>8,760,529</u>	<u>10,534,672</u>
Net Land, Buildings and Equipment	<u>\$ 2,616,489</u>	<u>\$ 2,409,671</u>

Depreciation expense for the years ended June 30, 2012 and 2011 totaled \$328,010 and \$254,215, respectively.

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 statement of financial position and the statement of activities.

Cash Flows

For purposes of the statement 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, 2012 and 2011, there were no cash equivalents included in cash.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

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.

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, 2012 and 2011 was \$193,181 and \$180,186, respectively.

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.

Subsequent Events

Management has evaluated subsequent events through October 31, 2012, which is the date the financial statements were available to be issued.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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, debt security mutual funds and cash equivalents. These investments are subject to market and credit risks due to changes in market conditions and interest rates. Common stock is subject to market value changes associated with publicly held equity securities. Government and corporate debt security investment values will fluctuate due to interest rate changes. The Diocese utilizes the services of outside money managers for the majority of its investments.

Investments by category and net asset class are summarized below:

	Market	
	2012	2011
Cash Equivalents	\$ 876,504	\$ 1,091,760
Equity Securities	19,683,491	18,753,298
Governmental and Corporate Bonds	7,979,187	10,677,019
Mutual Funds	0	913,240
Other Investments	851,329	833,933
Total	<u>\$ 29,390,511</u>	<u>\$ 32,269,250</u>
Unrestricted	<u>\$ 29,390,511</u>	<u>\$ 32,269,250</u>

Net investment activity consists of the following:

	2012	2011
Dividends and Interest	\$ 720,740	\$ 1,786,070
Realized Gains, at Original Cost	249,514	2,864,791
Unrealized Gains (Losses)	<u>(1,142,661)</u>	<u>1,990,641</u>
Total	<u>\$ (172,407)</u>	<u>\$ 6,641,502</u>

Total fees paid to investment managers amounted to \$128,621 and \$279,771 as of June 30, 2012 and 2011, respectively. These fees are included in supporting services on the statement of activities.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 2 – INVESTMENTS – Continued

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. Generally accepted accounting principles establish a hierarchy for inputs used in measuring fair value that maximized the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Diocese. Unobservable inputs are inputs that reflect the Diocese’s assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

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, 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, 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
Index Mutual Funds	0	0	0
Other Assets	0	851,329	851,329
	<u>0</u>	<u>851,329</u>	<u>851,329</u>
Total	\$ 28,539,182	\$ 851,329	\$ 29,390,511

June 30, 2011			
Description	Level 1	Level 3	Fair Value Measurements
Cash	\$ 240,635	\$ 0	\$ 240,635
Equity Securities	18,753,297	0	18,753,297
Government and Agency Fixed Income	5,282,717	0	5,282,717
Money Market	925,895	0	925,895
Corporate Bonds	5,319,533	0	5,319,533
Index Mutual Funds	913,238	0	913,238
Other Assets	0	833,935	833,935
	<u>0</u>	<u>833,935</u>	<u>833,935</u>
Total	\$ 31,435,315	\$ 833,935	\$ 32,269,250

Following is a summary of activity in Level 3 Investments:

Level 3 Investments - June 30, 2011	\$ 833,935
Net Invest Activity	<u>17,394</u>
Level 3 Investments - June 30, 2012	<u>\$ 851,329</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 3 – MORTGAGES AND NOTES RECEIVABLE

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

	2012	2011
Loans to Diocesan Organizations at Various Interest Rates and Terms of Repayment	\$ 1,642,375	\$ 1,803,613
Less: Allowance for Uncollectible Loans	<u>1,642,375</u>	<u>1,672,222</u>
Total	<u><u>\$ 0</u></u>	<u><u>\$ 131,391</u></u>

NOTE 4 – INSURANCE FUNDING

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 liabilities of \$4,329,158 and \$7,190,695 have been established to cover 2012-11 and 2011-10 claims in the various self-insured programs incurred prior to June 30, 2012 and 2011, respectively, but not yet paid.

Reserve estimates for reported claims are determined by evaluation of individual reported claims by the Plan Administrator. No reserve estimates for claims incurred but not reported have been included in the 2012 or 2011 year end accruals or reserve balances. Procedures for establishing the resulting liabilities are periodically reviewed and updated. Any adjustments resulting there from are reflected in current operations.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 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 statement 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. The FDIC insurable limit for interest bearing accounts is \$250,000 per depositor. The insurable limit for non-interest bearing accounts is unlimited coverage through December 31, 2012. From time to time throughout the year bank balances exceeded insurance limits and management considered those circumstances to be a normal business risk. Concentrations of credit risk with respect to tuition receivable are limited due to dispersion among numerous individuals.

