



June 24, 2016

Dear Brothers and Sisters in Christ:

I am pleased to continue the practice of sharing with you the annual financial statements of the Central Administrative Offices of the Roman Catholic Diocese of Erie for the year ended December 31, 2015. These statements have been independently audited by our certified public accountants and, as specified in Canon Law, reviewed by the members of the Diocesan Finance Council.

This annual report is just one element of the accountability and transparency which the Diocese strives to practice on a continuing basis. In constructing our operating budget and monitoring our expenditures, I would assure you that our diocesan staff is committed to the prudent management of the financial resources which you have entrusted to us.

The facts and figures contained in this report represent more than an indication that what we do with our finances is right and proper in terms of accounting standards. The report also serves as concrete evidence of your generous support--primarily through the Catholic Services Appeal--of our Gospel mission and your concern for the needs of others. The vital ministries and programs that are carried out here at the Diocesan level including Catholic education, Catholic Charities, clergy and religious personnel services, vocations, and communications most certainly are dependent upon your generosity.

Although the annual report indicates that our current financial position is stable, it comes as no surprise that our pastoral planning process has made us aware of the fact that there will be challenges ahead in terms of maintaining fiscal stability while ministering to the varied needs of the people of our diocese.

Asking God's blessings on you and with deep appreciation for your continued support of the Diocese of Erie, I remain

Sincerely yours in Christ,  
*+ Lawrence T. Persico*  
The Most Reverend Lawrence T. Persico, JCL  
Bishop of Erie

## **Roman Catholic Diocese of Erie Central Administrative Offices**

### **2015 Financial Report Highlights**

- The financial statements of the Central Administrative Offices (CAO) of the Roman Catholic Diocese of Erie have once again been independently audited. The report of the independent auditor—BKD, LLP—stated that as of December 31, 2015, those statements presented fairly the financial position of the CAO and the changes in its net assets and cash flows for the year then ended.
- Those audited statements include only the services and programs which are provided through the Central Administrative Offices. The CAO serves parishes, schools, and other diocesan entities by providing program, financial and administrative support. However, its audited statements do not include the separate activities of the parishes, schools, cemeteries, or other distinct operating entities such as The Catholic Foundation of the Diocese of Erie, or Catholic Charities of the Diocese of Erie, Inc. and its affiliates.
- For 2015, the CAO reported a moderate increase in net assets of \$593,500. Certain non-operating items contributed to this improvement over the decrease reported for the prior year. These included the positive effect of a change in priests' pension costs. For the year, however, investment losses were substantially greater than the prior year's gains. While those losses do affect our financial statements, they do not affect our current operations and programs.
- For the year, there was an increase of nearly \$1 million or 4.1% increase in operating revenue. Income derived from contributions and bequests accounted for much of this change. As in the past, the revenue coming from the Catholic Services Appeal continues to be the largest source of funding for the operating budget.
- Total expenses were up about 4.0% from the prior year. Nearly all of this was associated with an increase in insurance costs, primarily those associated with the diocesan group health insurance program. The expenses of both insurance programs—group health and property/casualty—totaled \$9.0 million. Expenditures for Catholic Education (\$2.7 million), clergy services (\$1.8 million), and Catholic Charities (\$1.5 million) were about the same as in the prior year.

- Expenses for all ministries and programs of the CAO are included in the annual operating budget which is approved by the Diocesan Finance Council. Actual vs. budgeted expenses are then monitored monthly throughout the year. For 2015, the operating budget ended up with being “in the black” by \$34,415.
- Total assets decreased by \$1.3 million to \$76.0 million. Investments represent over eighty percent of this total. Included in investments are several permanent diocesan endowments (e.g., priestly formation, religious education), Parish Deposit and Loan Fund reserves, and funds held for other entities such as The Catholic Foundation, Erie Diocesan Cemeteries, and Catholic Charities.
- There was also a decrease on liabilities of \$1.9 million to \$48.5 million. More than half of this is attributable to a reduction in the priests’ pension and benefits liability. Smaller decreases were noted in the amount of investments held for related affiliates and in the total amount on deposit in the Parish Deposit and Loan Fund.
- The Diocesan Finance Council meets throughout the year on a quarterly basis. It serves as the primary advisory body to the Bishop of Erie in the area of financial administration. In addition to approving the annual budget and reviewing the annual accounting report, canon law requires that the Council be consulted on acts of extraordinary financial administration such as the purchase or sale of real estate, the borrowing of large amounts, and major new construction projects.
- The Office of Financial Services has the responsibility of supporting and assisting the bishop in the stewardship of the temporal resources needed to carry out the mission of the Diocese. It fulfills this responsibility by seeing that the resources of the Central Administrative Offices as well as those of the parishes, schools, and diocesan-affiliated entities are administered in a prudent manner and in accord with church law. It also includes onsite evaluations of the financial practices of parishes and elementary schools in order to ensure that their assets are properly safeguarded, that proper internal controls are in place, and that there is compliance with diocesan policies.
- Should you have any questions concerning the financial report, please contact the Office of Financial Services at 814-824-1180 or [Finance@eriercd.org](mailto:Finance@eriercd.org). I also invite you to visit our website for additional information at [www.eriercd.org/finance.asp](http://www.eriercd.org/finance.asp)

David J. Murphy  
Chief Financial Officer

**Central Administrative Offices  
of the Roman Catholic Diocese of Erie**  
Independent Auditor's Report and Financial Statements  
December 31, 2015



**Central Administrative Offices  
of the Roman Catholic Diocese of Erie**  
December 31, 2015

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## Independent Auditor's Report

Most Reverend Lawrence T. Persico, JCL  
Roman Catholic Diocese of Erie  
Central Administrative Offices  
Erie, Pennsylvania

We have audited the accompanying financial statements of the Central Administrative Offices of the Roman Catholic Diocese of Erie (Diocese), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

Most Reverend Lawrence T. Persico, JCL  
Roman Catholic Diocese of Erie  
Central Administrative Offices  
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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Administrative Offices of the Roman Catholic Diocese of Erie as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the December 31, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 7, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*BKD, LLP*

Erie, Pennsylvania  
April 1, 2016

**Central Administrative Offices  
of the Roman Catholic Diocese of Erie**  
**Statement of Financial Position**  
**December 31, 2015**  
**(With Comparative Totals for 2014)**

**Assets**

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents (Note 1)	\$ 7,318,151	\$ 8,432,656
Cash and cash equivalents held for others (Note 1)	907,113	878,322
Total cash and cash equivalents	8,225,264	9,310,978
Accounts receivable, net (Notes 1 and 2)	3,676,544	3,100,491
Prepaid insurance and other expenses	701,912	729,600
Investments at fair value (Note 3)	44,961,921	45,657,573
Investments held for related affiliates (Note 6)	16,908,275	17,201,175
Other investments, at cost	53,763	53,763
Property and equipment, net (Notes 1 and 4)	1,509,444	1,289,757
Total assets	<u>\$ 76,037,123</u>	<u>\$ 77,343,337</u>

**Liabilities and Net Assets**

**Liabilities**

Accounts payable and accrued expenses	\$ 1,577,387	\$ 1,805,413
Insurance claims payable and accrued (Note 1)	1,621,877	1,754,657
Deposits - Parish Deposit and Loan Fund	11,608,931	12,007,100
Unearned revenues (Note 1)	1,022,948	899,044
Funds held for others	888,065	853,012
Funds held for related affiliates (Note 6)	16,927,323	17,226,485
Pension and postretirement benefits liability (Note 11)	12,825,282	13,825,816
Total liabilities	<u>46,471,813</u>	<u>48,371,527</u>

