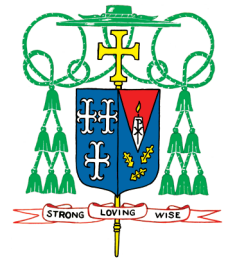


Combined Financial Statements and
Other Financial Information
Central Administration Funds and
Diocesan Cemetery Operations within
The Diocese of Providence
June 30, 2015 and 2014



Dear Brothers and Sisters of the Diocese of Providence:

The annual independent audit of the Central Administration Funds and Catholic Cemetery Operations with the Diocese of Providence by the firm of Mayer Hoffman McCann, P.C. has been completed. I am pleased to report that the opinion offered concluded with a judgment that all information was stated fairly in all material respects. Their conclusion was to issue a "clean" or "unmodified" report on these activities. These results were presented to the Diocesan Audit Advisory Committee and to the Diocesan Finance Council in December and were accepted by these groups. A full copy of this report is available on our diocesan website (<http://www.dioceseofprovidence.org>).

A review of the report for fiscal year 2014-2015 will show, that as I have often stated, our diocese is meeting its day to day financial obligations. There are some points of fiscal concern, however. The annual report shows that there was a slight decline in overall income during this time period. The most obvious reason for this would be a noted drop in the income from the prior year annual Catholic Charity Appeal. It has become a struggle to maintain the donor base of this fundraising effort and with each passing year, despite serious efforts, it has been a continuing challenge to raise the funds needed for our works of charity. Yet, the Catholic Charity Appeal is the most important fundraising activity we do on an annual basis for our ministries. We will continue working to improve it.

The report notes some increases in our program expenditures and an increase to our annual allotment for depreciation. This increase reflects in part some of the construction projects that were completed during the 2014-2015 fiscal year. Our long term investments followed the downward trend evidenced in the stock market, although for the most part, our investment managers met or exceeded their investment benchmarks.

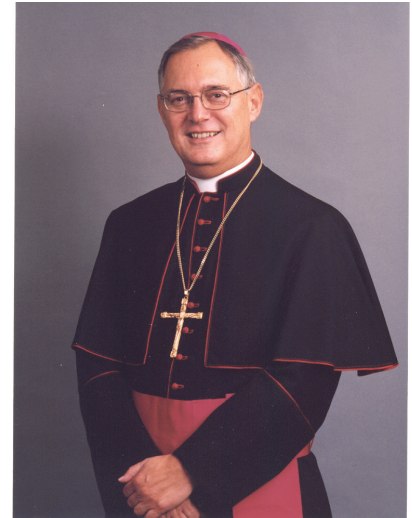
The fiscal year examined in the report saw the completion of a major project for our diocese in the complete renovation of the McVinney Auditorium. Those familiar with our Chancery will recall that this facility is set in the center of our administration complex. It was a challenging project that included several unforeseen construction difficulties. However, the restoration effort has provided us with a beautiful and versatile performance and gathering space that will be a wonderful asset for our diocese and the local community.

As we look forward we know that there will be both financial challenges and opportunities for our parish and school communities. Together we will do our best to meet these situations and to work through them as a diocesan family to position our local church for its future. With both faith and joy we can embrace God's work and be a beacon to our world of His mercy.

Thank you for your continued and generous support and may God bless you and your families.

Sincerely yours,

Thomas J. Tobin
Bishop of Providence



DIOCESAN FINANCE COUNCIL MEMBERS

Most Rev. Thomas J. Tobin, D.D.	Very Rev. Robert P. Perron
Most Rev. Robert C. Evans, D.D., J.C.L.	Mrs. Virginia Roberts
Rev. Msgr. Raymond B. Bastia	Mrs. Margaret Ruggieri
Mr. Glenn M. Creamer	Sr. Dorothy Schwarz, SSD
The Honorable Lauren A. D'Ambra	Mrs. Patricia Smolley
Rev. Roger C. Gagne	Rev. Msgr. Paul D. Theroux
Mr. Almon C. Hall	Mr. William K. Wray
Rev. Msgr. Albert A. Kenney	Mr. Michael F. Sabatino (Staff)

Independent Auditors' Report

The Most Reverend Thomas J. Tobin
Bishop of Providence

We have audited the accompanying combined financial statements of the Central Administration Funds and Diocesan Cemetery Operations within the Diocese of Providence (the "Funds"), which comprise the combined statements of financial position as of June 30, 2015 and 2014, and the related combined statements of activities, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Central Administration Funds and Diocesan Cemetery Operations within the Diocese of Providence as of June 30, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

November 18, 2015
Providence, Rhode Island

Maya Hoffman McCann P.C.

CENTRAL ADMINISTRATION FUNDS AND DIOCESAN CEMETERY OPERATIONS WITHIN THE DIOCESE OF PROVIDENCE

Combined Statements of Financial Position

		<i>June 30,</i>			
		<i>2015</i>	<i>2014</i>	<i>June 30,</i>	<i>2014</i>
				<i>2015</i>	<i>2014</i>
Assets					
Cash and cash equivalents	\$	7,379,859	\$ 7,192,563		
Cash and cash equivalents designated or restricted for long-term purposes		1,696,905	1,118,185		
Accounts and interest receivable, net		1,608,156	1,727,398		
Pledges receivable, net		2,365,657	2,880,096		
Loans receivable from parishes and others, net		12,639,122	12,003,227		
Investments		157,753,988	156,424,507		
Beneficial interest in perpetual trusts		4,379,838	4,615,853		
Land and buildings held for interments		1,413,516	1,444,344		
Land, buildings and equipment, net		12,055,593	9,844,731		
Other assets designated or restricted for long-term purposes		1,006,965	1,173,055		
Total assets		\$ 202,299,599	\$198,423,959		
Liabilities and Net Assets					
Line of credit	\$	2,593,692	\$ 3,511,692		
Accounts payable		2,453,188	1,002,166		
Accrued expenses and other liabilities		5,960,219	5,190,644		
Deferred income		867,164	954,114		
Institutional deposits		5,492,378	5,231,621		
Installment loans - equipment		231,163	321,052		
Loans payable to perpetual care endowment		441,294	578,124		
Deposits payable to parishes and agencies		34,017,908	31,082,723		
Total liabilities		52,057,006	47,872,136		
Contingencies (Note 11)					
Net assets					
Unrestricted:					
Internally designated for:					
Insurance		30,163,550	27,997,698		
Modernization and support		4,207,969	4,564,451		
Unrestricted		17,157,688	17,192,049		
Total unrestricted		51,529,207	49,754,198		
Temporarily restricted		37,714,157	41,949,491		
Permanently restricted		60,999,229	58,848,134		
Total net assets		150,242,593	150,551,823		
Total liabilities and net assets		\$ 202,299,599	\$198,423,959		

See accompanying notes to the combined financial statements.

