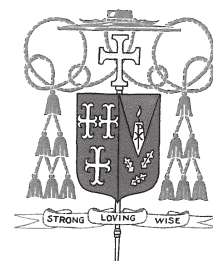
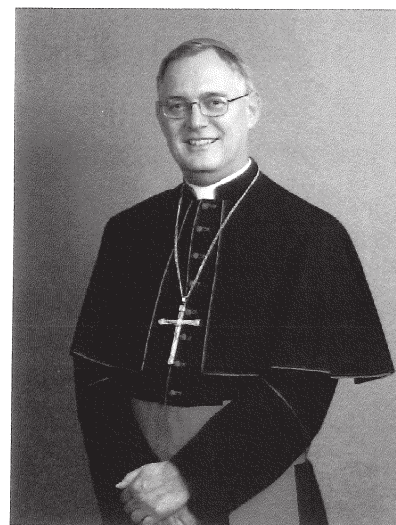


Combined Financial Statements and  
Other Financial Information  
Central Administration Funds and  
Diocesan Cemetery Operations within  
the Diocese of Providence  
June 30, 2012 and 2011



Dear Brothers and Sisters of the Diocese of Providence:

For many years it has been our practice to publish for our diocesan community the results of the annual audited financial report for the previous fiscal year. In keeping with this tradition I am pleased to present to you the completed Combined Financial Report for the fiscal year ended June 30, 2012 of the Central Administration Funds and Diocesan Cemetery Operations within the Diocese of Providence. These figures have been independently audited by Mayer Hoffman McCann P.C. and their findings are in accord with accepted national accounting and reporting standards. As is customary a "user-friendly" summary will also be published in the Rhode Island Catholic. The full report may be accessed online on our diocesan website (<http://www.dioceseofprovidence.org>).



As you review this report you will note that most areas have held steady. On the positive side there were modest increases in a few areas that enabled us to end the year with a small increase in our income in comparison to last year. Also, I am pleased that past operational budget reductions and the reorganization of the Chancery facility of two years ago continue to assist us in controlling our daily operational expenses. One significant financial challenge during the last fiscal year was the downturn the investment market experienced in the spring. This had a negative affect on our investment portfolio as we closed out the year on June 30th.

The audit results indicate that we can be confident that we are attentive to the careful management of our temporal resources. Although there are many challenges that we need to face, nevertheless, even in prolonged times of economic challenge the Church continues to complete its mission in our state and world. I am grateful for the generosity of all who support this mission through their parishes, the Catholic Charity Appeal and the many other related activities that form our diocesan family mission and to those who are actively involved in it both clergy and lay. May God bless and reward your faithful stewardship.

Sincerely yours,

Thomas J. Tobin  
Bishop of Providence

**DIOCESAN FINANCE COUNCIL MEMBERS**

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

## Independent Auditors' Report

The Most Reverend Thomas J. Tobin  
Bishop of Providence

We have audited the accompanying combined statements of financial position of the Central Administration Funds and Diocesan Cemetery Operations within the Diocese of Providence (the "Funds") as of June 30, 2012 and 2011, and the related combined statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant

estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2012 and 2011, and the combined changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

*Maya Hoffman McCann P.C.*

November 15, 2012

Providence, Rhode Island

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

#### *Combined Statements of Financial Position*

	<i>June 30,</i>			<i>June 30,</i>	
	<i>2012</i>	<i>2011</i>		<i>2012</i>	<i>2011</i>
<b>Assets</b>			<b>Liabilities and Net Assets</b>		
Cash and cash equivalents	\$ 9,680,115	\$ 7,944,741	Line of credit	\$ 3,711,692	\$ 4,685,588
Cash and cash equivalents designated or restricted for long-term purposes	4,533,469	7,011,448	Accounts payable	484,807	713,690
Accounts and interest receivable, net of allowances of \$3,363,000 and \$3,578,855 at 2012 and 2011	1,757,827	1,853,543	Accrued expenses and other liabilities	4,421,910	5,134,205
Pledges receivable, net of allowances of \$298,500 and \$241,000 at 2012 and 2011	2,843,350	2,362,082	Deferred income	923,487	1,211,183
Loans receivable from parishes and others, net of allowances of \$3,000,000 and \$2,800,000 at 2012 and 2011	16,751,105	18,433,070	Institutional deposits	3,609,842	3,192,801
Investments	115,546,715	109,160,388	Installment loans - equipment	193,961	140,155
Beneficial interest in perpetual trusts	4,045,127	4,396,234	Loans payable to perpetual care endowment	1,419,829	1,765,694
Land and buildings held for interments	1,394,472	1,601,070	Loans payable to parishes and agencies	29,169,810	29,605,010
Land held for parish development	—	1,030,727	<b>Total liabilities</b>	<b><u>43,935,338</u></b>	<b><u>46,448,326</u></b>
Land, buildings and equipment, net	9,129,929	8,658,517	Contingencies (Note 13)		
Other assets designated or restricted for long-term purposes	1,095,892	972,532	<b>Net assets</b>		
<b>Total assets</b>	<b><u>\$ 166,778,001</u></b>	<b><u>\$ 163,424,352</u></b>	Unrestricted:		
			Internally designated for:		
			Insurance	19,978,193	16,960,487
			Modernization and support	4,400,899	4,542,018
			Unrestricted	15,184,037	13,923,388
			Total unrestricted	39,563,129	35,425,893
			Temporarily restricted	31,410,957	35,268,656
			Permanently restricted	51,868,577	46,281,477
			<b>Total net assets</b>	<b><u>122,842,663</u></b>	<b><u>116,976,026</u></b>
			<b>Total liabilities and net assets</b>	<b><u>\$ 166,778,001</u></b>	<b><u>\$ 163,424,352</u></b>