**Net Assets**

Unrestricted (Note 9)		
Operations and program support	4,762,876	4,728,461
Designated	7,533,055	7,868,686
Designated - Priests' retirement designated deficiency	(14,256,852)	(15,314,783)
Funds functioning as endowments	13,379,530	13,422,843
Deposit and Loan Fund	3,655,970	3,943,446
Total unrestricted net assets	15,074,579	14,648,653
Temporarily restricted (Notes 1 and 9)	8,023,456	7,551,503
Permanently restricted (Notes 1 and 9)	6,467,275	6,771,654
Total net assets	<u>29,565,310</u>	<u>28,971,810</u>
Total liabilities and net assets	<u>\$ 76,037,123</u>	<u>\$ 77,343,337</u>



# Central Administrative Offices of the Roman Catholic Diocese of Erie

## Statement of Activities Year Ended December 31, 2015 (With Comparative Totals for 2014)

	Unrestricted			
	Operations and Program Support	Designated	Funds Functioning as Endowments	Deposit and Loan Funds
<b>Operating Revenue, Gains and Other Support</b>				
Catholic Services Appeal	\$ 4,101,992	\$ -	\$ -	\$ -
Diocesan assessments	1,569,856	1,929,993	-	-
Insurance programs revenue	-	8,361,283	-	-
Program service fees	250,729	430,965	-	-
Department revenues	780,408	-	-	-
Investment income	3,750	97,371	247,575	397,276
Contributions and bequests	256,665	40,314	469,715	-
Government reimbursements	27,292	-	-	-
Contributed services	171,408	-	-	-
Other revenue	60,713	-	1,040	61,078
Net assets released from restrictions	940,423	159,580	-	-
	<u>8,163,236</u>	<u>11,019,506</u>	<u>718,330</u>	<u>458,354</u>
Total operating revenues, gains and other support				
<b>Expenses</b>				
Pastoral services	1,098,969	-	-	-
Clergy services	504,964	1,283,573	-	-
Vocation	751,058	-	-	-
Educational services	1,508,216	1,020,139	203,459	-
Communications	677,430	-	-	-
Catholic charities	1,518,705	-	-	-
Tribunal office	306,848	-	-	-
Development services	311,176	-	-	-
Financial services	737,893	-	-	-
Facilities management	621,987	-	32,727	-
Insurance programs	-	9,027,275	-	-
Interest expense	-	454	1,589	118,408
Other expenses	338,542	135	16,397	1,600
	<u>8,375,788</u>	<u>11,331,576</u>	<u>254,172</u>	<u>120,008</u>
Total expenses				
Change in net assets before investment gains (losses) and net unrecognized pension costs	<u>(212,552)</u>	<u>(312,070)</u>	<u>464,158</u>	<u>338,346</u>

See Notes to Financial Statements.

<b>Total Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Totals 2015</b>	<b>Totals 2014</b>
\$ 4,101,992	\$ -	\$ -	\$ 4,101,992	\$ 3,983,050
3,499,849	-	-	3,499,849	3,475,300
8,361,283	-	-	8,361,283	8,274,592
681,694	-	-	681,694	659,797
780,408	-	-	780,408	832,024
745,972	249,253	-	995,225	1,463,869
766,694	1,305,505	-	2,072,199	835,479
27,292	-	-	27,292	49,146
171,408	-	-	171,408	168,960
122,831	1,211	-	124,042	139,323
1,100,003	(1,100,003)	-	-	-
<b>20,359,426</b>	<b>455,966</b>	<b>-</b>	<b>20,815,392</b>	<b>19,881,540</b>
1,098,969	-	-	1,098,969	1,113,584
1,788,537	-	-	1,788,537	1,807,582
751,058	-	-	751,058	596,903
2,731,814	-	-	2,731,814	2,825,802
677,430	-	-	677,430	671,081
1,518,705	-	-	1,518,705	1,500,546
306,848	-	-	306,848	358,994
311,176	-	-	311,176	372,460
737,893	-	-	737,893	700,783
654,714	-	-	654,714	563,362
9,027,275	-	-	9,027,275	8,394,709
120,451	-	-	120,451	132,254
356,674	-	-	356,674	259,993
<b>20,081,544</b>	<b>-</b>	<b>-</b>	<b>20,081,544</b>	<b>19,298,053</b>
<b>277,882</b>	<b>455,966</b>	<b>-</b>	<b>733,848</b>	<b>583,487</b>

**Central Administrative Offices  
of the Roman Catholic Diocese of Erie**  
Statement of Activities (Continued)  
Year Ended December 31, 2015  
(With Comparative Totals for 2014)

	<b>Unrestricted</b>			
	<b>Operations and Program Support</b>	<b>Designated</b>	<b>Funds Functioning as Endowments</b>	<b>Deposit and Loan Funds</b>
<b>Other Changes in Net Assets</b>				
Net realized/unrealized gain (loss)	(6,445)	(151,666)	(406,679)	(513,822)
Change in net unrecognized pension costs due to plan amendment	-	-	-	-
Change in net unrecognized pension costs	-	1,226,656	-	-
Total other changes in net assets	<u>(6,445)</u>	<u>1,074,990</u>	<u>(406,679)</u>	<u>(513,822)</u>
<b>Change in Net Assets</b>	(218,997)	762,920	57,479	(175,476)
<b>Net Asset Transfers</b>	253,412	(40,620)	(100,792)	(112,000)
<b>Net Assets, Beginning of Year</b>	<u>4,728,461</u>	<u>(7,446,097)</u>	<u>13,422,843</u>	<u>3,943,446</u>
<b>Net Assets, End of Year</b>	<u>\$ 4,762,876</u>	<u>\$ (6,723,797)</u>	<u>\$ 13,379,530</u>	<u>\$ 3,655,970</u>

See Notes to Financial Statements.

<b>Total Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Totals 2015</b>	<b>Totals 2014</b>
(1,078,612)	15,987	(304,379)	(1,367,004)	471,556
-	-	-	-	(940,089)
<u>1,226,656</u>	<u>-</u>	<u>-</u>	<u>1,226,656</u>	<u>(1,722,775)</u>
<u>148,044</u>	<u>15,987</u>	<u>(304,379)</u>	<u>(140,348)</u>	<u>(2,191,308)</u>
425,926	471,953	(304,379)	593,500	(1,607,821)
-	-	-	-	-
<u>14,648,653</u>	<u>7,551,503</u>	<u>6,771,654</u>	<u>28,971,810</u>	<u>30,579,631</u>
<u>\$ 15,074,579</u>	<u>\$ 8,023,456</u>	<u>\$ 6,467,275</u>	<u>\$ 29,565,310</u>	<u>\$ 28,971,810</u>

**Central Administrative Offices  
of the Roman Catholic Diocese of Erie**  
**Statement of Cash Flows**  
**Year Ended December 31, 2015**  
**(With Comparative Totals for 2014)**