**CENTRAL ADMINISTRATION FUNDS AND DIOCESAN CEMETERY
OPERATIONS WITHIN THE DIOCESE OF PROVIDENCE**

Combined Statements of Activities and Changes in Net Assets

	Year Ended June 30, 2015				Year Ended June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues								
Interest and dividend income	\$ 1,216,916	\$ 736,733	\$ —	\$ 1,953,649	\$ 1,249,260	\$ 647,432	\$ —	\$ 1,896,692
Gifts and bequests	16,780	21,046	—	37,826	112,424	46,860	—	159,284
Trust income	17,222	208,056	—	225,278	15,797	207,415	—	223,212
Realized gains on investments, net	1,830,937	3,742,700	—	5,573,637	1,728,179	3,751,119	—	5,479,298
Parish assessment	3,166,565	—	—	3,166,565	3,154,255	—	—	3,154,255
Risk management premiums (Note 2)	21,193,994	—	—	21,193,994	21,394,867	—	—	21,394,867
Agency administrative assessment	281,796	—	—	281,796	281,400	—	—	281,400
Major seminarian program	183,834	—	—	183,834	167,386	—	—	167,386
Program support receipts	25,852	257,253	—	283,105	93,648	280,604	—	374,252
Mission receipts	—	129,606	—	129,606	—	133,341	—	133,341
Human development collection	—	27,500	—	27,500	—	30,558	—	30,558
Communications collection	59,229	—	—	59,229	51,898	—	—	51,898
Program grants/contracts	—	6,000	—	6,000	—	6,000	—	6,000
Catholic Charity Fund Appeal	—	7,782,536	—	7,782,536	—	7,896,042	—	7,896,042
Lumen Gentium fundraising	140,718	—	—	140,718	128,107	—	—	128,107
Diocesan cemeteries	5,813,482	—	—	5,813,482	5,628,526	—	—	5,628,526
Rental, lease and other income	388,668	3,152	—	391,820	533,375	1,981	—	535,356
	<u>34,335,993</u>	<u>12,914,582</u>	<u>—</u>	<u>47,250,575</u>	<u>34,539,122</u>	<u>13,001,352</u>	<u>—</u>	<u>47,540,474</u>
Net assets released from restrictions	13,541,455	(13,541,455)	—	—	13,706,182	(13,706,182)	—	—
Total operating revenues, gains (losses) and other support	<u>47,877,448</u>	<u>(626,873)</u>	<u>—</u>	<u>47,250,575</u>	<u>48,245,304</u>	<u>(704,830)</u>	<u>—</u>	<u>47,540,474</u>
Program expenses								
Communications and telecommunications	\$ 380,514	\$ —	\$ —	\$ 380,514	\$ 364,955	\$ —	\$ —	\$ 364,955
The Tribunal	291,648	—	—	291,648	287,486	—	—	287,486
Rhode Island Catholic	541,246	—	—	541,246	533,422	—	—	533,422
Director of Religious	67,737	—	—	67,737	56,924	—	—	56,924
Priest Council	525	—	—	525	550	—	—	550
Spiritual Development	21,230	—	—	21,230	29,766	—	—	29,766
Youth Ministry	533,889	—	—	533,889	638,416	—	—	638,416
Multicultural Ministry	166,429	—	—	166,429	166,082	—	—	166,082
Christian Education	1,164,496	—	—	1,164,496	1,143,724	—	—	1,143,724
Campus Ministry	233,905	—	—	233,905	305,197	—	—	305,197
Apostolate for the Handicapped	147,348	—	—	147,348	164,983	—	—	164,983
Diocesan Schools	732,050	—	—	732,050	854,853	—	—	854,853
Community Services and Advocacy	1,205,476	—	—	1,205,476	1,140,354	—	—	1,140,354
Advocacy and Emergency Shelter	157,847	—	—	157,847	177,585	—	—	177,585
Life and Family Ministry	360,464	—	—	360,464	405,778	—	—	405,778
St. Antoine Residence	75,000	—	—	75,000	75,000	—	—	75,000
St. Clare's Home	50,000	—	—	50,000	50,000	—	—	50,000
Ministries and Clergy Personnel	773,973	—	—	773,973	766,806	—	—	766,806
Parish Share Support	236,028	—	—	236,028	237,707	—	—	237,707
Grants:								
National Grants	169,653	—	—	169,653	172,093	—	—	172,093
Diocesan Grants	1,229,293	—	—	1,229,293	1,253,609	—	—	1,253,609
Vision of Hope:								
Program services	513,868	—	—	513,868	298,783	—	—	298,783
Capital needs	—	—	—	—	307,656	—	—	307,656
Mission support	15,633	—	—	15,633	15,619	—	—	15,619
Contributions and gifts	93,952	—	—	93,952	86,557	—	—	86,557
Restricted funds expended	3,656,127	—	—	3,656,127	3,870,155	—	—	3,870,155
Seminarian Support	942,941	—	—	942,941	899,113	—	—	899,113
Insurance and risk management (Note 2)	18,183,815	—	—	18,183,815	18,746,333	—	—	18,746,333
Inter-Parish Loan Program interest	880,259	—	—	880,259	862,572	—	—	862,572
Diocesan Cemeteries	6,334,076	—	—	6,334,076	5,383,036	—	—	5,383,036
	<u>39,159,422</u>	<u>—</u>	<u>—</u>	<u>39,159,422</u>	<u>39,295,114</u>	<u>—</u>	<u>—</u>	<u>39,295,114</u>
General and administrative expenses								
Financial affairs	133,928	—	—	133,928	162,804	—	—	162,804
Provision for uncollectible receivables	383,601	—	—	383,601	678,236	—	—	678,236
Administration	1,449,201	—	—	1,449,201	1,457,375	—	—	1,457,375
Support services	2,038,924	—	—	2,038,924	1,886,277	—	—	1,886,277
Property expenses	546,565	—	—	546,565	568,333	—	—	568,333
Depreciation	954,929	—	—	954,929	822,652	—	—	822,652
Interest	74,455	—	—	74,455	87,209	—	—	87,209
	<u>5,581,603</u>	<u>—</u>	<u>—</u>	<u>5,581,603</u>	<u>5,662,886</u>	<u>—</u>	<u>—</u>	<u>5,662,886</u>
Fundraising expenses								
Catholic Charity Fund Appeal	929,462	—	—	929,462	754,225	—	—	754,225
Anchor of Hope - Schools	77,301	—	—	77,301	17,372	—	—	17,372
Increased giving program	111,271	—	—	111,271	13,351	—	—	13,351
Lumen Gentium	58,618	—	—	58,618	52,216	—	—	52,216
Total fundraising expenses	<u>1,176,652</u>	<u>—</u>	<u>—</u>	<u>1,176,652</u>	<u>837,164</u>	<u>—</u>	<u>—</u>	<u>837,164</u>
Total expenses	<u>45,917,677</u>	<u>—</u>	<u>—</u>	<u>45,917,677</u>	<u>45,795,164</u>	<u>—</u>	<u>—</u>	<u>45,795,164</u>

See accompanying notes to the combined financial statements.

(continued on next page)

**CENTRAL ADMINISTRATION FUNDS AND DIOCESAN CEMETERY
OPERATIONS WITHIN THE DIOCESE OF PROVIDENCE**

Combined Statements of Activities and Changes in Net Assets (continued)

	Year Ended June 30, 2015				Year Ended June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Excess (deficiency) of revenues over expenses before capital additions and other income (expense)	1,959,771	(626,873)	—	1,332,898	2,450,140	(704,830)	—	1,745,310
Capital additions and other income (expense)								
Endowment gifts and bequests	6,948	1,342,597	1,713,156	3,062,701	14,862	1,446,213	2,339,075	3,800,150
Shepherds of Hope campaign	—	—	570,173	570,173	—	—	589,266	589,266
Beneficial interest in perpetual trusts	—	—	(236,015)	(236,015)	—	—	370,145	370,145
Transfers from Perpetual Care Fund	419,901	—	—	419,901	611,420	—	—	611,420
Transfers to (from)	(100,000)	(3,781)	103,781	—	123,618	(158,645)	35,027	—
Gain on sale of property	1,748,535	—	—	1,748,535	1,893	—	—	1,893
Unrealized gain (loss) on investments	(2,260,146)	(4,947,277)	—	(7,207,423)	2,879,868	6,924,938	—	9,804,806
Total capital additions and other income (expense)	(184,762)	(3,608,461)	2,151,095	(1,642,128)	3,631,661	8,212,506	3,333,513	15,177,680
Increase (decrease) in net assets	1,775,009	(4,235,334)	2,151,095	(309,230)	6,081,801	7,507,676	3,333,513	16,922,990
Net assets, beginning of year	49,754,198	41,949,491	58,848,134	150,551,823	43,672,397	34,441,815	55,514,621	133,628,833
Net assets, end of year	\$ 51,529,207	\$ 37,714,157	\$ 60,999,229	\$ 150,242,593	\$ 49,754,198	\$ 41,949,491	\$ 58,848,134	\$ 150,551,823

See accompanying notes to the combined financial statements.

**CENTRAL ADMINISTRATION FUNDS AND DIOCESAN CEMETERY
OPERATIONS WITHIN THE DIOCESE OF PROVIDENCE**

Combined Statements of Cash Flows

		Years Ended June 30, 2015	2014			Years Ended June 30, 2015	2014
Cash flows from operating activities:				Proceeds from sales of investments		765,105	2,333,841
Increase (decrease) in net assets	\$ (309,230)	\$ 16,922,990		Plant acquisitions/improvements		(3,246,159)	(1,792,915)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:				Proceeds from sale of property		388,903	40,035
Depreciation	954,929	822,652		Loans disbursed to parishes and agencies		(869,000)	(215,997)
Realized gains on investments	(5,573,637)	(5,479,298)		Principal repayments on loans receivable from parishes and agencies		1,673,105	2,635,444
Unrealized (gains) losses on investments	7,207,423	(9,804,806)		Net cash used in investing activities		(5,016,418)	(3,324,261)
Change in beneficial interest in perpetual trusts	236,015	(370,145)		Cash flows from financing activities:			
Provisions for uncollectible accounts	383,601	678,236		Permanently and temporarily restricted endowment gifts and bequests		3,055,753	3,785,288
Gain on sale of property	(1,748,535)	(1,893)		Loan borrowings from parishes and agencies		6,719,889	5,880,131
Permanently and temporarily restricted endowment gifts and bequests	(3,055,753)	(3,785,288)		Loan repayments to parishes and agencies		(3,784,704)	(5,882,358)
Changes in:				Loan repayments to the perpetual care endowment		(136,830)	(345,498)
Designated or restricted cash	(578,720)	423,264		Net borrowings on installment loans - equipment		(89,889)	(123,621)
Interest and accounts receivable	21,548	(7,894)		Net repayments on line of credit		(918,000)	(100,000)
Pledges receivable	228,532	(28,447)		Net cash provided by financing activities		4,846,219	3,213,942
Land held for interments and development	30,828	(198,969)		Net increase (decrease) in cash and cash equivalents		187,296	(391,361)
Other assets	166,090	(115,020)		Cash and cash equivalents, beginning of year		7,192,563	7,583,924
Accounts payable	1,451,022	218,411		Cash and cash equivalents, end of year		\$ 7,379,859	\$ 7,192,563
Accrued expenses and other liabilities, deferred income and institutional deposits	943,382	445,165		Supplemental disclosure of cash flows information:			
Net cash provided by (used in) operating activities	357,495	(281,042)		Cash payments of interest		\$ 954,714	\$ 949,781
Cash flows from investing activities:				Accounts payable for land, buildings and equipment		\$ —	\$ 156,482
Purchase of investments	(3,728,372)	(6,324,669)					

See accompanying notes to the combined financial statements.

CENTRAL ADMINISTRATION FUNDS AND DIOCESAN CEMETERY OPERATIONS WITHIN THE DIOCESE OF PROVIDENCE

Notes to Combined Financial Statements

Note 1 – Description and Basis of Financial Statements Presentation

The accompanying combined financial statements of the Central Administration Funds and Diocesan Cemetery Operations within the Diocese of Providence (the “Funds”) include the following corporations: Diocesan Administration Corporation (DAC) (General Fund); the Catholic Charity Fund (CCF); the Catholic Foundation of Rhode Island (the Foundation); the Catholic Cemeteries (the Cemeteries); the Seminary of Our Lady of Providence (Seminary); the Inter-Parish Loan Fund, Inc. (Deposit and Loan Fund); the Vision of Hope Fund, Inc. (VOH), Roman Catholic Bishop of Providence (RCB), a corporation sole; Parish Investment Group (Parish Investment); DiMed Corp.; Financial Aid for Catholic Education of RI (F.A.C.E. of Rhode Island); Diocesan Service Corporation (DSC); Diocesan Plant Fund and Shepherds of Hope, Inc. All significant inter-fund balances and transactions have been eliminated in combination.

The Diocese of Providence (the “Diocese”) is a canonical organization and consists of over 250 separate corporations through which the Roman Catholic Church (the “Church”) conducts a portion of its temporal affairs in Rhode Island. The corporations included in these combined financial statements are those organizations that, in addition to carrying out a portion of the mission of the Church in this Diocese, provide fundraising and general and administrative support to other organizations. The combined financial statements are not the general purpose financial statements of the 250 separate corporations of the Diocese of Providence and do not reflect nor include information relating to the other corporations included in the Diocese of Providence, such as parish corporations, institutions, and entities through which various other agencies of the Church carry on their temporal affairs.