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, 2012				Year Ended June 30, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues</b>								
Interest and dividend income	\$ 1,871,410	\$ 1,547,621	\$ —	\$ 3,419,031	\$ 1,796,335	\$ 1,251,221	\$ —	\$ 3,047,556
Gifts and bequests	149,390	23,687	—	173,077	528,882	23,118	—	552,000
Trust income	17,204	193,318	—	210,522	—	182,068	—	182,068
Realized gains (losses) on investments, net	(275,066)	(1,973,471)	—	(2,248,537)	1,014,080	2,634,250	—	3,648,330
Parish assessment	2,980,137	—	—	2,980,137	3,061,162	—	—	3,061,162
Risk management premiums (Note 2)	21,145,560	—	—	21,145,560	21,278,054	—	—	21,278,054
Agency administrative assessment	272,894	—	—	272,894	283,382	—	—	283,382
Major seminarian program	—	164,242	—	164,242	—	167,453	—	167,453
Program support receipts	183,437	225,217	—	408,654	298,407	348,146	—	646,553
Mission receipts	—	148,610	—	148,610	—	142,621	—	142,621
Human development collection applied	—	36,308	—	36,308	—	30,000	—	30,000
Communications collection	54,321	—	—	54,321	61,336	—	—	61,336
Program grants/contracts	—	6,000	—	6,000	—	6,000	—	6,000
Catholic Charity Fund Appeal	—	7,678,872	—	7,678,872	—	7,705,752	—	7,705,752
Vision of Hope Fund Appeal	—	—	—	—	—	3,660	—	3,660
Shepherds of Hope Campaign	—	1,263,531	—	1,263,531	401,201	—	—	401,201
Diocesan cemeteries	5,677,044	—	—	5,677,044	5,154,502	—	—	5,154,502
Rental, lease and other income	762,498	2,477	—	764,975	629,195	5,307	—	634,502
	<u>32,838,829</u>	<u>9,316,412</u>	<u>—</u>	<u>42,155,241</u>	<u>34,506,536</u>	<u>12,499,596</u>	<u>—</u>	<u>47,006,132</u>
Net assets released from restrictions	<u>12,402,623</u>	<u>(12,402,623)</u>	<u>—</u>	<u>—</u>	<u>11,667,594</u>	<u>(11,667,594)</u>	<u>—</u>	<u>—</u>
<b>Total operating revenues, gains (losses) and other support</b>	<u><b>45,241,452</b></u>	<u><b>(3,086,211)</b></u>	<u><b>—</b></u>	<u><b>42,155,241</b></u>	<u><b>46,174,130</b></u>	<u><b>832,002</b></u>	<u><b>—</b></u>	<u><b>47,006,132</b></u>
<b>Program expenses</b>								
Communications and telecommunications	\$ 398,798	\$ —	\$ —	\$ 398,798	\$ 382,155	\$ —	\$ —	\$ 382,155
The Tribunal	334,575	—	—	334,575	302,042	—	—	302,042
Rhode Island Catholic	479,036	—	—	479,036	495,000	—	—	495,000
Director of Religious	62,885	—	—	62,885	61,743	—	—	61,743
Priest Council	746	—	—	746	849	—	—	849
Spiritual Development	72,975	—	—	72,975	70,507	—	—	70,507
Youth Ministry	576,457	—	—	576,457	506,420	—	—	506,420
Multicultural Ministry	211,865	—	—	211,865	219,000	—	—	219,000
Christian Education	949,864	—	—	949,864	934,997	—	—	934,997
Campus Ministry	296,971	—	—	296,971	332,128	—	—	332,128
Apostolate for the Handicapped	149,087	—	—	149,087	151,625	—	—	151,625
Diocesan Schools	837,050	—	—	837,050	652,050	—	—	652,050
Community Services and Advocacy	1,038,379	—	—	1,038,379	1,043,789	—	—	1,043,789
Advocacy and Emergency Shelter	36,308	—	—	36,308	30,000	—	—	30,000
Life and Family Ministry	359,853	—	—	359,853	375,055	—	—	375,055
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	865,209	—	—	865,209	1,026,824	—	—	1,026,824
Parish Share Support	115,330	—	—	115,330	158,337	—	—	158,337
Grants:								
National Grants	165,228	—	—	165,228	169,833	—	—	169,833
Diocesan Grants	1,185,340	—	—	1,185,340	1,217,846	—	—	1,217,846
Vision of Hope:								
Program services	95,482	—	—	95,482	134,214	—	—	134,214
Capital needs	195,539	—	—	195,539	42,000	—	—	42,000
Mission support	15,539	—	—	15,539	50,428	—	—	50,428
Contributions and gifts	21,667	—	—	21,667	17,850	—	—	17,850
Restricted funds expended	3,127,479	—	—	3,127,479	2,737,265	—	—	2,737,265
Seminarian Support	789,363	—	—	789,363	754,746	—	—	754,746
Insurance and risk management (Note 2)	16,665,843	—	—	16,665,843	17,882,799	—	—	17,882,799
Inter-Parish Loan Program interest	897,860	—	—	897,860	881,086	—	—	881,086
Diocesan Cemeteries	5,195,028	—	—	5,195,028	5,278,806	—	—	5,278,806
	<u>35,264,756</u>	<u>—</u>	<u>—</u>	<u>35,264,756</u>	<u>36,034,394</u>	<u>—</u>	<u>—</u>	<u>36,034,394</u>
<b>General and administrative expenses</b>								
Financial affairs	174,798	—	—	174,798	109,944	—	—	109,944
Provision for uncollectible receivables	755,782	—	—	755,782	1,313,712	—	—	1,313,712
Administration	1,494,376	—	—	1,494,376	1,545,415	—	—	1,545,415
Support services	2,394,020	—	—	2,394,020	2,436,582	—	—	2,436,582
Property expenses	172,628	—	—	172,628	301,764	—	—	301,764
Depreciation	833,900	—	—	833,900	858,914	—	—	858,914
Interest	126,197	—	—	126,197	204,251	—	—	204,251
	<u>5,951,701</u>	<u>—</u>	<u>—</u>	<u>5,951,701</u>	<u>6,770,582</u>	<u>—</u>	<u>—</u>	<u>6,770,582</u>
<b>Fundraising expenses</b>								
Catholic Charity Fund Appeal	869,512	—	—	869,512	860,127	—	—	860,127
Shepherds of Hope Appeal	239,097	—	—	239,097	557,807	—	—	557,807
<b>Total fundraising expenses</b>	<u><b>1,108,609</b></u>	<u><b>—</b></u>	<u><b>—</b></u>	<u><b>1,108,609</b></u>	<u><b>1,417,934</b></u>	<u><b>—</b></u>	<u><b>—</b></u>	<u><b>1,417,934</b></u>
<b>Total expenses</b>	<u><b>42,325,066</b></u>	<u><b>—</b></u>	<u><b>—</b></u>	<u><b>42,325,066</b></u>	<u><b>44,222,910</b></u>	<u><b>—</b></u>	<u><b>—</b></u>	<u><b>44,222,910</b></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, 2012				Year Ended June 30, 2011			
	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)	2,916,386	(3,086,211)	—	(169,825)	1,951,220	832,002	—	2,783,222
<b>Capital additions and other income (expense)</b>								
Endowment Gifts and Bequests	17,391	1,324,609	5,919,937	7,261,937	11,329	1,343,035	3,407,110	4,761,474
Beneficial Interest in Perpetual Trusts	—	—	(351,107)	(351,107)	—	—	826,497	826,497
Transfers from Perpetual Care Fund	780,000	—	—	780,000	275,000	—	—	275,000
Transfers (to) from	164,242	(182,512)	18,270	—	—	(19,146)	19,146	—
Transfers to Lay Retirement Plan (Note 10)	(1,200,000)	—	—	(1,200,000)	(1,800,000)	—	—	(1,800,000)
Transfers to Priest Benefit Fund (Note 11)	—	—	—	—	(200,000)	—	—	(200,000)
Gain on sale of property	1,268,913	—	—	1,268,913	2,187,213	—	—	2,187,213
Capital additions	211,572	—	—	211,572	—	—	—	—
Capital property transfers (Note 2)	(585,325)	—	—	(585,325)	(965,656)	—	—	(965,656)
Unrealized gain (loss) on investments	564,057	(1,913,585)	—	(1,349,528)	2,233,954	7,534,446	—	9,768,400
<b>Total capital additions and other income (expense)</b>	<b>1,220,850</b>	<b>(771,488)</b>	<b>5,587,100</b>	<b>6,036,462</b>	<b>1,741,840</b>	<b>8,858,335</b>	<b>4,252,753</b>	<b>14,852,928</b>
<b>Increase (decrease) in net assets</b>	<b>4,137,236</b>	<b>(3,857,699)</b>	<b>5,587,100</b>	<b>5,866,637</b>	<b>3,693,060</b>	<b>9,690,337</b>	<b>4,252,753</b>	<b>17,636,150</b>
Net assets, beginning of year	35,425,893	35,268,656	46,281,477	116,976,026	31,732,833	25,578,319	42,028,724	99,339,876
<b>Net assets, end of year</b>	<b>\$ 39,563,129</b>	<b>\$ 31,410,957</b>	<b>\$ 51,868,577</b>	<b>\$122,842,663</b>	<b>\$ 35,425,893</b>	<b>\$ 35,268,656</b>	<b>\$ 46,281,477</b>	<b>\$ 116,976,026</b>