	<u>2015</u>	<u>2014</u>
<b>Operating Activities</b>		
Change in net assets	\$ 593,500	\$ (1,607,821)
Items not requiring (providing) operating activities cash flows		
Depreciation	143,247	116,845
Net realized and unrealized gains on investments	1,367,004	(471,556)
Changes in pension liability	(1,000,534)	2,720,276
Changes in		
Assessment and Catholic Services Appeal accounts receivable, other receivables and loans	(663,761)	146,952
Prepaid insurance and other expenses	27,688	(59,411)
Accounts payable and accrued expenses, including insurance claims	(360,806)	304,047
Unearned revenues	123,904	(226,268)
Funds held for others	28,791	45,427
	<u>259,033</u>	<u>968,491</u>
Net cash provided by operating activities		
<b>Investing Activities</b>		
Purchases of property and equipment	(362,934)	(278,162)
Purchase of investments	(31,673,260)	(29,837,116)
Proceeds from disposition of investments	31,152,750	29,531,132
	<u>(883,444)</u>	<u>(584,146)</u>
Net cash used in investing activities		
<b>Financing Activities</b>		
Deposit and loan - deposits made	906,876	1,183,105
Deposit and loan - deposits withdrawn	(1,305,045)	(2,267,204)
Deposit and loan - loans made	(672,780)	(165,336)
Deposit and loan - principal repayments	745,488	1,423,134
Note receivable - parish and school - principal repayments	15,000	-
Net additions (withdrawals) from investments held for others	(150,842)	624,962
	<u>(461,303)</u>	<u>798,661</u>
Net cash provided by (used in) financing activities		
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(1,085,714)	1,183,006
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>9,310,978</u>	<u>8,127,972</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 8,225,264</u>	<u>\$ 9,310,978</u>
<b>Supplemental Cash Flows Information</b>		
Interest paid on deposits and annuities	\$ 23,494	\$ 25,845

# **Central Administrative Offices of the Roman Catholic Diocese of Erie**

## **Notes to Financial Statements**

**December 31, 2015**

**(With Comparative Totals for 2014)**

### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

#### ***Nature of Operations***

The Central Administrative Offices (CAO) of the Roman Catholic Diocese of Erie (the Diocese) is a not-for-profit organization whose mission and principal activities are to oversee the parishes, schools and other entities of the Diocese under the supervision of the Bishop's office and staff. The Diocese encompasses thirteen counties in Northwest Pennsylvania. The revenues and support of the Diocese are derived principally from the Catholic Services Appeal and assessments received from the parishes for programs and activities administered by the CAO. Revenue is also received from the parishes and other affiliates as a result of their participation in self-insured group health and property/casualty insurance programs administered by the Diocese.

The financial statements do not include the separate activities of the Diocesan parishes, schools, cemeteries, service agencies, nursing homes, Catholic Charities of the Diocese of Erie, Inc., the Catholic Foundation of the Diocese of Erie, or any institution owned and operated by religious orders of men or women. The aforementioned activities are distinct operating entities, maintain separate accounts, and perform their own services and programs.

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

#### ***Cash and Cash Equivalents***

The Diocese considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2015 and 2014, cash equivalents consisted primarily of money market accounts with brokers.

At December 31, 2015, the Diocesan cash accounts exceeded federally insured limits by approximately \$4,692,000.

# **Central Administrative Offices of the Roman Catholic Diocese of Erie**

## **Notes to Financial Statements**

**December 31, 2015**

**(With Comparative Totals for 2014)**

### ***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at the time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statement of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

The Diocese maintains pooled investment accounts for its endowments and other organizations' investments. Prior to November 1, 2015, investment income and realized and unrealized gains and losses from securities in the pooled investment accounts were allocated monthly to the individual endowments based on the relationship of the cost basis of the interest of each endowment to the total cost basis of the pooled investments accounts, as adjusted for additions to or deductions from those accounts. Effective November 1, 2015, the investment income and realized and unrealized gains and losses is allocated based on market value of the interest of each endowment to the total market value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

### ***Accounts and Loans Receivable***

Accounts receivable are stated at the amount invoiced to the parishes and other Diocesan organizations. The Diocese provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the organization.

Loans receivable within the Parish Deposit and Loan Fund are stated at their outstanding principal amount, net of allowance for uncollectible loans. The Diocese provides an allowance for uncollectible loans, which is based upon a review of outstanding loans, historical collection information and existing economic conditions. Outstanding loans accrue interest based on the terms of the respective loan agreements. Delinquent loans are written off based on individual credit evaluation and specific circumstances of the borrower.

### ***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset.

**Central Administrative Offices  
of the Roman Catholic Diocese of Erie**  
**Notes to Financial Statements**  
**December 31, 2015**  
**(With Comparative Totals for 2014)**

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building	40 years
Building improvements	15 years
Vehicles, office equipment and furniture	5 - 7 years

***Long-Lived Asset Impairment***

The Diocese evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2015 and 2014.

***Guarantees***

The Bishop of the Diocese is a guarantor of loans and loan commitments to certain parishes and institutions which fall under his jurisdiction. The guarantee terms range from 14 months to 22 years. Should the Diocese be obligated to perform under the guarantee arrangement, the Diocese may seek reimbursement from the affiliate of amounts expended under the guarantee.

At December 31, 2015 and 2014, the total outstanding balances on guaranteed loans were approximately \$9.1 and \$10.2 million, respectively. To the best of the Diocesan knowledge, payments on these obligations have been made by the local parishes and institutions in accordance with their individual loan agreements. There were no known defaults or delinquencies. Therefore, the Diocese did not record a liability under guarantee agreements at December 31, 2015 and 2014, respectively.

According to the guarantee agreement with the lenders, the Diocese is required to adhere to certain covenants, including a financial loan covenant. The Diocese is in compliance with this financial loan covenant as of December 31, 2015.

***Temporarily and Permanently Restricted Net Assets***

Temporarily restricted net assets are those whose use by the Diocese has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Diocese in perpetuity.



# **Central Administrative Offices of the Roman Catholic Diocese of Erie**

## **Notes to Financial Statements**

**December 31, 2015**

**(With Comparative Totals for 2014)**

### ***Contributions***

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case, the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

### ***Self-Insurance***

The Financial Services Office of the Diocese manages insurance programs on behalf of parishes and other institutions within the Diocese through a combination of self-insurance retentions, participation in a liability risk retention group with other Dioceses, and the purchase of excess insurance coverage above the self-insured limits.

The Diocese is self-insured on property, third-party liability and workers' compensation claims up to \$250,000. The Diocese is also self-insured for theft/employee dishonesty claims up to \$200,000 per occurrence with an aggregate loss limit of \$930,000. Losses are recorded as expense when incurred. The Diocese records a liability as of December 31 for claims outstanding and payable, including losses incurred but not reported. Such liabilities are necessarily based on estimates and, while the Diocese believes the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided. The methods for making such estimates and for establishing the

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resulting liability are continually reviewed, and any adjustments are reflected in the financial statements. The recorded liability for outstanding claims is \$1,129,624 and \$1,345,689 as of December 31, 2015 and 2014, respectively.

The Diocese is also self-insured in providing group health insurance for its priests and the lay employees of the parishes, schools and Diocese. These risks are subject to stop loss insurance purchased by the Diocese from Highmark Casualty Insurance Company. The insurance has a specific deductible of \$170,000 per covered person and a minimum aggregate annual deductible of \$7.0 million. Claims are administered by Highmark Blue Cross/Blue Shield. The recorded liability for outstanding claims is \$492,253 and \$408,968 as of December 31, 2015 and 2014, respectively.

### ***Contributed Services***

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contribution revenue recognized from contributed services generally includes management functions performed by members of the clergy and various religious communities. These services are recorded as revenues and are charged to the appropriate program benefited.

### ***Unearned Revenue***

Revenue from fees for insurance assessments is deferred and recognized over the periods to which the fees relate.

### ***Income Taxes***

The Diocese is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law.

### ***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in Note 12. Certain costs have been allocated among the program, management and general, and fundraising categories based on the nature of activities, time of employees involved, and other methods.

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***Transfers Between Fair Value Hierarchy Levels***

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized as of the end of the year, unless circumstances dictate otherwise. No transfers between fair value hierarchy levels occurred during the year ended December 31, 2015.

***Reclassifications***

Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 financial statement presentation. These reclassifications had no effect on the change in net assets.

***Comparative Financial Information***

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Diocesan financial statements for the year ended December 31, 2014, from which the summarized information was derived.