Note 2 – Summary of Significant Accounting Policies

Financial Statement Presentation

The accompanying combined financial statements are presented on the accrual basis of accounting and have been prepared to focus on the Funds as a whole and to present balances and transactions according to the existence or absence of donor imposed restrictions. Accordingly, net assets of the Funds and changes therein are classified and reported as follows:

- Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Funds to use, or expend, part or all of the income derived from the donated assets for either specified or unspecified purposes. Unexpended appreciation of permanently restricted net assets is included in temporarily restricted net assets.
- Temporarily restricted net assets contain donor-imposed restrictions that permit the Funds to use, or expend, the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Funds.
- Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired. As reflected in the accompanying combined statements of financial position, the Funds’ Advisory Board has designated the unrestricted net assets of certain funds for insurance programs and for modernization and support. The Self Insurance and Workers’ Compensation Self Insurance Funds are designated for insurance deductibles and claims not covered by insurance policies, DiMed Corp. is designated and internally restricted for the operation of group healthcare programs for the various parishes and institutions (these three funds constitute the Insurance Funds). The Modernization and Support Fund has been designated for the purposes of supporting the capital and contingent needs of DAC.

Measure of Operations

The Funds include, in their definition of operations, all revenues and expenses that are an integral part of their programs and supporting activities. Endowment gifts and bequests, beneficial interests in perpetual trusts, unrealized gains and losses, transfers to lay retirement plan, perpetual care fund and priest benefit fund, gain on sale of property, capital additions and certain other income and expense items are not included in operating income.

Revenue Recognition

Unconditional promises to give cash and other assets to the Funds are reported at their fair value at the date the promise is verifiably committed. Conditional promises to give and indications of intentions to give are reported at their fair value at the date the actual gift is received or the conditional promise becomes unconditional. Gifts are reported as either temporarily or permanently restricted 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 as unrestricted net assets and reported in the combined statements of activities and changes in net assets as net assets released from restrictions.

Contributions to be received after one year, which principally relate to the Shepherds of Hope Appeal, are discounted at a risk adjusted rate (ranging from 1.68% to 2.36%) commensurate with the time involved, which is considered a Level 2 fair value input. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. Allowance is made for uncollectible contributions based upon management’s judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

Catholic Charity Fund Appeal

The annual appeal of the CCF starts during the Lenten season and concludes at the end of the fiscal year. The appeal provides support for various programs and agencies. Accordingly, the funds are accounted for as temporarily restricted given the time restriction. Certain of these gifts are further restricted by the donor. Pledges are recorded as revenue when the pledge is made, and allowances are provided for amounts estimated to be uncollectible. Funds from the prior year used in the current year are reflected as net assets released from restrictions in the combined statements of activities and changes in net assets.

Diocesan Cemeteries

Sales of graves and crypts are recorded when interment agreements are signed. The cost of graves and crypts is expensed when the sales are recognized.

Parish and Agency Support

The DAC, CCF and VOH provide support to various Diocesan parishes, programs and agencies. The expenditures related to support are recognized at the time the subsidies are provided. To support such programs, the parishes and agencies of the Diocese are assessed annual fees and the parishes and agencies that participate in the insurance programs sponsored by the Funds are charged risk management premiums. The risk management premiums charged by the Funds to participating parishes and agencies are principally the result of the Funds implementing a self-funded medical program, in an effort to control rising medical costs, whereby all premiums are earned by the Funds rather than earned by an outside insurer. Such amounts totaled approximately \$15.7 million for fiscal 2015 and \$15.8 million in fiscal 2014, respectively, and are included in Risk Management Premiums on the combined statements of activities and changes in net assets, which also included property insurance and workers’ compensation premiums. The related expenses associated with running this self funded medical program were approximately \$13.4 million and \$14.4 million in fiscal 2015 and 2014, respectively, and are included in insurance and risk management expense on the combined statements of activities and changes in net assets. These fees and premiums are recognized as revenue at the time they are earned. Medical premium fees received in advance are recorded as deferred revenue until they are earned. Program fees represent monies collected by the Funds for programs and seminars that they provide. Rental income represents charges to Diocesan parishes and agencies for the use of property and buildings that are owned by the Funds.

Functional Allocation of Expenses

The costs of providing various programs and other activities of the Funds have been summarized on a functional basis in the combined statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash and Cash Equivalents

Cash equivalents represent short-term, highly-liquid investments with original maturities of three months or less from the date of purchase. Cash and cash equivalents designated and restricted for long-term purposes represent cash that, due to donor-imposed restrictions or Advisory Board designation, is not available for current use. Cash and cash equivalents held by investment managers are considered part of investments.

Note 2 – Summary of Significant Accounting Policies (Continued)

The Funds maintain their cash and cash equivalents in various financial institutions in accounts, which at times may exceed federally insured limits. Management monitors the risks associated with these accounts and the Funds have not experienced any losses in such accounts.

Allowance and Provision for Uncollectible Receivables

The allowance for uncollectible interest and accounts receivables and loans receivable represents amounts available for credit losses. The allowance for uncollectible receivables and the related provision for uncollectible receivables reflect the Funds' ongoing review of their receivables for principal and interest on loans to parishes and agencies and amounts receivable from parishes and agencies for the various agency support assessments and the evaluation of their potential problem accounts. Receivables are charged off once they are deemed uncollectible, with consideration given to such factors as the financial condition of the parish or institution, current delinquency, and underlying collateral.

The Funds discontinue the accrual of interest on parish loans when collection of principal and interest is considered to be doubtful. Interest income on nonaccrual loans is recognized only to the extent payments are received.

Pledges receivable represent unconditional promises to give, which are expected to be collected within one year. The allowance for uncollectible pledges receivable and the related provision reflect the Funds' estimation of the net realizable value of pledges receivable from the annual CCF Appeal based on historical experience. Receivables are charged off once they are deemed uncollectible.

Investments

Investments are carried at fair value. Fair value is determined as per the fair value policies described later in this section.

Dividends, interest and net gains on investments are reported as increases in permanently restricted net assets, if the terms of the underlying gift required that they be added to the principal of a permanent endowment fund, or as increases in temporarily restricted net assets, if the terms of the underlying gift or relevant state law impose restrictions on the use of the income or net gains, unless the restriction is released in the same accounting period as the appreciation is earned. If the restriction is released in the same accounting period, the appreciation is recognized as unrestricted. Income and net gains on board-designated and other funds are reported as an increase in unrestricted net assets.

Investment managers may utilize hedging strategies, invest in securities denominated in foreign currencies, or invest in options, futures, forward contracts, short sales or other financial instruments whose value and performance are derived, at least in part, from the performance of an underlying asset or index and the creditworthiness of the counterparty to the transactions. At any point during the year, the Funds may have exposure to derivatives primarily through limited liability vehicles.

The Funds' investments are pooled to facilitate their management. Investment income is allocated among unrestricted, temporarily restricted and permanently restricted net assets, based on donor restrictions or the absence thereof, using the market value unit method. Investment income, including net realized gains and losses, is recognized as operating revenue. Net unrealized gains and losses are recorded as other income.

Beneficial Interest in Perpetual Trusts

Beneficial interest in perpetual trusts represents donations of irrevocable perpetual trusts where the Funds are the sole beneficiary of the trust income. Under these agreements, the Funds are not the trustee and they do not exercise control over the related assets. The Funds record the trusts as an asset, based on the fair value of the underlying assets of the trust (see Note 6). Trust income (loss) is recorded as temporarily restricted income (loss) in the period it is earned.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost at date of acquisition or fair value at the date of donation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. Assets that are owned by RCB but used by other Diocesan organizations are recorded on the books of the other organizations. Assets no longer used by other organizations are recorded as a capital property addition to RCB, of which there were none during the years ended June 30, 2015 and 2014.

Institutional Deposits

Institutional deposits include assets of parishes and agencies which are in excess of short-term operating needs and are invested for longer term appreciation in various managed equity and fixed income pools of the Parish Investment Group. Additionally, institutional deposits include noninterest bearing amounts collected by the Funds that are due to third parties.

Split-Interest Agreements

The Funds have received interests in split-interest agreements from donors consisting of irrevocable charitable gift annuities held and administered by the Catholic Foundation of Rhode Island whereby the Foundation is obligated to make specified payments to the donors and other beneficiaries over the agreements' term. The present value of the estimated future distributions to beneficiaries from these annuity agreements is recorded as a liability as of the dates the agreements are established. The difference between the assets received and the liability for beneficiary payments is recognized as contribution revenue as of the dates the agreements are established. The liability is adjusted as distributions are made and for changes in the present value of estimated future distributions using various discount rates based on the beneficiary life expectancies and other actuarial assumptions. The initially recorded fair value of the donated assets are determined based on the underlying nature of the assets received which have generally represented Level 1 measurements while the initial measurements of the related obligations are Level 2 measurements. The Funds have recorded a split-interest agreements liability of approximately \$917,000 and \$871,000 for the years ended June 30, 2015 and 2014, respectively, which is included in accrued expenses and other liabilities in the combined statements of financial position.

Income Taxes

Each of the corporations included in the combined financial statements is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from Federal and state taxes on related income. Accordingly, no provision for income taxes is made in the combined financial statements.

Uncertain Tax Positions

The Funds account for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. The Funds have identified their tax status as a tax exempt entity as their only significant tax position; however, the Funds have determined that such tax position does not result in an uncertainty requiring recognition. The Funds are not currently under examination by any taxing jurisdiction.

Fair Value Measurements

The Funds report certain types of financial instruments at fair value on a recurring and nonrecurring basis depending on the underlying accounting policy for the particular instrument. Recurring fair value measurements include the Funds' investment accounts, beneficial interests in perpetual trusts, equity investment in the Catholic Umbrella Pool and cash surrender value of life insurance policies. Nonrecurring measurements include pledges receivable and split-interest agreement obligations. Fair value standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, the Funds report certain investments using net asset value per share as determined by investment managers under the so called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require the Funds to classify recurring fair values of financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock-up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include listed equity and debt securities publicly traded on a stock exchange.