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, 2012 and 2011 totaled approximately \$28,539,182 and \$31,435,315, 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, 2012

NOTE 5 – FINANCIAL INSTRUMENTS – Continued

Concentrations of Credit Risk – Continued

Off-Balance Sheet Risks and Guarantees

Loans to parishes and affiliated organizations total \$1,642,375 at June 30, 2012 (\$1,803,613 in 2011). 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 \$627,366 (\$613,298 in 2011).
- 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, 2012 amounted to \$398,801 (\$482,852 in 2011).

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 6 – RELATED PARTY TRANSACTIONS

Heritage Campaign, Inc.

The Development Office of the Roman Catholic Diocese of Syracuse, New York conducted a major capital campaign designated as the Heritage Campaign. Heritage Campaign Inc. is a stand-alone entity created to account for the investment of the resources and the expenditure of funds according to the plan set forth by the Campaign's case statement objectives. The Roman Catholic Diocese of Syracuse, New York owes \$-0- to the Campaign at June 30, 2012 (\$6,803 in 2011) for stock gifts received by the Diocese on behalf of the Heritage Campaign, the proceeds of which will be transferred by the Diocese once the stocks are redeemed.

Joseph O'Keefe, Inc.

Joseph O'Keefe, Inc. was established as a holding company for Catholic Charities properties. The corporation was dissolved in March 2012. The Corporation owned property and a building that it rented to Catholic Charities of Cortland County. The Diocese advanced money to the Corporation to fund the purchase of the property and building. This loan was a ten-year, six percent loan with yearly interest and principal payments of \$11,990, which was paid in full during 2011.

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 total invested in the property has aggregated \$692,000 over the years. Total receivable due from Christ the King Retreat House at June 30, 2012 amounted to \$400,044 (\$283,198 in 2011).

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 \$306,987 as of June 30, 2012 (\$260,639 in 2011) have been made in prior years to the Syracuse Catholic Press Association, Inc.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 aggregate monetary demands associated with the active pending cases is less than one million dollars, although demands have not been made in each case. 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, which is included as part of the designated portion of the Property Self-Insurance net asset balance. 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 three vehicles and copy machines under operating leases expiring in various years through March 2013. Future minimum lease payments in 2013 will \$8,208. Total lease expense for June 30, 2012 and 2011 amounted to \$17,712 and \$25,152, respectively.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 9 – UNFUNDED PENSION LIABILITY

The Diocese of Syracuse Defined Benefit Pension Plan (the Plan) is a church plan which allows participating parishes, schools, cemeteries and other affiliated Diocesan organizations to enroll all eligible lay employees. It is the participating employers' responsibility to contribute to the Plan such amounts as may be required to meet minimum funding standards.

The overall Diocesan Plan is underfunded by approximately \$27,000,000 as more fully disclosed in Note 10. During 2011 the Plan's actuary initiated a study to determine each individual employer's portion of the unfunded position. As of June 30, 2010 the Central Administrative Offices' estimated portion of the overall liability totaled \$2,100,791. This potential obligation has been established as a liability. Changes to the unfunded obligation are accounted for as an adjustment to unrestricted net assets.

A summary of the unfunded pension liability is presented below:

Pension Liability Adjustment

Unfunded Liability (as determined by actuarial study)	\$ 2,100,791
Add: Actuarial Changes	26,301
Less: Contributions for 2011 and 2012	<u>322,300</u>
Unfunded Pension Liability as of June 30, 2012	<u>\$ 1,804,792</u>

To address this situation the Plan has instituted the following changes to be effective in the fiscal year beginning July 1, 2011:

- Participation in the Plan for new employees has been frozen as of the above mentioned effective date. New employees will be eligible to participate in a Diocesan sponsored 403(b) plan.
- The benefit formula for benefits accumulates after July 1, 2011 and will change from 1.5% to 1.0% of annual pay.
- Employer contributions will be increased to 8.5% of eligible wages for the 2012 Plan year. In 2011 the contribution percentage was 8%.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 10 – DIOCESE OF SYRACUSE DEFINED BENEFIT
PENSION PLAN**

The Roman Catholic Diocese of Syracuse, New York has a defined benefit pension plan covering substantially all lay employees in its schools, cemeteries and other related organizations. Active and retired participants in the plan at the end of 2011 amounted to 3,294. 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 \$2,034,763 (\$2,173,822 in 2011). 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. During 2012, benefit payments totaled \$2,284,008 (\$1,976,175 in 2011).