**Note 2: Accounts Receivable**

Receivables at December 31 consisted of the following:

	<b>2015</b>	<b>2014</b>
Assessments and Diocesan Appeal	\$ 2,438,588	\$ 2,489,970
Loans and notes - Deposit and Loan Fund	1,913,249	1,985,957
Note receivable - parish and school	191,366	206,366
Contributions receivable	848,000	-
Other receivables and loans	592,491	678,348
	5,983,694	5,360,641
Less allowance for estimated uncollectible accounts receivable	(2,307,150)	(2,260,150)
	<b>\$ 3,676,544</b>	<b>\$ 3,100,491</b>

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Assessments relate primarily to parishes and other Diocesan affiliates for insurance, priests' retirement, schools and Diocesan programs and operations. Due to the history of collectability, most of the Diocesan receivables are considered to be long-term.

**Note 3: Investments and Investment Return**

Investments at December 31 consisted of the following:

	<u>2015</u>	<u>2014</u>
U.S. Treasury securities	\$ 1,746,570	\$ 5,541,160
Equity securities	17,889,965	17,893,633
Mutual funds	27,192,158	23,186,741
Corporate bonds	3,248,922	5,285,447
Government agency bonds	2,166,882	2,077,721
Common trust fund	<u>9,625,699</u>	<u>8,874,046</u>
	61,870,196	62,858,748
Less: investments held for related affiliates	<u>16,908,275</u>	<u>17,201,175</u>
	<u>\$ 44,961,921</u>	<u>\$ 45,657,573</u>

The Diocesan temporarily and permanently restricted net assets include various endowment funds established by donors. At December 31, 2015, the fair value of the assets of these funds exceeded the level required by donor stipulation or law.

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Total investment income is comprised of the following:

	<u>2015</u>	<u>2014</u>
Investment interest	\$ 900,167	\$ 848,939
Dividends	276,851	824,623
Net realized and unrealized gains (losses)	(1,367,004)	471,556
Less investment fees	<u>(181,793)</u>	<u>(209,693)</u>
	<u>\$ (371,779)</u>	<u>\$ 1,935,425</u>

Total investment return is reflected in the statement of activities as follows:

	<u>2015</u>	<u>2014</u>
Operating income	\$ 995,225	\$ 1,463,869
Other (nonoperating) income	<u>(1,367,004)</u>	<u>471,556</u>
	<u>\$ (371,779)</u>	<u>\$ 1,935,425</u>

***Alternative Investments***

The fair value of the common trust fund has been estimated using the net asset value per share of the investments. The fund invests in large cap equities corresponding to those in the S&P 500 Index, while complying with the social standards of the U.S. Conference of Catholic Bishops.

As of December 31, 2015 and 2014, the fair value of the common trust fund was \$9,625,699 and \$8,874,046, respectively. There are no restrictions on the frequency or notice periods required to redeem the investment. There were no unfunded commitments to the common trust fund by the Diocese as of December 31, 2015 and 2014.

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**Note 4: Property and Equipment**

Property and equipment at December 31 consists of:

	<b>2015</b>	<b>2014</b>
Land	\$ 204,133	\$ 204,133
Buildings	3,563,040	3,563,040
Building improvements	2,570,438	2,333,103
Vehicles, office equipment and furniture	518,450	479,259
	6,856,061	6,579,535
Less accumulated depreciation	(5,346,617)	(5,289,778)
	<b>\$ 1,509,444</b>	<b>\$ 1,289,757</b>

**Note 5: Note Payable to Bank**

The Diocese has a \$2,500,000 revolving bank line of credit expiring in July 2016. The line of credit has \$1,200,000 as an offset for a letter of credit outstanding for the self-insured status for workers' compensation. If nothing is drawn on the letter of credit, the available line of credit is \$2,500,000. In addition, as of December 31, 2015 and 2014, the Diocese held a \$1,000,000 letter of credit separate from the line of credit agreement related to the automobile insurance. At December 31, 2015 and 2014, there were no borrowings against the line of credit.

**Note 6: Funds Held for Related Affiliates**

The Endowment Care Fund of the Erie Diocesan Cemeteries (Erie Diocesan Cemeteries), certain investments of Catholic Charities of the Diocese of Erie (Catholic Charities), and certain assets of the Catholic Foundation of the Diocese of Erie (Catholic Foundation) are under the care, custody and control of the Roman Catholic Diocese of Erie, which oversees its investments and all financial transactions. These funds are accounted for liabilities on the statement of financial position of the Diocese, while the Diocese holds the assets and administers the funds.

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The balances of funds held for each organization at December 31, 2015 and 2014 are as follows:

	<b>2015</b>	<b>2014</b>
Erie Diocesan Cemeteries	\$ 5,865,084	\$ 6,207,987
Catholic Charities	964,249	981,430
Catholic Foundation	10,097,990	10,037,068
	<b>\$ 16,927,323</b>	<b>\$ 17,226,485</b>

The Diocese is compensated for the investment and accounting services provided to all three affiliates. Total support and revenue received from each organization during the years ended December 31, 2015 and 2014 are as follows:

	<b>2015</b>	<b>2014</b>
Erie Diocesan Cemeteries	\$ 100,000	\$ 100,000
Catholic Charities	33,293	32,640
Catholic Foundation	39,436	36,966
	<b>\$ 172,729</b>	<b>\$ 169,606</b>

The Diocese also collects contributions from its parishes to be remitted to other charitable organizations. These balances are carried as a liability on the statement of financial position until remitted. Cash and cash equivalents held for others on the statement of financial position consist of these collections and cash received from related affiliates to be invested.

**Note 7: Annuities Payable**

The Diocese has been the recipient of several gift annuities which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. The Diocese has recorded a liability at December 31, 2015 and 2014 of \$17,961 and \$30,017, respectively, which represents the present value of the future annuity obligations. The liability has been determined using discount rates of 6.6% to 8.8%. There was no contribution revenue recognized under such agreements for the years ended December 31, 2015 and 2014, respectively.

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### Note 8: Deferred Compensation Agreement

The Diocese has an unfunded deferred compensation agreement with its Chief Financial Officer that provides, upon disability or retirement, 30% of his final salary in equal monthly benefits for life. The present value of total estimated deferred compensation is being accrued using the straight-line method over the remaining years to the full eligibility date. Total deferred compensation liability was \$350,023 and \$306,405 for years ended December 31, 2015 and 2014, respectively, and is included in accounts payable and accrued expenses.

### Note 9: Net Assets

#### *Unrestricted Net Assets*

Unrestricted net assets at December 31 include the following:

**Operations and Program Support** – Includes the revenues and expenses associated with the principal functions of the Diocese.

Unrestricted net assets also include the land, buildings and improvements of St. Mark Catholic Center, the priests' retirement home, and the Bishop's residence.

**Designated** – These net assets are currently expendable for designated purposes.

**Funds Functioning as Endowments** – Includes long-term investments developed from gifts and the Bishop designations. Earnings are utilized at the Bishop's discretion.

**Deposit and Loan Fund** – The Parish Deposit and Loan Fund is a cooperative investment and lending program established for the mutual benefit of the parishes and other institutions participating in the program. Those parishes and other organizations requiring loans sign demand notes, which bear interest at approximately 1% to 2% above the rate being paid by the fund to its depositors.

Parishes with excess monies are expected to deposit at least one-half of such reserves with the Diocese. There are no restrictions on when deposits can be withdrawn. Amounts on deposit earn interest at amounts determined by the Diocesan Investment Committee. Rates being credited to deposits equaled 1.00% as of December 31, 2015 and 2014.