Note 2 – Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Level 2 includes investments reported at the net asset value per share with lock-up periods of 90 days or less.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Level 3 includes investments reported at the net asset value per share with lock-up periods in excess of 90 days.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these consolidated financial statements. For more information on the fair value of the Funds' financial instruments, see Note 5 - Fair Value and Investments.

Use of Estimates

The preparation of the combined 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 amounts reported in the combined financial statements and accompanying notes. Significant estimates made by management include the allowance for losses on interest and accounts receivable, loans receivable, and pledges receivable, fair value of certain investments, useful lives of depreciable assets, satisfaction of donor restrictions, valuations of interests in and obligations under split interest agreements and contingencies and the allocation of common expenses over program functions. Actual results could differ from these estimates.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

Subsequent Events

The Funds have evaluated subsequent events through November 18, 2015, the date that the combined financial statements were available to be issued.

Note 3 – Deposit and Loan Program

The Funds include the Deposit and Loan Fund. This corporation (1) receives money deposited from parishes and institutions with excess funds, and (2) loans monies to parishes and institutions for capital improvements and other needs. The loans receivable are demand notes and generally carry an interest rate of 4.5% as of June 30, 2015 and 2014, unless otherwise authorized by the Funds. Loans receivable, net, totaled \$12,639,122 and \$12,003,227 as of June 30, 2015 and 2014, respectively. Loans receivable are either unsecured or secured by certain assets of the respective parish or institution. In addition, some of the loans are secured by campaign pledges for capital renovation projects at the particular parishes. Any undistributed loan proceeds are invested in vehicles such as government securities, commercial paper, money market funds and securities in the Catholic Investment Trust, Inc. (see Note 5). Deposits are generally repayable upon demand and carry an interest rate of 2.5% at June 30, 2015 and 2014, respectively. Deposits totaled \$34,017,908 and \$31,082,723 as of June 30, 2015 and 2014, respectively.

Loans payable to Perpetual Care Endowment represent funds borrowed by the Cemeteries from the Perpetual Care Endowment Fund (see Note 8).

Note 4 – Allowance for Losses

An analysis of the allowance for losses is as follows:

	<i>Accounts and Interest Receivable</i>	<i>Pledges Receivable</i>	<i>Parish Loans Receivable</i>
2015			
Balance at beginning of year	\$ 3,258,028	\$ 381,568	\$ 3,450,000
Provision for losses	97,694	285,907	—
Charge-offs, net	(219,694)	(306,960)	—
Balance at end of year	<u>\$ 3,136,028</u>	<u>\$ 360,515</u>	<u>\$3,450,000</u>
2014			
Balance at beginning of year	\$ 3,295,999	\$ 368,389	\$ 3,250,000
Provision for losses	124,930	353,306	200,000
Charge-offs, net	(162,901)	(340,127)	—
Balance at end of year	<u>\$ 3,258,028</u>	<u>\$ 381,568</u>	<u>\$ 3,450,000</u>

At June 30, 2015 and 2014, the Funds had parish (and institution) loans receivable totaling \$16,089,122 and \$15,453,227, respectively, of which approximately \$1,032,000 and \$1,103,000 were considered impaired at June 30, 2015 and 2014, respectively, under the principles of accounting for certain investments in debt and equity securities, and interest is not being accrued on such loans. Such impaired loans do not include loans for which sufficient collateral exists. The allowance for loan losses, related to impaired loans and other potential loan exposures, was \$3,450,000 for the years ended June 30, 2015 and 2014.

Unsecured non-performing loans are those not meeting agreed-upon amortization of principal and interest repayment schedules. Secured non-performing loans are those not meeting agreed-upon repayment schedules that are secured by real estate or other assets with a value in excess of the outstanding loan balance. The total of all nonperforming loans was \$4,475,790 and \$4,547,081 at June 30, 2015 and 2014, respectively.

At June 30, 2015 and 2014, the following is an aging analysis of the gross outstanding loans receivables:

	<i>Performing</i>	<i>Secured Non- Performing</i>	<i>Unsecured Non- Performing</i>	<i>Total Financing Receivable</i>
2015				
Inter-parish loans receivable	\$ 9,610,832	\$ 3,443,735	\$ 1,032,055	\$ 14,086,622
Loans receivable on property sold	<u>2,002,500</u>	<u>—</u>	<u>—</u>	<u>2,002,500</u>
Loans receivable from parishes and agencies	<u>\$ 11,613,332</u>	<u>\$ 3,443,735</u>	<u>\$ 1,032,055</u>	<u>\$ 16,089,122</u>
2014				
Inter-parish loans receivable	\$ 10,170,729	\$ 3,443,735	\$ 1,103,346	\$ 14,717,810
Loans receivable on property sold	<u>735,417</u>	<u>—</u>	<u>—</u>	<u>735,417</u>
Loans receivable from parishes and agencies	<u>\$ 10,906,146</u>	<u>\$ 3,443,735</u>	<u>\$ 1,103,346</u>	<u>\$ 15,453,227</u>

Note 5 – Fair Value and Investments

The majority of the Funds' investments are maintained in the Catholic Investment Trust, Inc. (CIT) pool, a separate Diocesan corporation that provides a centralized investment pool for the parishes, agencies and programs of the Diocese of Providence. Income, gains, and losses are allocated to participating funds based upon their units. The participating funds purchase units based upon a per unit value at the time of purchase. The CIT tracks separate investment unit values based upon the type of investment.

Note 5 – Fair Value and Investments (Continued)

The following table presents financial assets at June 30, 2015, that the Funds measure fair value on a recurring basis, by level, within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents	\$19,210,165	\$ —	\$ —	\$19,210,165
Equities:				
Domestic equity funds	7,199,320	20,050,829	—	27,250,149
Global equity funds	4,036,311	15,474,488	—	19,510,799
Emerging market equity funds	—	11,601,288	—	11,601,288
Fixed income:				
Domestic bond funds	31,264,842	6,810,359	—	38,075,201
Global bond funds	—	4,450,644	—	4,450,644
Hedge funds	—	11,624,788	17,174,744	28,799,532
Commodity funds	—	8,856,210	—	8,856,210
	<u>61,710,638</u>	<u>78,868,606</u>	<u>17,174,744</u>	<u>157,753,988</u>
Beneficial interest in perpetual trust	—	—	4,379,838	4,379,838
Equity investment in Catholic Umbrella Pool	—	—	862,443	862,443
Cash surrender value of life insurance	—	—	103,912	103,912
	<u>\$ 61,710,638</u>	<u>\$ 78,868,606</u>	<u>\$ 22,520,937</u>	<u>\$ 163,100,181</u>

The following table presents financial assets at June 30, 2014, that the Funds measure fair value on a recurring basis, by level, within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents	\$ 20,266,245	\$ —	\$ —	\$ 20,266,245
Equities:				
Domestic equity funds	7,025,319	22,402,909	—	29,428,228
Global equity funds	—	13,653,069	—	13,653,069
Emerging market equity funds	—	9,596,615	—	9,596,615
Fixed income:				
Domestic bond funds	26,244,609	7,450,289	—	33,694,898
Global bond funds	2,978,329	4,855,863	—	7,834,192
Hedge funds	—	11,077,897	16,904,648	27,982,545
Real estate investment trust	3,795,745	—	—	3,795,745
Commodity funds	—	10,172,970	—	10,172,970
	<u>60,310,247</u>	<u>79,209,612</u>	<u>16,904,648</u>	<u>156,424,507</u>
Beneficial interest in perpetual trust	—	—	4,615,853	4,615,853
Equity investment in Catholic Umbrella Pool	—	—	934,749	934,749
Cash surrender value of life insurance	—	—	107,899	107,899
	<u>\$ 60,310,247</u>	<u>\$ 79,209,612</u>	<u>\$ 22,563,149</u>	<u>\$ 162,083,008</u>

The changes in financial assets measured at fair value for which the Funds have used Level 3 inputs to determine fair value are as follows:

	Hedge and Commodity Fund Investments	Beneficial Interest in Perpetual Trusts	Catholic Umbrella Pool	Life Insurance	Total
Fair value, July 1, 2013	\$ 23,829,795	\$ 4,245,708	\$ 801,443	\$ 115,918	\$ 28,992,864
Transfer to Level 2	(9,933,956)	—	—	—	(9,933,956)
Realized gains, net	24,933	—	—	—	24,933
Unrealized gains (losses), net	1,430,827	370,145	133,306	(8,019)	1,926,259
Purchases	1,553,049	—	—	—	1,553,049
Fair value, June 30, 2014	<u>16,904,648</u>	<u>4,615,853</u>	<u>934,749</u>	<u>107,899</u>	<u>22,563,149</u>
Realized gains, net	8,754	—	—	—	8,754
Unrealized gains (losses), net	293,896	(236,015)	(72,306)	(3,987)	(18,412)
Sales	(32,554)	—	—	—	(32,554)
Fair value, June 30, 2015	<u>\$ 17,174,744</u>	<u>\$ 4,379,838</u>	<u>\$ 862,443</u>	<u>\$ 103,912</u>	<u>\$ 22,520,937</u>
Current year unrealized gains (losses) for assets still held at the balance sheet date	<u>\$ 293,896</u>	<u>\$ (236,015)</u>	<u>\$ (72,306)</u>	<u>\$ (3,987)</u>	<u>\$ (18,412)</u>

Transfer into or out of Level 3 represents changes in the liquidity provisions of the underlying investments.

Components of investment returns related to the above investments for the years ended June 30, are as follows:

	2015	2014
Interest and dividends (in operating income)	\$ 1,364,297	\$ 1,255,297
Net realized gains (in operating income)	5,573,637	5,479,298
Net unrealized gains (loss) (in other income/expense)	<u>(7,207,423)</u>	<u>9,804,806</u>
	<u>\$ (269,489)</u>	<u>\$ 16,539,401</u>

Certain parishes and agencies participate in the CIT, whereby the related investments are included in the combined financial statements, but the applicable investment income is distributed to those parishes and agencies; accordingly, \$212,209 and \$185,548 of net realized gains and \$(242,917) and \$319,422 of net unrealized gains and losses are excluded from investment income in the combined financial statements for the years ended June 30, 2015 and 2014, respectively.