The following sets forth the plan's funded status as of June 30, 2012 from the most recent actuarial study, which was prepared for the July 1, 2011 plan year:

	2012	2011
Actuarial Present Value Obligations:		
All Future Benefit Obligations	<u>\$ 66,297,374</u>	<u>\$ 69,247,365</u>
Actuarial Accrued Obligations	<u>\$ 62,256,990</u>	<u>\$ 60,072,272</u>
Plan Assets at Fair Value	<u>\$ 35,137,183</u>	<u>\$ 30,601,650</u>
Normal Cost Calculation:		
Unfunded Actual Present Value of Future Benefits	<u>\$ 4,040,384</u>	<u>\$ 9,175,093</u>
Average Temporary Annuity Factor	<u>7.921</u>	<u>8.069</u>
Estimated Costs for 2010-2011 Plan Year	<u>\$ 202,691</u>	<u>\$ 203,278</u>
Covered Payroll	<u>\$ 27,310,706</u>	<u>\$ 28,783,207</u>
Normal Cost Calculation	<u>\$ 712,776</u>	<u>\$ 1,340,357</u>
Rate of Investment Return	<u>7.0%</u>	<u>7.0%</u>
Rate of Salary Increase	<u>3.0%</u>	<u>3.0%</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE 10 – DIOCESE OF SYRACUSE DEFINED BENEFIT
PENSION PLAN – Continued**

As of July 1, 2011 the lay pension plan is underfunded by \$27,119,807 (\$29,470,622 in 2010). The Roman Catholic Diocese of Syracuse, New York and the participating related organizations have a responsibility to contribute to the Plan such amounts as may be required to meet minimum funding standards. A proforma statement of financial position of the Roman Catholic Diocese of Syracuse Pension Plan is presented as follows:

	2012	2011
ASSETS		
Investments at Actuarial Value:		
Equity Securities and Mutual Funds	\$ 15,416,336	\$ 13,770,752
General Investments	12,084,575	12,240,645
Fixed Income Funds	<u>7,636,272</u>	<u>4,590,253</u>
 Total Assets	 35,137,183	 30,601,650
LIABILITIES		
 Actuarial Accrued Benefits Payable	 <u>62,256,990</u>	 <u>60,072,272</u>
 UNFUNDED ACTUARIAL OBLIGATIONS	 <u><u>\$ (27,119,807)</u></u>	 <u><u>\$ (29,470,622)</u></u>

OTHER FINANCIAL INFORMATION

SCHEDULE OF UNRESTRICTED PROGRAM AND SUPPORTING EXPENSES

Year Ended June 30, 2012 with Comparative Totals for June 30, 2011

	General Operating
EXPENSES	
Program Services:	
Educational Programs	\$ 1,362,313
Community Service	839,727
Parish Pastoral	618,778
Ministry for Higher Education	391,759
Hospital Ministry	256,022
Family Life, Youth and Young Adult	345,195
Retreat House	7,394
Communications	<u>241,786</u>
Total Program Services	4,062,974
Supporting Services:	
Administrative and Operational	1,378,924
Executive Management	899,801
Insurance Programs	0
Development and Fundraising	829,591
McDevitt Grants	505,613
Finance	640,262
Building and Grounds	1,094,052
Information Technology	220,142
Human Resources and Benefits	<u>280,201</u>
Total Supporting Services	<u>5,848,586</u>
TOTAL EXPENSES	<u><u>\$ 9,911,560</u></u>

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

Insurance Programs	Investment Programs	Total	
		2012	2011 Restated
\$ 0	\$ 0	\$ 1,362,313	\$ 1,604,897
0	0	839,727	896,966
0	0	618,778	626,896
0	0	391,759	398,440
0	0	256,022	261,648
0	0	345,195	340,987
0	0	7,394	64,772
0	0	241,786	226,196
0	0	4,062,974	4,420,802
0	0	1,378,924	936,155
0	0	899,801	701,919
21,494,584	0	21,494,584	21,342,497
0	0	829,591	583,692
0	0	505,613	702,456
0	98,934	739,196	3,428,609
0	0	1,094,052	1,096,308
0	0	220,142	163,164
0	0	280,201	297,406
21,494,584	98,934	27,442,104	29,252,206
\$ 21,494,584	\$ 98,934	\$ 31,505,078	\$ 33,673,008

See notes to financial statements.