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The unrestricted net assets of the Diocese as of December 31 consist of the following:

	<u>2015</u>	<u>2014</u>
Operations and Program Support	\$ 4,762,876	\$ 4,728,461
Designated		
Self-insurance - property and casualty	2,450,636	2,399,807
Group health	2,035,015	2,559,938
Unemployment compensation	721,421	689,080
Regional support programs	165,693	157,318
Catholic school assistance	1,522,203	1,424,917
Capital Stewardship Campaign	638,087	637,626
	<u>7,533,055</u>	<u>7,868,686</u>
Priests' Retirement Deficiency	<u>(14,256,852)</u>	<u>(15,314,783)</u>
Funds Functioning as Endowments		
Tuition assistance - elementary	1,137,900	1,113,124
Charitable Endowment Fund	2,559,907	2,701,331
Religious Education Endowment Fund	4,024,508	4,055,733
Bishop's Discretionary Fund	2,516,433	2,543,309
Priests' Retirement Home Endowment Fund	1,280,266	995,550
Clergy Continuing Education Fund	500,133	506,409
Mission Endowment Fund	752,897	796,425
Ministry Support Funds	607,486	710,962
	<u>13,379,530</u>	<u>13,422,843</u>
Deposit and Loan Fund	<u>3,655,970</u>	<u>3,943,446</u>
	<u>\$ 15,074,579</u>	<u>\$ 14,648,653</u>

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***Temporarily Restricted Net Assets***

Temporarily restricted net assets at December 31 are available for the following purposes:

	<b>2015</b>	<b>2014</b>
	<hr/>	<hr/>
Priestly formation and ministry development	\$ 5,923,340	\$ 6,361,609
Charitable programs - other	1,202,019	415,109
Educational assistance programs	112,553	68,607
Evangelization	62,000	12,000
Communication programs	615,411	582,639
Clergy health and retirement	108,133	111,539
	<hr/>	<hr/>
	<u>\$ 8,023,456</u>	<u>\$ 7,551,503</u>

***Permanently Restricted Net Assets***

Permanently restricted net assets at December 31 are restricted to:

	<b>2015</b>	<b>2014</b>
	<hr/>	<hr/>
Priestly formation and ministry development	\$ 6,443,009	\$ 6,744,713
Mass intentions and parish needs	24,266	26,941
	<hr/>	<hr/>
	<u>\$ 6,467,275</u>	<u>\$ 6,771,654</u>

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***Net Assets Released From Restrictions***

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<b>2015</b>	<b>2014</b>
Priestly formation and ministry development	\$ 680,086	\$ 606,471
Charitable programs - other	124,428	74,740
Educational assistance programs	22,149	5,709
Communication programs	31,250	20,190
Clergy health and retirement	242,090	420,976
	\$ 1,100,003	\$ 1,128,086

**Note 10: Endowment**

The Diocesan endowment consists of approximately fifteen individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

***Interpretation of Relevant Law***

The current relevant law for the investment and distribution of restricted endowment and trust funds in the Commonwealth of Pennsylvania is PA Act 141 (Act 141). Act 141 requires an organization to adopt and follow a “total return” investment policy to seek the best total return on the principal whether from capital appreciation, earnings, or both. If Act 141 is applicable and elected by an organization, the board is required to make an annual “spending” election of between 2% and 7% of the value of endowment assets. For purposes of this provision, the value of the trust principal is the fair market value of the trust assets averaged over the past three or more years. In addition to the use of Act 141 for donor-restricted endowment funds, the Bishop and Diocesan Finance Council use Act 141 as a framework for its unrestricted board-designated endowment funds.

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In accordance with Act 141, the Diocese considers the following factors in making a determination to spend or accumulate donor-restricted and board-designated endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Diocese and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Diocese
7. Investment policies of the Diocese

***Endowment by Net Asset Class***

The composition of net assets by type of endowment fund at December 31, 2015 and 2014 was:

	<b>2015</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Donor-restricted endowment funds	\$ -	\$ 5,776,699	\$ 6,467,275	\$ 12,243,974
Diocesan-designated endowment funds	13,379,530	-	-	13,379,530
Total endowment funds	<u>\$ 13,379,530</u>	<u>\$ 5,776,699</u>	<u>\$ 6,467,275</u>	<u>\$ 25,623,504</u>
	<b>2014</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 6,267,717	\$ 6,771,654	\$ 13,039,371
Diocesan-designated endowment funds	13,422,843	-	-	13,422,843
Total endowment funds	<u>\$ 13,422,843</u>	<u>\$ 6,267,717</u>	<u>\$ 6,771,654</u>	<u>\$ 26,462,214</u>

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### **Endowment Reconciliation**

Changes in endowment net assets for the years ended December 31 were:

	<b>2015</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Endowment net assets, beginning of year	\$ 13,422,843	\$ 6,267,717	\$ 6,771,654	\$ 26,462,214
Investment return				
Investment income, net of fees	247,575	116,520	111,850	475,945
Net appreciation (depreciation)	(406,679)	(23,178)	(168,811)	(598,668)
Total investment return	(159,104)	93,342	(56,961)	(122,723)
Contributions	469,715	19,504	-	489,219
Other revenue	1,040	571	594	2,205
Appropriation of endowment assets for expenditure	(254,172)	(604,435)	(248,012)	(1,106,619)
Transfers	(100,792)	-	-	(100,792)
Endowment net assets, end of year	<u>\$ 13,379,530</u>	<u>\$ 5,776,699</u>	<u>\$ 6,467,275</u>	<u>\$ 25,623,504</u>
	<b>2014</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 13,112,750	\$ 6,316,027	\$ 6,732,588	\$ 26,161,365
Investment return				
Investment income, net of fees	372,765	179,610	185,972	738,347
Net appreciation (depreciation)	186,783	94,700	94,010	375,493
Total investment return	559,548	274,310	279,982	1,113,840
Contributions	120,842	23,095	-	143,937
Other revenue	12,191	6,900	7,148	26,239
Appropriation of endowment assets for expenditure	(319,682)	(352,615)	(248,064)	(920,361)
Transfers	(62,806)	-	-	(62,806)
Endowment net assets, end of year	<u>\$ 13,422,843</u>	<u>\$ 6,267,717</u>	<u>\$ 6,771,654</u>	<u>\$ 26,462,214</u>

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***Funds With Deficiencies***

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Diocese is required to retain as a fund of perpetual duration pursuant to donor stipulation. There were no such deficiencies as of December 31, 2015 and 2014.

***Return Objectives and Risk Parameters***

The Diocese has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Diocese must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Diocesan policies, the primary objective of the endowment assets is the long-term growth of principal with generation of income, without an undue exposure to risk. Assets are invested in a manner that is intended to achieve results that meet or exceed appropriate market indices, which are monitored by the Diocesan Finance Council throughout the year. Actual returns in any given year may vary from this amount.

***Strategies Employed for Achieving Objectives***

To satisfy its long-term rate-of-return objectives, the Diocese relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Diocese targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

***Spending Policy and How the Investment Objectives Relate to Spending Policy***

The Diocese has a policy (the spending policy) of appropriating for expenditures each year. The effective spending policy rate was up to 5% and 5.25% for the years ended December 31, 2015 and 2014, respectively. In establishing this policy, the Diocese considered the long-term expected return on its endowment. Accordingly, over the long term, the Diocese expects the current spending policy to allow its endowment to grow. This is consistent with the Diocesan objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

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### Note 11: Pension and Other Postretirement Benefit Plans

#### *Lay Employees 401(k) Retirement Plan*

The Diocese has a defined contribution pension plan covering certain employees of parishes, schools, offices, and agencies of the Diocese. The Diocese provides a contribution of 6% of compensation for all employees of the Diocese who are participants in the plan. The total pension plan expenses for these plans were \$107,378 and \$111,810 for 2015 and 2014, respectively.