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,		Years Ended June 30,	
		2012	2011	2012	2011
<b>Cash flows from operating activities:</b>					
Increase in net assets	\$ 5,866,637	\$ 17,636,150			
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:					
Depreciation	833,900	858,914			
Realized (gains) losses on investments	2,248,537	(3,648,330)			
Unrealized (gains) losses on investments	1,349,528	(9,768,400)			
Change in beneficial interest in perpetual trusts	351,107	(826,497)			
Provisions for uncollectible accounts	755,782	1,408,212			
Gain on sale of property	(1,268,913)	(2,187,213)			
Capital additions	(221,572)	—			
Capital property transfer	585,325	965,656			
Temporarily restricted cash contributions	(669)	(3,660)			
Permanently and temporarily restricted endowment gifts and bequests	(7,244,546)	(4,750,145)			
Changes in:					
Designated or restricted cash	2,477,979	82,489			
Interest and accounts receivable	98,055	(563,348)			
Pledges receivable	(830,954)	(481,479)			
Land held for interments and development	206,598	118,865			
Other assets	(123,360)	(43,521)			
Accounts payable	(436,314)	(123,246)			
Accrued expenses and other liabilities, deferred income and institutional deposits	(582,950)	(712,580)			
<b>Net cash provided by (used in) operating activities</b>	<b>4,064,170</b>	<b>(2,038,133)</b>			
<b>Cash flows from investing activities:</b>					
Purchase of investments	(15,216,250)	(14,356,247)			
Proceeds from sales of investments			5,231,858	9,473,628	
Plant acquisitions/improvements			(1,083,740)	(648,251)	
Proceeds from sale of property			1,714,315	2,243,837	
Loans disbursed to parishes and agencies			(2,130,078)	(1,442,194)	
Principal repayments on loans receivable from parishes and agencies			3,611,039	3,510,018	
<b>Net cash used in investing activities</b>			<b>(7,872,856)</b>	<b>(1,219,209)</b>	
<b>Cash flows from financing activities:</b>					
Temporarily restricted cash contributions			669	3,660	
Permanently and temporarily restricted endowment gifts and bequests			7,244,546	4,750,145	
Loan borrowings from parishes and agencies			4,166,413	5,733,809	
Loan repayments to parishes and agencies			(4,601,613)	(4,466,675)	
Loan repayments to the perpetual care endowment			(345,865)	(168,158)	
Net borrowings on installment loans - equipment			53,806	1,065	
Net repayments on line of credit			(973,896)	(1,162,412)	
<b>Net cash provided by financing activities</b>			<b>5,544,060</b>	<b>4,691,434</b>	
<b>Net increase in cash and cash equivalents</b>			<b>1,735,374</b>	<b>1,434,092</b>	
Cash and cash equivalents, beginning of year			7,944,741	6,510,649	
<b>Cash and cash equivalents, end of year</b>			<b>\$ 9,680,115</b>	<b>\$ 7,944,741</b>	
<b>Supplemental disclosure of cash flows information:</b>					
Cash payments of interest			\$ 1,031,274	\$ 1,101,919	