For the year ended June 30, 2015, custodian fees and investment advisor fees of \$200,132 and \$967,494, respectively, were netted against interest and dividend income and net realized gains, respectively. For the year ended June 30, 2014, such fees were \$188,013 and \$832,337, respectively.

A summary of the significant categories of such investments utilizing the net asset value practical expedient and their attributes are as follows at June 30, 2015:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity funds	\$ 47,126,605	\$ —	Monthly to Quarterly	15 - 60 days notice
Domestic Bond Funds	6,810,359	—	Monthly	10 - 15 days notice
Global bond funds	4,450,644	—	Monthly	10 days notice
Commodity funds	8,856,210	—	Daily to Annually	Daily to 60 days
Hedge funds	<u>28,799,532</u>	<u>—</u>	Annually	65 to 90 days
	<u>\$ 96,043,350</u>	<u>\$ —</u>		

Management has assessed that fair value approximates carrying value for cash and cash equivalents, accounts and interest receivable, accounts payable, accrued expenses, and installment loans – equipment, given the short-term nature of these instruments. Management has no practical or cost effective way of determining fair value for loans receivable from parishes and others, pledges receivable and loans payable to perpetual care endowment and parishes and agencies.

Note 6 – Beneficial Interest in Perpetual Trusts

The Funds are the sole beneficiaries of several longstanding perpetual trusts that are required to be recorded on the Funds' combined financial statements in accordance with the accounting principles regarding contributions and irrevocable trusts. Accordingly, the fair value of these trusts, which consists principally of equities and fixed income securities, of \$4,379,838 and \$4,615,853, are recorded as an asset at June 30, 2015 and 2014, respectively, with related appreciation of the underlying assets recorded as a change in permanently restricted net assets.

Note 7 – Land, Buildings and Equipment

Land, buildings and equipment of the Funds are comprised of the following at June 30:

	2015	2014
Land and improvements	\$ 5,260,714	\$ 5,209,333
Buildings and improvements	20,095,867	15,915,225
Construction in progress	6,775	1,188,037
Furniture and fixtures	1,217,922	1,217,923
Equipment	<u>4,180,426</u>	<u>4,088,193</u>
	<u>30,761,704</u>	<u>27,618,711</u>
Less accumulated depreciation	<u>(18,706,111)</u>	<u>(17,773,980)</u>
Land, buildings and equipment, net	<u>\$ 12,055,593</u>	<u>\$ 9,844,731</u>

Note 7 – Land, Buildings and Equipment (Continued)

During 2015, three properties were sold, resulting in a net gain of \$1,748,535, the proceeds from which were partially used to pay down the line of credit and partially applied towards the Priest Retirement Plan unfunded benefit liability. At June 30, 2015, there was an outstanding loan receivable related to this transaction of \$1,440,000, which is included in loans receivable from parishes and others, net on the combined statements of financial position. During 2015, the Funds disposed of \$22,798 of equipment that was fully depreciated and no longer in service. Included in land and improvements is surplus property of \$92,510 and \$172,878 at June 30, 2015 and 2014, respectively, which will be used for future projects.

During 2014, the Funds traded in equipment totaling \$90,450 with an accumulated depreciation of \$52,308. These transactions resulted in a net gain of \$1,893. Also during 2014, the Funds obtained \$291,733 in notes payable to finance the purchase of new equipment, transferred \$38,868 of land and improvements and construction in progress to land and building held for internment, and had \$156,482 of land, buildings and equipment additions included in accounts payable.

Note 8 – Perpetual Care Endowment Fund

The Cemeteries maintain the Diocesan cemeteries in accordance with the State Cemetery Act. The Cemeteries collect and pay into a perpetual care fund (the Perpetual Care Endowment Fund, or PCF) twenty percent (20%) of the gross sales price of each plot and crypt. The PCF is held for the benefit of those interred and their families. As such, the PCF assets are not considered to be the property of the Funds, notwithstanding distributions made available by the Funds, and are not included in these combined financial statements. Distributions to the cemeteries from the PCF are made available and amounted to \$419,901 and \$611,420 for the years ended June 30, 2015 and 2014, respectively. At June 30, 2015 and 2014, borrowings by the Cemeteries from the Perpetual Care Endowment Fund totaled \$441,294 and \$578,124, respectively. The loan carries an interest rate of 2.25% and loan repayments are to be made from all amounts received by St. Ann's Cemetery on new section sales and garden mausoleum sales, less the 20% paid into the perpetual care fund, until interest and principal are paid in full. Principal payments made in 2015 and 2014 totaled \$136,830 and \$345,498, respectively.

Note 9 – Multi-employer Retirement Plans

The Funds participate in a Diocesan noncontributory defined benefit pension program for lay employees (a non-electing Church Plan), a multi-employer plan for unionized cemetery workers and in the Our Lady Queen of the Clergy. The risks of participating in a multi-employer plan, such as these, are different from single employer plans in the following aspects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Funds choose to stop participating in these multi-employer plans, the Funds may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

A summary of significant plan terms is as follows:

Roman Catholic Bishop of Providence Et. Al. Employees' Retirement Plan

As of July 1, 2014, the date of the latest actuarial report, the defined benefit pension program for lay employees had assets of \$103.8 million (\$91.8 million in the previous year) and an actuarial present value of accumulated benefits of \$147.9 million (\$135.4 million in the previous year), resulting in a net liability of \$44.1 million (\$43.6 million in the previous year), which, under accounting guidance for multi-employer pension plans, is not reported as a liability in these financial statements. Lay employees working for the Funds account for 1.76% and 1.75% for 2015 and 2014, respectively, of the participants in this plan. The obligation for the remaining participants under the multi-employer plan continues to be the proportionate responsibility of each Diocesan corporation.

The Funds make an annual contribution equal to 12% of eligible wages.

Our Lady Queen of the Clergy – Priest Retirement Plan

The Funds participate in Our Lady Queen of the Clergy (OLQC), a separate corporation, which maintains both the Priest Retirement Plan and the Priest Health Programs, (multi-employer plans), within the Priest Benefits Fund (formerly known as the Clergy Retirement Plan, Clergy Health Programs and Clergy Benefits Fund, respectively). These plans are noncontributory defined pension and health benefit plans for priests working at the administrative offices and throughout other Diocesan organizations. As of July 1, 2014, the date of the latest actuarial report, the defined benefit pension plan had assets of \$18.2 million (\$15.7 million in the previous year) and an actuarial present value of accumulated benefits of \$31.3 million (\$26.7 million in the previous year), resulting in a net liability of \$13.1 million (\$11.0 million in the previous year), which, under accounting guidance for multi-employer pension plans, is not reported as a liability in these financial statements. Priests working for the Funds account for 14% and 15% of the participants in this plan for the years ended June 30, 2015 and 2014, respectively. The obligation for the remaining participants under the multi-employer plan continues to be the proportionate responsibility of each Diocesan corporation.

The Funds also made annual grant distributions to OLQC of \$880,000 from DAC and CCF during plan years 2015 and 2014. Grant distributions are included in Diocesan Grants on the combined statements of activities and changes in net assets for the years ended June 30, 2015 and 2014.

Laborers' International Union of North America National (Industrial) Pension Fund

As of January 1, 2014, the date of the latest actuarial report, the defined benefit pension program for unionized cemetery employees had assets of \$1,028.7 million (\$1,010.2 million in the previous year) and an actuarial present value of accumulated benefits of \$1,351.7 million (\$1,317.7 million in the previous year), resulting in a net liability of \$323 million (\$307.5 million in the previous year), which, under accounting guidance for multi-employer pension plans, is not reported as a liability in these financial statements. Employees working for the Funds account for .09% and .07% of the participants in this plan for the years ended June 30, 2015 and 2014, respectively.

The Funds are required to make a contribution of \$2.88 per hour for each employee covered under the plan.

The Funds' participation in these plans for the annual period ended June 30, 2015 is outlined in the table below. The "EIN Number" column provides the Employee Identification Number (EIN). The most recent Pension Protection Act (PPA) zone status available in 2015 and 2014 is for the plans' year end 2014 and 2013, respectively. The zone status is based on information that the Funds received from the plan and is certified by the plans' actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreement to which the plan is subject.

Retirement Plan	EIN Number	Pension Protection Act Zone Status		FIP/RP Status Implemented	Contributions of the Funds		Expiration Date of Collective Bargaining Agreement
		2014	2013		2015	2014	
Roman Catholic Bishop of Providence Et. Al. Lay Employees' Retirement Plan	05-0258960	Yellow	Yellow	Yes	\$ 413,960	\$ 404,014	N/A
Laborers' International Union of North America National (Industrial) Pension Fund	52-6074345	Red	Red	Yes	295,391	238,894	June 30, 2018
Our Lady Queen of the Clergy – Priest Retirement Plan	05-0475273	Red	Red	Yes	492,706	509,698	N/A
Total Contributions					<u>\$ 1,202,057</u>	<u>\$ 1,152,606</u>	

Note 9 – Multi-employer Retirement Plans (Continued)

There have been no significant changes that affect the comparability of fiscal year 2015 and 2014 contributions. Contributions to the Lay and OLQC plan by the Funds exceeded 5% of total plan contributions for both 2015 and 2014.