#### *Defined Benefit Plan and Priest Postretirement Benefits*

The Diocese has a noncontributory defined benefit pension plan covering all Diocesan priests who meet the eligibility requirements. The Diocesan funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Diocese may determine to be appropriate from time to time. The Diocese expects to contribute approximately \$500,000 to the plan in 2016.

The Diocese has a noncontributory defined benefit postretirement health care plan covering retired priests who meet the eligibility requirements. The Diocese funds benefits on a “pay-as-you-go” basis. It is an unfunded plan.

The Diocese uses a December 31 measurement date for the plans. Information about the plans’ funded status follows:

	<b>Pension Benefits</b>		<b>Other Benefits</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Benefit obligation	\$(15,554,920)	\$(16,254,513)	\$ (3,492,523)	\$ (4,186,633)
Fair value of plan assets	6,222,161	6,615,330	-	-
Funded status	\$ (9,332,759)	\$ (9,639,183)	\$ (3,492,523)	\$ (4,186,633)

Liabilities recognized in the statements of financial position:

	<b>Pension Benefits</b>		<b>Other Benefits</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Liabilities	\$ (9,332,759)	\$ (9,639,183)	\$ (3,492,523)	\$ (4,186,633)

As of July 1, 2014, the monthly pension benefit payments increased from \$1,350 to \$1,400.

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Amounts recognized in change in net assets not yet recognized as components of net periodic benefit cost consist of:

	<b>Pension Benefits</b>		<b>Other Benefits</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Net loss (gain)	\$ (167,050)	\$ 1,545,961	\$ (809,874)	\$ 361,883
Plan amendment for increased benefit payments	-	940,089	-	-
Amortization of prior service cost	(285,961)	(221,298)	36,229	36,229
	<u>\$ (453,011)</u>	<u>\$ 2,264,752</u>	<u>\$ (773,645)</u>	<u>\$ 398,112</u>

The accumulated benefit obligation for all defined benefit pension plans was \$19,047,443 and \$20,441,146 at December 31, 2015 and 2014, respectively.

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Projected benefit obligation	<u>\$ 15,554,920</u>	<u>\$ 16,254,513</u>
Accumulated benefit obligation	<u>\$ 15,554,920</u>	<u>\$ 16,254,513</u>
Fair value of plan assets	<u>\$ 6,222,161</u>	<u>\$ 6,615,330</u>

Other significant balances and costs are:

	<b>Pension Benefits</b>		<b>Other Benefits</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Employer contributions	\$ 607,580	\$ 595,000	\$ -	\$ -
Benefits paid	\$ 1,020,430	\$ 1,003,093	\$ 171,007	\$ 181,530
Net periodic benefit costs	\$ 754,167	\$ 603,524	\$ 250,543	\$ 230,418



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Other changes in plan assets and benefit obligations recognized in change in net assets:

	<b>Pension Benefits</b>		<b>Other Benefits</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Amounts arising during the period:				
Net loss	\$ 261,349	\$ 282,158	\$ 241,152	\$ 246,679
Amounts reclassified as components of net periodic benefit cost of the period:				
Net loss	\$ 206,857	\$ 100,068	\$ 45,620	\$ 19,968
Net prior service cost (credit)	\$ 285,961	\$ 221,298	\$ (36,229)	\$ (36,229)

The estimated net loss and prior service cost for the defined benefit pension plan that will be amortized into net periodic benefit cost over the next fiscal year are \$207,541 and \$232,354, respectively. The estimated net loss and prior service credit for the other defined benefit postretirement plan that will be amortized into net periodic benefit cost over the next fiscal year is \$0 and \$36,229, respectively.

Significant assumptions include:

	<b>Pension Benefits</b>		<b>Other Benefits</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Weighted-average assumptions used to determine benefit obligations:				
Discount rate	4.00%	3.75%	4.00%	3.75%
Weighted-average assumptions used to determine benefit costs:				
Discount rate	3.75%	4.75%	3.75%	4.75%
Expected return on plan assets	7.50%	7.50%	N/A	N/A

The Diocese has estimated the long-term rate-of-return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information. The long-term rate-of-return remained unchanged from the prior year.

For measurement purposes, a 5.00% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2015 and 2014.

# Central Administrative Offices of the Roman Catholic Diocese of Erie

## Notes to Financial Statements

December 31, 2015

(With Comparative Totals for 2014)

The Diocese' overall investment strategy is to achieve a mix of investments for long-term growth and near-term benefit payments with a wide diversification of asset types. The target asset allocation percentages for 2015 and 2014 are as follows:

	<b>Pension Benefits</b>	
	<b>2015</b>	<b>2014</b>
	<b>Not to exceed</b>	
Equity securities	75%	75%
Fixed income	45%	45%
Cash	10%	10%

Equity securities include investments in publicly held companies within a number of different industries within the United States and a common/collective trust. Fixed income securities include corporate bonds of companies from diversified industries.

### ***Pension Plan Assets***

Following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets include equity securities and growth mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. Level 2 plan assets include money market funds, corporate bonds, and a common trust fund. In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy.

# Central Administrative Offices of the Roman Catholic Diocese of Erie

## Notes to Financial Statements

December 31, 2015

(With Comparative Totals for 2014)

The fair values of the Diocesan pension plan assets at December 31, 2015 and 2014, by asset class are as follows:

Asset Class	2015			
	Fair Value Measurements Using			
Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Equity securities				
Information technology	\$ 273,495	\$ 273,495	\$ -	\$ -
Financial	224,763	224,763	-	-
Consumer discretionary	224,012	224,012	-	-
Health care	198,354	198,354	-	-
Industrials	186,927	186,927	-	-
Consumer staples	157,515	157,515	-	-
Other	186,324	186,324	-	-
Money market	446,687	446,687	-	-
Corporate bonds	1,847,658	-	1,847,658	-
Growth mutual fund	467,198	467,198	-	-
Common trust fund	2,009,228	-	2,009,228	-
	<u>\$ 6,222,161</u>	<u>\$ 2,365,275</u>	<u>\$ 3,856,886</u>	<u>\$ -</u>

**Central Administrative Offices  
of the Roman Catholic Diocese of Erie**

**Notes to Financial Statements**

**December 31, 2015**

**(With Comparative Totals for 2014)**

<b>Asset Class</b>	<b>2014</b>			
	<b>Fair Value Measurements Using</b>			
	<b>Total Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
	<b>Value</b>	<b>(Level 1)</b>	<b>(Level 2)</b>	<b>(Level 3)</b>
Equity securities				
Financial	\$ 271,827	\$ 271,827	\$ -	\$ -
Information technology	244,318	244,318	-	-
Health care	226,786	226,786	-	-
Consumer discretionary	221,351	221,351	-	-
Industrials	161,251	161,251	-	-
Consumer staples	148,511	148,511	-	-
Other	171,952	171,952	-	-
Money market	544,666	544,666	-	-
Corporate bonds	1,836,262	-	1,836,262	-
Growth mutual fund	491,723	491,723	-	-
Common trust fund	2,296,683	-	2,296,683	-
	<u>\$ 6,615,330</u>	<u>\$ 2,482,385</u>	<u>\$ 4,132,945</u>	<u>\$ -</u>

Plan assets are held by a bank-administered trust fund, which invests the plan assets in accordance with the provisions of the plan agreements. The plan agreements permit investment in common stocks, corporate bonds and debentures, U.S. Government securities, certain insurance contracts, real estate and other specified investments, based on certain target allocation percentages. The plan does not invest in derivative securities.