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 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 \$15.3 million for both fiscal 2012 and 2011 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 \$12.2 million and \$14.2 million in fiscal 2012 and 2011, respectively, 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 7). 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. Assets of \$585,325 and \$965,656 were transferred to other organizations during the years ended June 30, 2012 and 2011, respectively, and are recorded as capital property transfers on the combined statements of activities and net assets.

### **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 non interest bearing amounts collected by the Funds that are due to third parties.

### **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. 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.

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



## Note 2 – Summary of Significant Accounting Policies (Continued)

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 6 - Fair Values of Financial Instruments.

### Use of Estimates

The preparation of the combined financial statements in conformity with U.S. generally accepted accounting principles 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 and contingencies. Actual results could differ from these estimates.

### Subsequent Events

The Funds have evaluated subsequent events through November 15, 2012, 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, 2012 and 2011, unless otherwise authorized by the Funds. Loans receivable, net totaled \$16,751,105 and \$18,433,070 as of June 30, 2012 and 2011, 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 2.75% at June 30, 2012 and 2011. Deposits totaled \$29,169,810 and \$29,605,010 as of June 30, 2012 and 2011, respectively.

Loans payable to Perpetual Care Endowment represent funds borrowed by the Cemeteries from the Perpetual Care Endowment Fund (see Note 9).

## Note 4 – Allowance for Losses

An analysis of the allowance for losses is as follows:

	Accounts and Interest Receivable	Pledges Receivable	Parish Loans Receivable
<b>2012</b>			
Balance at beginning of year	\$ 3,578,855	\$ 241,000	\$ 2,800,000
Provision for losses	205,092	349,686	201,004
Charge-offs, net	(420,947)	(292,186)	(1,004)
<b>Balance at end of year</b>	<b>\$ 3,363,000</b>	<b>\$ 298,500</b>	<b>\$ 3,000,000</b>
<b>2011</b>			
Balance at beginning of year	\$ 3,393,373	\$ 386,120	\$ 2,050,000
Provision for losses	333,116	218,402	856,694
Charge-offs, net	(147,634)	(363,522)	(106,694)
<b>Balance at end of year</b>	<b>\$ 3,578,855</b>	<b>\$ 241,000</b>	<b>\$ 2,800,000</b>

At June 30, 2012 and 2011, the Funds had parish (and institution) loans receivable totaling \$19,751,105 and \$21,233,070, respectively, of which approximately \$1,922,000 and \$2,052,000 were considered impaired at June 30, 2012 and 2011, 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 \$3,000,000 and \$2,800,000 for the years ended June 30, 2012 and 2011, respectively.