Note 10 – Other Assets

Other assets consist of the following at June 30:

	2015	2014
Equity investment in the Catholic Umbrella Pool	\$ 862,443	\$ 934,749
Cash surrender value of donated life insurance policies	103,912	107,899
Other	<u>40,608</u>	<u>130,407</u>

Other assets designated or restricted for long-term purposes

\$ 1,006,963 \$ 1,173,055

The DSC (Self Insurance Fund) participates in the Catholic Umbrella Pool (CUP), a self-insurance liability pool of thirty-seven Dioceses and Archdioceses throughout the United States (Pool) (see Note 11). The following condensed information relating to the CUP was audited by an independent accounting firm (see discussion of their report below in Note 11):

	2015 (In Thousands)	2014
Assets:		
Investments	\$ 41,784	\$ 40,583
Cash and cash equivalents	2,359	3,165
Other	<u>3,409</u>	<u>3,518</u>
	<u>\$ 47,552</u>	<u>\$ 47,266</u>
Liabilities and equity:		
Estimated unpaid claims and expenses	\$ 17,252	\$ 13,942
Other	3,866	3,735
Dividends payable to participants	1,973	2,116
Participants' equity	<u>24,461</u>	<u>27,473</u>
	<u>\$ 47,552</u>	<u>\$ 47,266</u>

Note 11 – Contingencies

Catholic Umbrella Pool

The Funds are a participant in the CUP. The CUP provides excess insurance liability coverage and morality coverage for its membership. This coverage is placed through the administrator, Catholic Mutual Relief Society of America. As a participant, the Funds obtain insurance for certain risk levels that are not provided by its other insurance programs, thus mitigating their overall risk. The Funds make annual premium contributions to the CUP for the insurance provided. The CUP is responsible for the following liability coverages:

July 1, 1987 to July 1, 1988	\$3,700,000 in excess of \$1,300,000
July 1, 1988 to July 1, 1999	\$3,500,000 in excess of \$1,500,000
July 1, 1999 to July 1, 2002	No Exposure (Reinsurance purchased)
July 1, 2002 to July 1, 2003	46% of \$3,500,000 in excess of \$1,500,000
	10% of \$15,500,000 in excess of \$5,000,000
July 1, 2003 to January 1, 2005	50% of \$3,500,000 in excess of \$1,500,000
	20% of \$15,500,000 in excess of \$5,000,000
January 1, 2005 to January 1, 2007	74.995% of \$3,500,000 in excess of \$1,500,000
	25% of \$15,500,000 in excess of \$5,000,000
January 1, 2007 to January 1, 2013	74.996% of \$3,500,000 in excess of \$1,500,000
	30% of \$15,500,000 in excess of \$5,000,000
January 1, 2013 to January 1, 2014	74.998% of \$3,500,000 in excess of \$1,500,000
	40% of \$5,000,000 in excess of \$5,000,000
	(Excess Casualty Only)
	30% of \$3,500,000 in excess of \$1,500,000
	(Nursing Home Liability)
	30% of \$10,500,000 in excess of \$10,000,000
January 1, 2014 to present	75% of \$3,500,000 in excess of \$1,500,000
	40% of \$5,000,000 in excess of \$5,000,000
	(Excess Casualty Only)
	30% of \$3,500,000 in excess of \$1,500,000
	(Nursing Home Liability)
	30% of \$10,500,000 in excess of \$10,000,000

The CUP provides insurance coverage of \$150,000 for morality claims in excess of \$100,000 for the period July 1, 1987 through July 1, 1990.

As a participant in the CUP, the Funds are liable for any losses beyond the Pool's ability to fund such losses after total participants' equity is liquidated (\$24,460,000 and \$27,473,000 as of June 30, 2015 and 2014, respectively).

The Funds receive an annual dividend from the CUP. Dividends totaled approximately \$60,738 and \$91,215 for the years ended June 30, 2015 and 2014, respectively.

Guarantees

RCB is contingently liable as guarantor of four financing arrangements in order to facilitate needed construction by four related corporations. CIT is a guarantor of two construction loans for low income apartments/condominiums.

The guarantees are as follows at June 30:

	2015	2014
RCB		
Saint Antoine Residence and The Frassati Residence	\$ 1,600,000	\$ 1,800,000
Cranston-Johnston Catholic Regional School		
d/b/a Immaculate Conception School	5,942,350	6,267,351
St. Raphael Academy	5,746,845	5,686,029
Carelink Pace Organization	<u>89,506</u>	<u>110,120</u>
Total	<u>\$ 13,378,701</u>	<u>\$ 13,863,500</u>
Catholic Investment Trust, Inc.		
Pleasant View, LLC		
- Low Income Apartments/Condominiums	\$ 2,187,485	\$ 2,270,212
St. Casimir Place, LLC		
- Low Income Apartments/Condominiums	<u>4,000,000</u>	<u>4,000,000</u>
Total	<u>\$ 6,187,485</u>	<u>\$ 6,270,212</u>

The obligations of both RCB and CIT above are collateralized by the land and buildings at the residences/schools/organization/apartments/condominiums. In the event of default, these assets would be sold, with the net proceeds used to reduce the related obligations. If such proceeds were not sufficient to repay the entire obligation, RCB and CIT would be required to fulfill its guarantee. Management believes the collateral associated with these obligations is sufficient to fulfill the outstanding obligations, and as such, no liability has been recorded.

Settlement Expense

RCB has been named as the defendant in several matters relating to the alleged misconduct of priests along with other affiliated entities through which the Church conducts its temporal affairs in Rhode Island. Although it is believed that these cases would result in a favorable judgment for RCB, from time to time, RCB has agreed to settle claims relating to such matters utilizing the assets of RCB.

The settlement reserve is \$574,000 at June 30, 2015 and 2014 and is included in accrued expenses and other liabilities on the combined statements of financial position, representing the balance expected to be settled and legal costs incurred or expected to be incurred. Management believes that the amount accrued is the best estimate of probable losses based upon the current facts and circumstances. It is possible, however, that future results of RCB activities may be materially affected by changes in circumstances regarding these matters.

Note 12 – Line of Credit

The RCB has an available line of credit of \$3,000,000 that expires on November 28, 2016. The balance due on the line of credit was \$2,593,692 and \$3,511,692 at June 30, 2015 and 2014, respectively.

The line of credit is secured by a first mortgage against a Funds' owned property located on Warwick Neck Avenue, Warwick, Rhode Island. Interest is charged at the London Inter-Bank Offer Rate ("LIBOR") plus 2.25% (2.434% at June 30, 2015). Interest on the loan is payable monthly in arrears on the first day of each month. The line of credit requires that RCB maintain certain financial ratios with regard to minimum debt service coverage and a minimum liquidity ratio, which they were in compliance with at June 30, 2015 and 2014.

Note 13 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes, based on passage of time, donor intent or the purpose of the restriction being met at June 30:

	2015	2014
Catholic Charity Fund	\$ 4,610,213	\$ 4,910,929
Fiduciary Fund:		
Vision of Hope Fund	1,074,586	1,607,077
F.A.C.E. of Rhode Island	505,223	554,666
Endowment Fund:		
Catholic Foundation of Rhode Island	27,793,490	30,998,374
Cutting Trust	1,094,210	1,103,146
Seminary of Our Lady of Providence	1,724,539	1,816,658
Mission Fund	911,896	958,641
Total	\$ 37,714,157	\$ 41,949,491

Note 14 – Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity. The income is expendable to support the following at June 30:

	2015	2014
Endowment Fund:		
Catholic Foundation of Rhode Island	\$ 58,187,605	\$ 55,712,776
Shepherds of Hope Campaign	1,412,617	1,736,351
Cutting Trust	115,889	115,889
Seminary of Our Lady of Providence	783,118	783,118
Mission Fund	500,000	500,000
Total	\$ 60,999,229	\$ 58,848,134

Note 15 – Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes:

	2015	2014
Vision of Hope Fund programs	\$ 538,562	\$ 643,810
Catholic Charity Fund programs	8,754,910	8,718,009
Catholic Foundation of Rhode Island	3,709,095	3,917,212
Cutting Trust	2,603	2,599
F.A.C.E. of Rhode Island	438,660	325,421
Mission Fund	19,633	19,619
Seminary of Our Lady of Providence	77,992	79,512
Total	\$ 13,541,455	\$ 13,706,182

Note 16 – Net Assets and Endowment Matters

The Advisory Board has designated the Foundation, Seminary, and Cutting Trust as endowment funds and those functioning as endowment funds. The following is the composition those funds by net asset class as of June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ —	\$ 30,612,239	\$ 55,206,775	\$ 85,819,014
	<u>\$ —</u>	<u>\$ 30,612,239</u>	<u>\$ 55,206,775</u>	<u>\$ 85,819,014</u>

The following is the composition of endowments assets and those functioning as endowment assets by net asset class as of June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ —	\$ 33,918,178	\$ 52,495,930	\$ 86,414,108
	<u>\$ —</u>	<u>\$ 33,918,178</u>	<u>\$ 52,495,930</u>	<u>\$ 86,414,108</u>

Note 16 – Net Assets and Endowment Matters (Continued)

The following represents required disclosure relative to the composition of endowment assets and those functioning as endowment assets at June 30, 2015 and 2014:

2015	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Endowment assets and those functioning as endowment assets, beginning of year	\$ —	\$ 33,918,178	\$ 52,495,930	\$ 86,414,108
Gifts and additions	—	966,930	1,713,156	2,680,086
Investment returns:				
Interest and dividends	—	690,928	—	690,928
Net realized/unrealized gains	—	(1,170,326)	—	(1,170,326)
Total investment returns	—	(479,398)	—	(479,398)
Expenditures:				
Amounts appropriated under endowment spending policy:				
Operations	—	(3,789,690)	—	(3,789,690)
Total amounts appropriated under endowment spending policy	—	(3,789,690)	—	(3,789,690)
Net investment returns and expenditures	—	(4,269,088)	—	(4,269,088)
Other changes:				
Reclassification of net assets	—	(3,781)	997,689	993,908
Endowment assets and those functioning as endowment assets, end of year	\$ —	\$ 30,612,239	\$ 55,206,775	\$ 85,819,014

Note 16 – Net Assets and Endowment Matters (Continued)

	<i>Unrestricted Net Assets</i>	<i>Temporarily Restricted Net Assets</i>	<i>Permanently Restricted Net Assets</i>	<i>Total</i>
2014				
Endowment assets and those functioning as endowment assets, beginning of year	\$ —	\$ 25,941,230	\$ 48,812,389	\$ 74,753,619
Gifts and additions	—	946,269	2,339,075	3,285,344
Investment returns:				
Interest and dividends	—	599,470	—	599,470
Net realized/unrealized gains	—	10,465,559	—	10,465,559
Total investment returns	—	11,065,029	—	11,065,029
Expenditures:				
Amounts appropriated under endowment spending policy:				
Operations	—	(3,999,324)	—	(3,999,324)
Total amounts appropriated under endowment spending policy	—	(3,999,324)	—	(3,999,324)
Net investment returns and expenditures	—	7,065,705	—	7,065,705
Other changes:				
Reclassification of net assets	—	(35,026)	1,344,466	1,309,440
Endowment assets and those functioning as endowment assets, end of year	\$ —	\$ 33,918,178	\$ 52,495,930	\$ 86,414,108

Endowment

The Funds' endowment consists of approximately 435 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Advisory Board of the funds (the Advisory Board) to function as endowments. Such designated funds include the Foundation, Seminary, and Cutting Trust. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Advisory Board to function as endowments, are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of Relevant Law and Spending Policy

The Advisory Board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requiring the preservation of the original 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 Funds classify as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original gift 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 accumulation is added to the fund. 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 Funds in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Funds consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Funds and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Funds
- (7) The investment policies of the Funds

Distributions from long-term investments are made using the total return method. Under the total return method, distributions consist of interest, dividends, realized and unrealized gains. The Advisory Board has established a spending rate of 4½% of a rolling three-year average fair market value of the long-term investments of the Foundation. Investment income is appropriated

up to this spending rate approved by the Advisory Board. The Foundation has adopted this spending policy in order to protect the inviolate nature of the original corpus of gifts as well as to preserve the purchasing power of these funds into the future.