**Central Administrative Offices  
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**Notes to Financial Statements**

**December 31, 2015**

**(With Comparative Totals for 2014)**

The following benefit payments (in thousands), which reflect expected future service, as appropriate, are expected to be paid as of December 31, 2015:

	<b>Pension Benefits</b>	<b>Other Benefits</b>
2016	\$ 1,145	\$ 166
2017	1,101	169
2018	1,059	173
2019	1,048	184
2020	1,036	195
2021-2025	5,165	1,189

**Note 12: Functional and Natural Expense Classifications**

Expenses, according to functional classification, incurred during the years ended December 31, 2015 and 2014 are as follows:

	<b>2015</b>	<b>2014</b>
Program	\$ 17,224,276	\$ 16,423,202
Management and general	2,539,169	2,492,488
Fundraising	318,099	382,363
	<u>\$ 20,081,544</u>	<u>\$ 19,298,053</u>

**Central Administrative Offices  
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**Notes to Financial Statements**  
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Expenses, according to natural classification, incurred during the years ended December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Salaries and benefits - clergy, religious and lay	\$ 5,364,713	\$ 5,284,569
Insurance claims and reinsurance - property and casualty	1,797,438	1,878,618
Insurance claims and reinsurance - health	6,999,359	6,276,727
Insurance claims and reinsurance - unemployment	201,917	200,077
Allocations to related agencies and institutions	1,495,195	1,507,710
Education, training and ministry support	1,179,604	1,167,166
Clergy personnel development and support	581,241	559,446
Facilities and maintenance	245,749	123,217
Occupancy expense - utilities, rent and insurance	216,009	224,971
Interest expense	120,451	132,254
Depreciation	143,247	116,845
External services and affiliations	1,024,332	1,128,913
Postage, printing, supplies and office expenses	382,801	411,793
Other costs	329,488	285,747
	<u>\$ 20,081,544</u>	<u>\$ 19,298,053</u>

**Note 13: Disclosures About Fair Value of Assets and Liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

# Central Administrative Offices of the Roman Catholic Diocese of Erie

## Notes to Financial Statements

December 31, 2015

(With Comparative Totals for 2014)

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2015 and 2014:

	2015			
	Total Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets at fair value:				
U.S. Treasury Notes	\$ 1,746,570	\$ 1,746,570	\$ -	\$ -
Equity securities				
Industrials	1,894,769	1,824,404	70,365	-
Consumer discretionary	4,172,840	4,172,840	-	-
Consumer staples	1,620,923	1,620,923	-	-
Energy	627,028	627,028	-	-
Financial	1,534,346	1,534,346	-	-
Information technology	4,391,541	4,230,187	161,354	-
Health care	2,279,458	2,172,778	106,680	-
Other	1,082,980	1,082,980	-	-
Privately held equity	286,080	-	-	286,080
Mutual funds				
Growth and value	10,259,515	10,259,515	-	-
Index	677,465	677,465	-	-
Total return	10,490,352	10,490,352	-	-
Income	5,764,826	5,764,826	-	-
Corporate bonds	3,248,922	-	3,248,922	-
Municipal bonds	99,814	-	99,814	-
Government agency bonds	2,067,068	-	2,067,068	-
Common trust fund	9,625,699	-	9,625,699	-
	<u>\$ 61,870,196</u>	<u>\$ 46,204,214</u>	<u>\$ 15,379,902</u>	<u>\$ 286,080</u>
Liabilities at fair value:				
Annuity obligations	<u>\$ 408,799</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 408,799</u>

# Central Administrative Offices of the Roman Catholic Diocese of Erie

## Notes to Financial Statements

December 31, 2015

(With Comparative Totals for 2014)

	2014			
	Fair Value Measurements Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets at fair value:				
U.S. Treasury Notes	\$ 5,541,160	\$ 5,541,160	\$ -	\$ -
Equity securities				
Industrials	2,393,508	2,312,762	80,746	-
Consumer discretionary	3,962,181	3,962,181	-	-
Consumer staples	1,603,817	1,603,817	-	-
Energy	1,972,708	1,948,664	24,044	-
Financial	1,601,278	1,504,920	96,358	-
Information technology	3,299,333	3,180,372	118,961	-
Health care	1,570,054	1,504,452	65,602	-
Other	1,267,909	1,241,580	26,329	-
Privately held equity	222,845	-	-	222,845
Mutual funds				
Growth and value	10,493,617	10,493,617	-	-
Index	676,785	676,785	-	-
Total return	5,303,860	5,303,860	-	-
Income	6,712,479	6,712,479	-	-
Corporate bonds	5,285,447	-	5,285,447	-
Municipal bonds	101,885	-	101,885	-
Government agency bonds	1,975,836	-	1,975,836	-
Common trust fund	8,874,046	-	8,874,046	-
	\$ 62,858,748	\$ 45,986,649	\$ 16,649,254	\$ 222,845
Liabilities at fair value:				
Annuity obligations	\$ 364,103	\$ -	\$ -	\$ 364,103

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2015, other than as discussed for the Level 3 asset. For assets and liabilities classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.



**Central Administrative Offices  
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The Diocese holds common stock in a privately held financial institution. The price as of December 31, 2014 was based upon an offer from the financial institution to purchase their shares in 2010. However, the financial institution has not extended an offer to the Diocese since that time. The financial institution has been paying significant dividends, and thus, management has determined there were no known adverse financial conditions that would impair the value of the common stock. The price as of December 31, 2015 was based upon management's calculation of the price per share per review of the most current audited financial statements of the financial institution, plus a profitability factor for subsequent activity.

In order to initially determine the fair value of its annuity liabilities for deferred compensation, pension liabilities outside of the defined benefit plan, and charitable gift annuities, management utilized discount rates under Internal Revenue Code (IRC) Section 7520(a), the present value for the annuity payments, and the age of the annuitant for the calculation for the estimated annuity liability. Management has a policy of reviewing the value of the annuity within two years of the life expectancy of the annuitant for charitable gift annuities, and reviews the calculation for the other liabilities on an annual basis.

***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 securities.

The value of certain investments, classified as alternative investments, is determined using net asset value (or its equivalent) as a practical expedient. Investments for which the Diocese expects to have the ability to redeem its investments with the investee within 12 months after the reporting date are categorized as Level 2. Investments for which the Diocese does not expect to be able to redeem its investments with the investee within 12 months after the reporting date are categorized as Level 3.

***Level 3 Valuation Process***

Management of the Diocese reviews the prices of the Level 3 assets and liabilities on an annual basis to determine if the valuation techniques, as used in the prior year, are appropriate.

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**(With Comparative Totals for 2014)**

***Level 3 Reconciliation***

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	<b>Assets (Equity Securities)</b>	<b>Liabilities (Annuities)</b>
<b>Balance, January 1, 2014</b>	\$ 222,845	\$ 382,478
Service cost	-	13,596
Gifted (recipients deceased)	-	(22,313)
Valuation adjustments	-	3,924
Interest	-	3,394
Annuity payments	-	(16,976)
<b>Ending Balance, December 31, 2014</b>	<u>222,845</u>	<u>364,103</u>
Service cost	-	56,752
Valuation adjustments	63,235	-
Interest	-	2,043
Annuity payments	-	(14,099)
<b>Ending Balance, December 31, 2015</b>	<u><u>\$ 286,080</u></u>	<u><u>\$ 408,799</u></u>

Valuation adjustments for items reflected in the table above are included in change in net assets in the statements of changes in net assets under net realized/unrealized gain (loss).

**Central Administrative Offices  
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***Unobservable (Level 3) Inputs***

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements for the years ended December 31, 2015 and 2014.