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 schedule

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 \$6,552,182 and \$7,888,458 at June 30, 2012 and 2011, respectively.

At June 30, 2012 and 2011, the following is an aging analysis of the gross outstanding loans receivables:

	Performing	Secured Non- Performing	Unsecured Non- Performing	Total Financing Receivable
<b>2012</b>				
Inter-parish loans receivable	\$ 12,248,923	\$ 4,630,021	\$ 1,922,161	\$ 18,801,105
Loans receivable on property sold	950,000	—	—	950,000
<b>Loans receivable from parishes and agencies</b>	<b>\$ 13,198,923</b>	<b>\$ 4,630,021</b>	<b>\$ 1,922,161</b>	<b>\$ 19,751,105</b>
<b>2011</b>				
Inter-parish loans receivable	\$ 12,994,612	\$ 5,836,891	\$ 2,051,567	\$ 20,883,070
Loans receivable on property sold	350,000	—	—	350,000
<b>Loans receivable from parishes and agencies</b>	<b>\$ 13,344,612</b>	<b>\$ 5,836,891</b>	<b>\$ 2,051,567</b>	<b>\$ 21,233,070</b>

## Note 5 – 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.

The Funds' pro-rata shares (based on units held at June 30) of investments held by the CIT along with investments held directly by the Funds, are as follows:

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 15,122,624	\$ 15,160,530	\$ 9,598,607	\$ 9,740,105
Equities:				
Domestic equity funds	17,014,914	21,962,555	18,142,402	23,224,553
Global equity funds	11,439,406	9,888,439	14,335,320	14,197,486
Emerging market equity funds	5,114,819	6,217,061	2,209,189	4,647,395
Fixed income:				
Domestic bond funds	27,721,834	28,807,487	24,573,376	24,885,005
Global bond funds	6,915,402	6,971,620	6,342,565	6,632,217
Hedge funds	14,645,585	15,709,810	13,212,514	14,299,500
Real estate investment trust	3,418,203	3,163,206	3,394,138	3,205,289
Commodity funds	8,353,862	7,666,007	10,202,683	8,328,838
	<b>\$ 109,746,649</b>	<b>\$ 115,546,715</b>	<b>\$ 102,010,794</b>	<b>\$ 109,160,388</b>

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

	2012	2011
Interest and dividends (in operating income)	\$ 2,479,842	\$ 2,090,754
Net realized gains (loss) (in operating income)	(2,248,537)	3,648,330
Net unrealized gains (loss) (in other income/expense)	(1,349,528)	9,768,400
	<b>\$ (1,118,223)</b>	<b>\$ 15,507,484</b>

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, \$(26,341) and \$44,538 of net realized gains (loss) and \$(75,424) and \$269,521 of net unrealized gains (loss) are excluded from investment income in the combined financial statements for the years ended June 30, 2012 and 2011, respectively.

### Note 5 – Investments (continued)

For the year ended June 30, 2012, custodian fees and investment advisor fees of \$188,099 and \$441,410 were netted against interest and dividend income and net realized gains, respectively. For the year ended June 30, 2011, such fees were \$181,989 and \$243,378, respectively.

### Note 6 – Fair Values of Financial Instruments

The following table presents financial assets at June 30, 2012, 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	\$ 15,010,530	\$ 150,000	\$ —	\$ 15,160,530
Equities:				
Domestic equity funds	7,167,456	14,795,099	—	21,962,555
Global equity funds	—	9,888,439	—	9,888,439
Emerging market equity funds	—	6,217,061	—	6,217,061
Fixed income:				
Domestic bond funds	28,807,487	—	—	28,807,487
Global bond funds	3,203,162	3,768,458	—	6,971,620
Hedge funds	—	5,684,992	10,024,818	15,709,810
Real estate investment trust	3,163,206	—	—	3,163,206
Commodity funds	—	4,471,693	3,194,314	7,666,007
	<u>57,351,841</u>	<u>44,975,742</u>	<u>13,219,132</u>	<u>115,546,715</u>
Beneficial interest in perpetual trust	—	—	4,045,127	4,045,127
Equity investment in Catholic Umbrella Pool	—	—	850,551	850,551
Cash surrender value of life insurance	—	—	114,176	114,176
	<u>\$ 57,351,841</u>	<u>\$ 44,975,742</u>	<u>\$ 18,228,986</u>	<u>\$ 120,556,569</u>