Funds with Deficiencies

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the Funds to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are approximately \$1,500 as of June 30, 2015. There were no funds with deficiencies at June 30, 2014. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions.

Return Objectives and Risk Parameters

The Funds' investment portfolio is managed to provide for the long-term support of the Funds. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flow and spending requirements. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed-upon levels of risk. It is the goal of the aggregate long-term investments to generate a long-term target rate of return that exceeds the spending/payout rate plus inflation.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Funds rely 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 Funds target an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, the Funds seek a broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

Note 17 – Transfers To (From)

During fiscal 2015, net amounts of \$100,000 and \$3,781 were transferred from unrestricted and temporarily restricted net assets to permanently restricted net assets in accordance with donors' intent. During fiscal 2014, net amounts of \$35,027 were transferred from temporarily restricted net assets to permanently restricted net assets and net amounts of \$123,618 were transferred from temporarily restricted to unrestricted net assets.

Other Financial Information

Independent Auditors' Report on Other Financial Information

The Most Reverend Thomas J. Tobin
Bishop of Providence

We have audited the combined financial statements of the Central Administration Funds and Diocesan Cemetery Operations within the Diocese of Providence (the "Funds") as of and for the years ended June 30, 2015 and 2014, and our report thereon dated November 18, 2015, which expressed an unmodified opinion on those financial statements appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying combining statements of financial position of the Central Administration Funds and Diocesan Cemetery Operations within the Diocese of Providence as of June 30, 2015 and the related combining statements of activities and changes in net assets, for the year then ended as well as summary information for the year ended June 30, 2014 is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.



November 18, 2015
Providence, Rhode Island

CENTRAL ADMINISTRATION FUNDS AND DIOCESAN CEMETERY OPERATIONS WITHIN THE DIOCESE OF PROVIDENCE

Combining Statements of Financial Position

June 30, 2015

(with comparative totals as of June 30, 2014)

	General Fund	Catholic Charity Fund	Cemetery	Other	Fiduciary Fund	Endowment Fund	Plant Fund	Total 2015	Total 2014
Assets									
Cash and cash equivalents	\$57,063	\$ —	\$115,494	\$ —	\$7,197,152	\$ —	\$10,150	\$7,379,859	\$7,192,563
Cash and cash equivalents designated or restricted for long-term purposes	—	193,908	—	1,458,112	27,478	17,407	—	1,696,905	1,118,185
Accounts and interest receivable, net	155,091	101,005	379,071	584,483	387,299	1,207	—	1,608,156	1,727,398
Pledges receivable, net	—	1,874,812	—	—	490,845	—	—	2,365,657	2,880,096
Loans receivable from parishes and others, net	—	—	—	2,002,500	10,636,622	—	—	12,639,122	12,003,227
Due from (to) other funds	(643,863)	845	(1,458,828)	981,327	1,158,355	(36,614)	(1,222)	—	—
Investments	2,207,134	3,022,397	—	40,413,446	24,357,111	87,753,900	—	157,753,988	156,424,507
Beneficial interest in perpetual trusts	—	—	—	—	—	4,379,838	—	4,379,838	4,615,853
Land and buildings held for interments	—	—	1,413,516	—	—	—	—	1,413,516	1,444,344
Land, buildings and equipment, net	163,335	118,473	3,769,916	92,510	—	1,616,170	6,295,189	12,055,593	9,844,731
Other assets designated or restricted for long-term purposes	7,808	3,829	—	891,415	18,267	85,646	—	1,006,965	1,173,055
Total assets	<u>\$1,946,568</u>	<u>\$5,315,269</u>	<u>\$4,219,169</u>	<u>\$46,423,793</u>	<u>\$44,273,129</u>	<u>\$93,817,554</u>	<u>\$6,304,117</u>	<u>\$202,299,599</u>	<u>\$198,423,959</u>
Liabilities and Net Assets									
Line of credit	\$ —	\$ —	\$ —	\$2,593,692	\$ —	\$ —	\$ —	\$2,593,692	\$3,511,692
Accounts payable	246,611	230,931	552,748	83,858	102,718	22,257	1,214,065	2,453,188	1,002,166
Accrued expenses and other liabilities	732,012	464,875	348,659	3,197,764	—	938,249	278,660	5,960,219	5,190,644
Deferred income	6,835	9,250	—	851,079	—	—	—	867,164	954,114
Institutional deposits	—	—	—	781,866	4,710,512	—	—	5,492,378	5,231,621
Installment loans - equipment	—	—	231,163	—	—	—	—	231,163	321,052
Loans payable to Perpetual Care Endowment	—	—	441,294	—	—	—	—	441,294	578,124
Deposits payable to parishes and agencies	—	—	—	—	34,017,908	—	—	34,017,908	31,082,723
Total liabilities	<u>985,458</u>	<u>705,056</u>	<u>1,573,864</u>	<u>7,508,259</u>	<u>38,831,138</u>	<u>960,506</u>	<u>1,492,725</u>	<u>52,057,006</u>	<u>47,872,136</u>
<i>Contingencies (Note 11)</i>									
Net assets									
Unrestricted:									
Internally designated for:									
Insurance	—	—	—	30,163,550	—	—	—	30,163,550	27,997,698
Modernization and support	—	—	—	4,207,969	—	—	—	4,207,969	4,564,451
Unrestricted	961,110	—	2,645,305	4,544,015	2,449,566	1,746,300	4,811,392	17,157,688	17,192,049
Total unrestricted	961,110	—	2,645,305	38,915,534	2,449,566	1,746,300	4,811,392	51,529,207	49,754,198
Temporarily restricted	—	4,610,213	—	—	1,579,809	31,524,135	—	37,714,157	41,949,491
Permanently restricted	—	—	—	—	1,412,616	59,586,613	—	60,999,229	58,848,134
Total net assets	<u>961,110</u>	<u>4,610,213</u>	<u>2,645,305</u>	<u>38,915,534</u>	<u>5,441,991</u>	<u>92,857,048</u>	<u>4,811,392</u>	<u>150,242,593</u>	<u>150,551,823</u>
Total liabilities and net assets	<u>\$1,946,568</u>	<u>\$5,315,269</u>	<u>\$4,219,169</u>	<u>\$46,423,793</u>	<u>\$44,273,129</u>	<u>\$93,817,554</u>	<u>\$6,304,117</u>	<u>\$202,299,599</u>	<u>\$198,423,959</u>

See independent auditors' report on other financial information and accompanying note.

CENTRAL ADMINISTRATION FUNDS AND DIOCESAN CEMETERY OPERATIONS WITHIN THE DIOCESE OF PROVIDENCE

Combining Statements of Activities and Changes in Net Assets

Year Ended June 30, 2015

(with comparative totals for the year ended June 30, 2014)