<b>2015</b>						
<b>Instrument</b>	<b>Fair Value</b>	<b>Valuation Technique</b>	<b>Unobservable Inputs</b>	<b>Range</b>		<b>Weighted Average</b>
Privately held equity	\$286,080	Market approach	Profitability factor	\$3,576.05	\$3,576.05	\$3,576.05
Annuities	\$408,799	Income approach	Life expectancy Discount rates	3.10 years 4.00%	17.00 years 8.80%	9.28 years 7.13%
<b>2014</b>						
<b>Instrument</b>	<b>Fair Value</b>	<b>Valuation Technique</b>	<b>Unobservable Input</b>	<b>Range</b>		<b>Weighted Average</b>
Privately held equity	\$222,845	Market approach	Private placement	\$2,785.56	\$2,785.56	\$2,785.56
Annuities	\$364,103	Income approach	Life expectancy Discount rates	2.00 years 4.25%	17.00 years 8.80%	7.55 years 7.18%

**Note 14: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

***Contributions***

No significant contributions were received in 2014. Approximately 58% of all contributions were received from two donors in 2015.

# **Central Administrative Offices of the Roman Catholic Diocese of Erie**

## **Notes to Financial Statements**

**December 31, 2015**

**(With Comparative Totals for 2014)**

### ***Deferred Compensation Agreement***

As described in Note 8, the amount of annual expense accrued for deferred compensation is based on an estimate of the total amounts payable under the contract over the lifetime of the beneficiary.

### ***Pension and Other Postretirement Benefit Obligations***

The Diocese has a noncontributory defined benefit pension and postretirement health care plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the projected unit credit cost method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

### ***Investments***

The Diocese invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

### **Note 15: Subsequent Events**

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

## **Supplementary Information**

## Independent Auditor's Report on Supplementary Information

Most Reverend Lawrence T. Persico, JCL  
Roman Catholic Diocese of Erie  
Central Administrative Offices  
Erie, Pennsylvania

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

*BKD, LLP*

Erie, Pennsylvania  
April 1, 2016

**Central Administrative Offices  
of the Roman Catholic Diocese of Erie**  
Year Ended December 31, 2015  
(With Comparative Totals for 2014)

**Schedules of Pastoral Expenses**

	<u>2015</u>	<u>2014</u>
Office of Bishop	\$ 152,904	\$ 149,023
Office of Bishop Emeritus	70,344	69,451
Offices of Regional Vicars	83,709	106,081
Chancery	152,207	135,022
Office of Worship	111,221	114,872
Vicar for Religious	50,938	49,531
Hispanic Apostolate	117,469	98,594
Spiritual Apostolate	4,156	7,199
Specialized Ministries	3,360	2,879
Inter-Church Ministries	3,000	3,000
Office for the Protection of Children and Youth	40,199	34,877
Special Events	4,027	3,137
United States Conference of Catholic Bishops	38,171	37,059
Pennsylvania Catholic Conference	99,833	103,375
Holy See Contribution	37,000	37,000
Diocesan Archives	5,471	7,417
Ecclesia Ministry	36,506	33,970
Pastoral Outreach Services	88,454	121,097
	<u>\$ 1,098,969</u>	<u>\$ 1,113,584</u>

**Schedules of Clergy Expenses**

	<u>2015</u>	<u>2014</u>
Clergy Personnel Office	\$ 52,202	\$ 74,065
Emmaus Program	22,354	20,179
Clergy Continuing Education and Formation	127,034	144,776
Clergy Subsidies and Medical Expenses	255,360	357,122
Priests' Retirement Plan	788,155	637,974
Retired Priests' Medical Care Expenses	295,288	278,758
Clergy Health and Welfare Endowment	-	60,000
Priests' Retirement Home Expenses	200,130	194,860
Unassigned Clergy Expenses	48,014	39,848
	<u>\$ 1,788,537</u>	<u>\$ 1,807,582</u>

**Central Administrative Offices  
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**Schedules of Vocation Expenses**

	<b>2015</b>	<b>2014</b>
Vocation Office	\$ 39,500	\$ 24,466
Permanent Diaconate	89,731	77,462
Tuitions - Major Seminaries	378,243	326,020
St. Mark Formation Program	132,924	131,634
Seminarian Grants and Other	30,291	31,051
St. Mark Organ Project	72,780	-
Other Restricted Distributions	7,589	6,270
	\$ 751,058	\$ 596,903

**Schedules of Educational Expenses**

	<b>2015</b>	<b>2014</b>
Vicar for Education	\$ 176,251	\$ 165,118
Catholic Schools Office	304,430	327,595
Youth Athletics Program	94,644	88,868
Secondary Tuition Assistance Program	257,041	263,140
Secondary School Subsidy Program	559,405	633,182
Elementary Tuition Assistance Program	150,000	208,929
Elementary School Subsidy Program	460,734	457,851
Religious Education	434,230	394,612
Natural Family Planning Program	39,110	34,959
Campus Ministry Program	68,471	68,440
Media Resource Center	16,220	18,536
Educational Grants	171,278	164,572
	\$ 2,731,814	\$ 2,825,802

**Schedules of Communications Expenses**

	<b>2015</b>	<b>2014</b>
Office of Communications	\$ 393,372	\$ 361,685
FAITH Magazine	284,058	309,396
	\$ 677,430	\$ 671,081



**Central Administrative Offices  
of the Roman Catholic Diocese of Erie**  
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**Schedules of Catholic Charities Expenses**

	<u>2015</u>	<u>2014</u>
Office of the Executive Director	\$ 181,902	\$ 168,788
Charities Development Office	107,597	121,685
Family Ministries Office	83,962	78,827
Parish Social Ministries / Justice and Peace / Respect Life	79,867	89,733
Spiritual Ministries for People with Disabilities	38,602	38,823
Mission Office	58,613	61,116
Yucatan Mission	74,332	82,672
St. Martin Center	150,364	150,364
Price of Peace Center	139,189	139,189
Catholic Charities Counseling and Adoption Services	340,973	283,653
State Chaplaincy Services	30,293	44,060
Good Samaritan Center	70,015	69,240
Rural Ministries Program	65,000	65,000
St. Elizabeth Center	35,708	35,564
Operation Rice Bowl Distributions	20,252	24,694
Campaign for Human Development Distributions	42,036	47,138
	<u>\$ 1,518,705</u>	<u>\$ 1,500,546</u>

**Schedules of Development Services Expenses**

	<u>2015</u>	<u>2014</u>
Fundraising and Appeal Costs	\$ 66,502	\$ 67,240
The Catholic Foundation	86,163	147,513
Stewardship and Annual Giving	158,511	157,707
	<u>\$ 311,176</u>	<u>\$ 372,460</u>

**Schedules of Financial Services Expenses**

	<u>2015</u>	<u>2014</u>
Finance Office	\$ 689,647	\$ 644,615
Computer Services Office	22,381	28,570
Human Resources Office	25,865	27,598
	<u>\$ 737,893</u>	<u>\$ 700,783</u>

**Central Administrative Offices  
of the Roman Catholic Diocese of Erie**  
Year Ended December 31, 2015  
(With Comparative Totals for 2014)

**Schedules of Facilities Management Expenses**

	<u>2015</u>	<u>2014</u>
Office Support Services	\$ 115,294	\$ 115,289
Facilities and Risk Management	81,924	79,647
Property Management	68,063	70,135
St. Mark Catholic Center	299,538	264,874
Repairs and Maintenance	84,466	28,331
Unallocated Property Costs	5,429	5,086
	<u>\$ 654,714</u>	<u>\$ 563,362</u>

**Schedules of Other Expenses**

	<u>2015</u>	<u>2014</u>
Uncollectible Account Expenses	\$ 72,507	\$ 195,324
Professional Services	15,070	13,429
Strategic Planning Initiative	242,817	4,009
Special Events and Miscellaneous	26,280	47,231
	<u>\$ 356,674</u>	<u>\$ 259,993</u>