The following table presents financial assets at June 30, 2011, 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	\$ 9,740,105	\$ —	\$ —	\$ 9,740,105
Equities:				
Domestic equity funds	8,214,271	15,010,282	—	23,224,553
Global equity funds	—	14,197,486	—	14,197,486
Emerging market equity funds	—	4,647,395	—	4,647,395
Fixed income:				
Domestic bond funds	24,885,005	—	—	24,885,005
Global bond funds	2,371,466	4,260,751	—	6,632,217
Hedge funds	—	—	14,299,500	14,299,500
Real estate investment trust	3,205,289	—	—	3,205,289
Commodity funds	8,328,838	—	—	8,328,838
	<u>56,744,974</u>	<u>38,115,914</u>	<u>14,299,500</u>	<u>109,160,388</u>
Beneficial interest in perpetual trust	—	—	4,396,234	4,396,234
Equity investment in Catholic Umbrella Pool	—	—	801,707	801,707
Cash surrender value of life insurance	—	—	125,369	125,369
	<u>\$ 56,744,974</u>	<u>\$ 38,115,914</u>	<u>\$ 19,622,810</u>	<u>\$ 114,483,698</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, 2010	\$ 7,256,494	\$ 3,569,737	\$ 573,813	\$ 200,897	\$ 11,600,941
Realized gains, net	73,867	—	112,000	—	185,867
Unrealized gains (losses), net	701,558	826,497	115,894	(75,528)	1,568,421
Purchases	6,267,581	—	—	—	6,267,581
Fair value, June 30, 2011	14,299,500	4,396,234	801,707	125,369	19,622,810
Transfer to level 2	(5,025,867)	—	—	—	(5,025,867)
Realized losses, net	(80,590)	—	—	—	(80,590)
Unrealized gains (losses), net	(658,378)	(351,107)	48,844	(11,193)	(971,834)
Purchases	4,684,467	—	—	—	4,684,467
Fair value, June 30, 2012	\$ 13,219,132	\$ 4,045,127	\$ 850,551	\$ 114,176	\$ 18,228,986
Current year unrealized gains (losses) for assets still held at the balance sheet date	\$ (658,378)	\$ (351,107)	\$ 48,844	\$ (11,193)	\$ (971,834)

Transfers from Level 3 relate to an investment whose initial lock-up expired during the year ended June 30, 2012.

Investments not considered Level 1 are categorized as Level 2 instruments when the Funds have the ability to redeem its investment in the entity at net asset value per share at year end or within 90 days of year-end. Investments not considered Level 1 are categorized as Level 3 instruments when the Funds cannot redeem its investment within 90 days of year-end. 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, 2012:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity funds	\$ 30,900,599	\$ —	Monthly to Quarterly	15 - 60 days notice
Global bond funds	3,768,458	—	Monthly	10 days notice
Commodity funds	7,666,007	—	Daily to Annually	Daily to 60 days
Hedge funds	15,709,810	—	Daily to Annually	Daily to 90 days
	<u>\$ 58,044,874</u>	<u>\$ —</u>		

**Equity funds** – include investments in funds that invest in international, domestic and developing country common stocks for long-term appreciation.

**Global bond funds** – include investments in funds with the objective of achieving favorable income oriented returns from a globally diversified portfolio primarily of debt or debt like securities.

**Commodity funds** – include investments in funds with the objective of achieving favorable returns throughout various market cycles by investing in a diversified portfolio of publicly traded equity securities of global nature resource companies, commodities and financial instruments.

**Hedge funds** – capital appreciation by investment in funds that may be illiquid and offer absolute and relative returns with moderate risk and low correlation to overall stock and bond markets.

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 for parishes and others, pledges receivable and loans payable to perpetual care endowment and parishes and agencies.

### Note 7 – 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 \$4,045,127 and \$4,396,234, are recorded as an asset at June 30, 2012 and 2011, respectively, with related appreciation of the underlying assets recorded as a change in permanently restricted net assets.

### Note 8 – Land, Buildings and Equipment

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

	2012	2011
Land and improvements	\$ 5,420,860	\$ 4,859,367
Buildings and improvements	15,274,614	14,741,945
Construction in progress	—	196,240
Furniture and fixtures	1,159,721	1,066,989
Equipment	3,479,493	3,205,905
	<u>25,334,688</u>	<u>24,070,446</u>
Less accumulated depreciation	<u>(16,204,759)</u>	<u>(15,411,929)</u>
<b>Land, buildings and equipment, net</b>	<b>\$ 9,129,929</b>	<b>\$ 8,658,517</b>



#### **Note 8 – Land, Buildings and Equipment (continued)**

During 2012, two properties were sold resulting in a net gain of \$1,268,913 the proceeds from which were primarily used to pay down the line of credit. During 2011, four properties were sold resulting in a net gain of \$2,187,213. During 2012 and 2011, the Funds disposed of \$41,070 and \$3,306,998, respectively, of equipment that was fully depreciated and no longer in service. Included in land and improvements is surplus property of \$413,359 and \$80,075 at June 30, 2012 and 2011, respectively, which will be used for future projects.

#### **Note 9 – 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 \$780,000 and \$275,000 for the years ended June 30, 2012 and 2011, respectively. At June 30, 2012 and 2011, borrowings by the Cemeteries from the Perpetual Care Endowment Fund totaled \$1,419,829 and \$1,765,694, 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 2012 and 2011 totaled \$345,865 and \$168,158, respectively.