	General Fund	Catholic Charity Fund	Cemetery	Other	Fiduciary Fund	Endowment Fund	Plant Fund	Total 2015	Total 2014
Revenues									
Interest and dividend income	\$14,229	\$8,173	\$3,694	\$385,696	\$827,384	\$703,676	\$10,797	\$1,953,649	\$1,896,692
Gifts and bequests	510	21,046	—	—	—	16,270	—	37,826	159,284
Trust income	—	208,056	—	—	—	17,222	—	225,278	223,212
Realized gains on investments	24,828	21,548	—	1,240,329	574,258	3,712,674	—	5,573,637	5,479,298
Parish assessment	3,166,565	—	—	—	—	—	—	3,166,565	3,154,255
Risk management premiums	—	—	—	21,193,994	—	—	—	21,193,994	21,394,867
Agency administrative assessment	281,796	—	—	—	—	—	—	281,796	281,400
Major Seminarian program	—	—	—	—	—	183,834	—	183,834	167,386
Program support receipts	25,852	257,253	—	—	—	—	—	283,105	374,252
Mission receipts	—	—	—	—	—	129,606	—	129,606	133,341
Human development collection	—	27,500	—	—	—	—	—	27,500	30,558
Communications collection	59,229	—	—	—	—	—	—	59,229	51,898
Program grants/contracts	—	6,000	—	—	—	—	—	6,000	6,000
Catholic Charity Fund Appeal	—	7,782,536	—	—	—	—	—	7,782,536	7,896,042
Lumen Gentium fundraising	140,718	—	—	—	—	—	—	140,718	128,107
Diocesan cemeteries	—	—	5,813,482	—	—	—	—	5,813,482	5,628,526
Rental, lease and other income	298,080	1,475	—	34,033	1,677	7,207	49,348	391,820	535,356
Total revenues	<u>4,011,807</u>	<u>8,333,587</u>	<u>5,817,176</u>	<u>22,854,052</u>	<u>1,403,319</u>	<u>4,770,489</u>	<u>60,145</u>	<u>47,250,575</u>	<u>47,540,474</u>
Program expenses									
Communications and telecommunications	\$380,514	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$380,514	\$364,955
The Tribunal	291,648	—	—	—	—	—	—	291,648	287,486
Rhode Island Catholic	541,246	—	—	—	—	—	—	541,246	533,422
Director of Religious	—	67,737	—	—	—	—	—	67,737	56,924
Priest Council	525	—	—	—	—	—	—	525	550
Spiritual Development	—	21,230	—	—	—	—	—	21,230	29,766
Youth Ministry	—	533,889	—	—	—	—	—	533,889	638,416
Multicultural Ministry	—	166,429	—	—	—	—	—	166,429	166,082
Christian Education	—	1,164,496	—	—	—	—	—	1,164,496	1,143,724
Campus Ministry	—	233,905	—	—	—	—	—	233,905	305,197
Apostolate for the Handicapped	—	147,348	—	—	—	—	—	147,348	164,983
Diocesan Schools	—	732,050	—	—	—	—	—	732,050	854,853
Community Services and Advocacy	—	1,205,476	—	—	—	—	—	1,205,476	1,140,354
Advocacy and Emergency Shelter	—	157,847	—	—	—	—	—	157,847	177,585
Life and Family Ministry	—	360,464	—	—	—	—	—	360,464	405,778
St. Antoine Residence	—	75,000	—	—	—	—	—	75,000	75,000
St. Clare's Home	—	50,000	—	—	—	—	—	50,000	50,000
Ministries and Clergy personnel	294,030	479,943	—	—	—	—	—	773,973	766,806
Parish share support	—	236,028	—	—	—	—	—	236,028	237,707
Grants:									
National grants	169,653	—	—	—	—	—	—	169,653	172,093
Diocesan grants	383,476	845,817	—	—	—	—	—	1,229,293	1,253,609
Vision of Hope:									
Program	—	—	—	—	513,868	—	—	513,868	298,783
Capital Needs	—	—	—	—	—	—	—	—	307,656
Mission support	—	—	—	—	—	15,633	—	15,633	15,619
Contributions and gifts	21,452	—	—	72,500	—	—	—	93,952	86,557
Restricted Funds expended	—	—	—	—	—	3,656,127	—	3,656,127	3,870,155
Seminarian support	175,711	485,874	—	—	—	281,356	—	942,941	899,113
Insurance and risk management	—	—	—	18,183,815	—	—	—	18,183,815	18,746,333
Inter-Parish loan program interest	—	—	—	—	880,259	—	—	880,259	862,572
Diocesan Cemeteries	—	—	6,334,076	—	—	—	—	6,334,076	5,383,036
Total program expenses	<u>2,258,255</u>	<u>6,963,533</u>	<u>6,334,076</u>	<u>18,256,315</u>	<u>1,394,127</u>	<u>3,953,116</u>	<u>—</u>	<u>39,159,422</u>	<u>39,295,114</u>

See independent auditors' report on other financial information and accompanying note.

(continued on next page)

CENTRAL ADMINISTRATION FUNDS AND DIOCESAN CEMETERY OPERATIONS WITHIN THE DIOCESE OF PROVIDENCE

Combining Statements of Activities and Changes in Net Assets (Continued)

Year Ended June 30, 2015

(with comparative totals for the year ended June 30, 2014)

	General Fund	Catholic Charity Fund	Cemetery	Other	Fiduciary Fund	Endowment Fund	Plant Fund	Total 2015	Total 2014
General and administrative expenses									
Financial affairs	\$133,928	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$133,928	\$162,804
Provision for uncollectible receivables	25,730	285,907	—	71,964	—	—	—	383,601	678,236
Administration	1,091,650	357,551	—	—	—	—	—	1,449,201	1,457,375
Support services	665,093	9,189	—	761,614	588,569	—	14,459	2,038,924	1,886,277
Property expenses	546,565	—	—	—	—	—	—	546,565	568,333
Depreciation	50,920	20,696	444,826	—	—	114,600	323,887	954,929	822,652
Interest	—	—	—	74,455	—	—	—	74,455	87,209
Total general and administrative expenses	2,513,886	673,343	444,826	908,033	588,569	114,600	338,346	5,581,603	5,662,886
Fundraising expenses									
Catholic Charity Fund Appeal	—	929,462	—	—	—	—	—	929,462	754,225
Anchor of Hope - Schools	—	77,301	—	—	—	—	—	77,301	17,372
Increased giving program	—	111,271	—	—	—	—	—	111,271	13,351
Lumen Gentium Event	58,618	—	—	—	—	—	—	58,618	52,216
Total fundraising expenses	58,618	1,118,034	—	—	—	—	—	1,176,652	837,164
Total expenses	4,830,759	8,754,910	6,778,902	19,164,348	1,982,696	4,067,716	338,346	45,917,677	45,795,164
Excess (deficiency) of revenues over expenses before capital additions and other income (expense)	(818,952)	(421,323)	(961,726)	3,689,704	(579,377)	702,773	(278,201)	1,332,898	1,745,310
Capital additions and other income (expense)									
Endowment gifts and bequests	—	—	—	—	375,667	2,687,034	—	3,062,701	3,800,150
Shepherds of Hope campaign	—	—	—	—	570,173	—	—	570,173	589,266
Beneficial interest in perpetual trusts	—	—	—	—	—	(236,015)	—	(236,015)	370,145
Transfers from Perpetual Care Fund	—	—	419,901	—	—	—	—	419,901	611,420
Transfers (to) from	809,867	150,000	—	(1,224,001)	(893,907)	843,907	314,134	—	—
Gain on sale of property	—	—	—	1,748,535	—	—	—	1,748,535	1,893
Unrealized gains on investments	(33,881)	(29,393)	—	(1,433,960)	(803,892)	(4,906,297)	—	(7,207,423)	9,804,806
Total capital additions and other income (expense)	775,986	120,607	419,901	(909,426)	(751,959)	(1,611,371)	314,134	(1,642,128)	15,177,680
Increase (decrease) in net assets	(42,966)	(300,716)	(541,825)	2,780,278	(1,331,336)	(908,598)	35,933	(309,230)	16,922,990
Net assets, beginning of year	1,004,076	4,910,929	3,187,130	36,135,256	6,773,327	93,765,646	4,775,459	150,551,823	133,628,833
Net assets, end of year	\$961,110	\$4,610,213	\$2,645,305	\$38,915,534	\$5,441,991	\$92,857,048	\$4,811,392	\$150,242,593	\$150,551,823

See independent auditors' report on other financial information and accompanying note.

CENTRAL ADMINISTRATION FUNDS AND DIOCESAN CEMETERY OPERATIONS WITHIN THE DIOCESE OF PROVIDENCE

Note to Other Financial Information

The assets, liabilities, and net assets of the Central Administration Funds and Diocesan Cemetery Operations within the Diocese of Providence are reported in self-balancing fund groups as follows:

The General Fund records the daily unrestricted operating activities and its operations are part of the Diocesan Administration Corporation.

The Catholic Charity Fund raises funds that are used for the support of a broad range of community services and programs run by other organizations and entities.

The Cemetery Fund accounts for the operations of the Catholic Cemeteries.

Other Funds: These Funds and a description of their operations follows:

The Insurance Funds are Board restricted for Diocesan insurance deductibles and for a partial self-insured workers' compensation program for the parishes and various institutions, and for claims not covered by insurance policies.

The Diocesan Service Corporation, a separate legal entity, was established for the purposes of providing administrative, bookkeeping and other support services to various corporations organized to conduct temporal affairs for the Roman Catholic Church in the Diocese of Providence.

DiMed Corp. is Board restricted for the operation of group healthcare programs for the various Parishes and Institutions.

Modernization and Support Fund and RCB are restricted by the Board to support the capital and contingent needs of DAC.

The Fiduciary Fund: These funds account for money received from other funds, parishes and institutions that are held in a Trustee capacity. These funds include:

The Deposit and Loan Fund acts as a revolving loan fund for participating parishes and institutions. Loans are made for capital improvement needs and are funded by deposits from parishes.

The Parish Investment Group represents assets of Parishes and Institutions which are in excess of short-term operating needs and are invested for the longer term in various managed equity and fixed income pools.

F.A.C.E. of Rhode Island is the Diocesan Scholarship Granting Organization, which has been certified by the State Department of Taxation to receive from Rhode Island corporations tax credits, which in turn will be used to support students who attend catholic schools.

Shepherds of Hope, is a multi-year campaign raising funds to be endowed for the support of our seminarians and retired priests. The campaign is a vital part of a comprehensive Diocesan plan for fiscal responsibilities and stewardship.

The Vision of Hope Fund (VOH) a multi-year fund raising effort that was completed in 2003. The Capital Campaign continues to provide capital improvements for various parishes and institutions, establish endowments, and fund start-up costs for programs developed by the Diocesan Strategic Plan Case Statement.

Custodian Funds represent institutional deposits held on behalf of agencies, programs or Diocesan and national collections awaiting disbursement or transmittal.

The Endowment Fund: These represent funds that are subject to restrictions of gift instruments requiring that the principal be invested and the income only be used. They also include funds that are functioning as endowments and have been so designated by appropriate internal authority. These funds include:

Catholic Foundation, whose endowments are restricted to support specific parishes, Catholic education, certain agencies, programs, and services.

Seminary of Our Lady of Providence, whose endowment supports seminarians and vocation efforts.

The Mission Fund, whose endowment is used for the support of the missionary efforts of the Church of Providence.

The Cutting Trust holds an endowment for the St. Clare's Home, a separate corporation.

The Plant Fund includes two funds: the RCB-Plant Fund and the Diocesan Plant Fund. The RCB-Plant Fund accounts for expenditures for land, buildings, furniture, and equipment used by the Central Administration Funds. The Diocesan Plant Fund is used to provide funding for future maintenance and repair of Diocesan Properties.

Prior to July 1, 1997, property, plant and equipment for the Funds, exclusive of Catholic Cemeteries, were accounted for in the Plant Fund. Subsequent to that date, all capital additions have been recorded in the specific funds that acquired them, along with the related depreciation expense for each period.

See independent auditors' report on other financial information.