#### **Note 10 – Lay Pension Plans**

The Funds participate in the Diocesan noncontributory defined benefit pension program for lay employees (a multi-employer plan) a non-electing Church Plan and in a multi-employer plan for unionized cemetery workers. As of July 1, 2011, the date of the latest actuarial report, the defined benefit pension program for lay employees had assets of \$87.2 million (\$72.8 million in the previous year) and an actuarial present value of accumulated benefits of \$124.3 million (\$119.2 million in the previous year), resulting in a net liability of \$37.1 million (\$46.4 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 4.4% of the participants in these plans. 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 10% of eligible wages. Contributions totaled \$366,401 and \$411,413 to the lay employee plan and \$167,804 and \$176,133 to the cemetery union plan during 2012 and 2011, respectively. In 2012 and 2011, the Funds made a \$1.2 million and \$1.8 million discretionary supplemental contribution to the lay employee plan, respectively, using proceeds from risk management premiums made by Diocesan parishes and agencies, in an effort to reduce the underfunded status of the plan. These contributions were approved by the Bishop.

#### **Note 11 – Priest Benefits Fund**

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, 2011, the date of the latest Actuarial Report, the defined benefit pension plan had assets of \$13.6 million (\$10.9 million in the previous year) and an actuarial present value of accumulated benefits of \$26.3 million (\$26.9 million in the previous year), resulting in a net liability of \$12.7 million (\$16.0 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 16.3% of the participants in these plans. The obligation for the remaining participants under the multi-employer plan continues to be the proportionate responsibility of each Diocesan corporation.

The Funds made annual contributions of \$545,376 and \$586,078 to OLQC during plan years 2012 and 2011, respectively.

The Funds also made grant distributions to OLQC of \$880,000 from DAC and CCF during plan years 2012 and 2011. Grant distributions are included in Diocesan Grants on the combined statements of activities and changes in net assets for the years ended June 30, 2012 and 2011.

During 2011, the Funds made a \$200,000 discretionary supplemental contribution to the OLQC Plan using proceeds from risk management premiums made by Diocesan parishes and agencies, in an effort to reduce the unfunded basis of the Plan. This contribution was approved by the Bishop.

#### **Note 12 – Other Assets**

Other assets consist of the following at June 30:

	2012	2011
Equity investment in the Catholic Umbrella Pool	\$ 850,551	\$ 801,707
Cash surrender value of donated life insurance policies	114,176	125,369
Other	<u>131,165</u>	<u>45,456</u>
<b>Other assets designated or restricted for long-term purposes</b>	<b><u>\$ 1,095,892</u></b>	<b><u>\$ 972,532</u></b>

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 13). The following condensed information relating to the CUP was audited by an independent accounting firm (see discussion of their report below in Note 13):

	2012 (In Thousands)	2011
<b>Assets:</b>		
Investments	\$ 30,017	\$ 28,169
Cash and cash equivalents	4,184	5,114
Other	<u>1,857</u>	<u>1,744</u>
	<b><u>\$ 36,058</u></b>	<b><u>\$ 35,027</u></b>
<b>Liabilities and equity:</b>		
Estimated unpaid claims and expenses	\$ 6,634	\$ 5,484
Other	2,193	2,540
Dividends payable to participants	2,045	1,287
Participants' equity	<u>25,186</u>	<u>25,716</u>
	<b><u>\$ 36,058</u></b>	<b><u>\$ 35,027</u></b>

#### **Note 13 – 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	40.0% of \$3,500,000 in excess of \$1,500,000
July 1, 2003 to January 1, 2005	37.5% of \$3,500,000 in excess of \$1,500,000
January 1, 2005 to January 1, 2007	66.66% of \$3,500,000 in excess of \$1,500,000
January 1, 2007 to present	64.28% of \$3,500,000 in excess of \$1,500,000

The CUP provides insurance coverage of \$150,000 for morality claims ranging from \$100,000 to \$850,000 for the period July 1, 1987 through June 30, 2002.

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 (\$25,186,000 and \$25,716,000 as of June 30, 2012 and 2011, respectively).

The Pool's auditors were unable to obtain sufficient evidential matter regarding the provision and reserve for unpaid claims and claim expenses due to the lack of historical loss experience given the limited number of claims. Accordingly, the ultimate settlement of the losses and related loss adjustment expenses of

### Note 13 – Contingencies (continued)

the Pool may vary significantly from the estimated amounts included in the Pool's financial statements and the ultimate liability would require the Funds to participate in the funding of such additional amounts, if any.

The Funds do not believe there is significant exposure to losses beyond their equity in the CUP as of June 30, 2012 and 2011, respectively.

The Funds receive an annual dividend from the CUP. Dividends totaled approximately \$108,479 and \$67,608 for the years ending June 30, 2012 and 2011, 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:

	2012	2011
<b>RCB</b>		
Saint Antoine Residence and The Frassati Residence	\$ 2,000,000	\$ 2,000,000
Cranston-Johnston Catholic Regional School		
d/b/a Immaculate Conception School	6,419,000	6,470,000
St. Raphael Academy	5,013,000	5,105,000
Carelink Pace Organization	100,000	100,000
<b>Total</b>	<b>\$ 13,532,000</b>	<b>\$ 13,675,000</b>
<b>Catholic Investment Trust, Inc.</b>		
Pleasant View, LLC -		
Low Income Apartments/Condominiums	\$ 2,400,000	\$ 2,400,000
St. Casimir Place, LLC -		
Low Income Apartments/Condominiums	4,000,000	4,000,000
<b>Total</b>	<b>\$ 6,400,000</b>	<b>\$ 6,400,000</b>

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.

No payments of claims or related expenses were incurred during 2012 or 2011.

As of June 30, 2012 and 2011, a remaining settlement reserve of approximately \$774,000 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 14 – Line of Credit

The RCB has an available line of credit of \$7,000,000. The line of credit was renewed on October 28, 2011, reducing available borrowings from \$9,000,000, and is set to expire on August 31, 2014. The balance due on the line of credit was \$3,711,692 and \$4,685,588 at June 30, 2012 and 2011, 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% (3.5% at June 30, 2012). 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, 2012 and 2011.

### Note 15 – 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:

	2012	2011
Catholic Charity Fund	\$ 5,182,275	\$ 5,036,904
Fiduciary Fund:		
Vision of Hope Fund	2,264,710	2,658,635
F.A.C.E. of Rhode Island	381,320	260,750
Shepherds of Hope	840,243	—
Endowment Fund:		
Catholic Foundation of Rhode Island	19,527,298	23,870,761
Cutting Trust	871,740	921,190
Seminary of Our Lady of Providence	1,450,849	1,615,064
Mission Fund	892,522	905,352
<b>Total</b>	<b>\$ 31,410,957</b>	<b>\$ 35,268,656</b>

### Note 16 – 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:

	2012	2011
Endowment Fund:		
Catholic Foundation of Rhode Island	\$ 50,469,569	\$ 44,882,469
Cutting Trust	115,890	115,890
Seminary of Our Lady of Providence	783,118	783,118
Mission Fund	500,000	500,000
<b>Total</b>	<b>\$ 51,868,577</b>	<b>\$ 46,281,477</b>

### Note 17 – Net Assets Released From Restriction

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

	2012	2011
Vision of Hope Fund Programs	\$ 401,910	\$ 319,790
Catholic Charity Fund Programs	8,126,149	7,774,134
Catholic Foundation of Rhode Island	3,101,440	2,596,722
Cutting Trust	14,142	115,767
F.A.C.E. of Rhode Island	232,306	402,034
Shepherds of Hope	425,706	—
Mission Fund	17,568	52,428
Seminary of Our Lady of Providence	83,402	406,719
<b>Total</b>	<b>\$ 12,402,623</b>	<b>\$ 11,667,594</b>

### Note 18 – 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, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted				
endowment funds	\$ —	\$ 21,849,887	\$ 51,868,577	\$ 73,718,464
	<u>\$ —</u>	<u>\$ 21,849,887</u>	<u>\$ 51,868,577</u>	<u>\$ 73,718,464</u>

The following is the composition of endowments assets and those functioning as endowment assets by net asset class as of June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted				
endowment funds	\$ —	\$ 26,407,015	\$ 46,281,477	\$ 72,688,492
	<u>\$ —</u>	<u>\$ 26,407,015</u>	<u>\$ 46,281,477</u>	<u>\$ 72,688,492</u>

**Note 18 – 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, 2012 and 2011:

	<i>Unrestricted Net Assets</i>	<i>Temporarily Restricted Net Assets</i>	<i>Permanently Restricted Net Assets</i>	<i>Total</i>
<b>2012</b>				
Endowment assets and those functioning as endowment assets, beginning of year	\$ —	\$ 26,407,015	\$ 46,281,477	\$ 72,688,492
Gifts and additions	—	982,497	5,919,937	6,902,434
Investment returns:				
Interest and dividends	—	1,450,451	—	1,450,451
Net realized/unrealized gains	—	(3,772,824)	—	(3,772,824)
Total investment returns	—	(2,322,373)	—	(2,322,373)
Expenditures:				
Amounts appropriated under endowment spending policy:				
Operations	—	(3,198,982)	—	(3,198,982)
Total amounts appropriated under endowment spending policy	—	(3,198,982)	—	(3,198,982)
Net investment returns and expenditures	—	(5,521,355)	—	(5,521,355)
Other changes:				
Reclassification of net assets	—	(18,270)	18,270	—
Beneficial interest in perpetual trust	—	—	(351,107)	(351,107)
<b>Endowment assets and those functioning as endowment assets, end of year</b>	<b>\$ —</b>	<b>\$ 21,849,887</b>	<b>\$ 51,868,577</b>	<b>\$ 73,718,464</b>
<b>2011</b>				
Endowment assets and those functioning as endowment assets, beginning of year	\$ —	\$ 17,418,440	\$ 42,028,724	\$ 59,447,164
Gifts and additions	—	1,114,147	3,407,110	4,521,257
Investment returns:				
Interest and dividends	—	1,160,310	—	1,160,310
Net realized/unrealized gains	—	9,685,018	—	9,685,018
Total investment returns	—	10,845,328	—	10,845,328
Expenditures:				
Amounts appropriated under endowment spending policy:				
Operations	—	(2,951,754)	—	(2,951,754)
Total amounts appropriated under endowment spending policy	—	(2,951,754)	—	(2,951,754)
Net investment returns and expenditures	—	7,893,574	—	7,893,574
Other changes:				
Reclassification of net assets	—	(19,146)	19,146	—
Beneficial interest in perpetual trust	—	—	826,497	826,497
<b>Endowment assets and those functioning as endowment assets, end of year</b>	<b>\$ —</b>	<b>\$ 26,407,015</b>	<b>\$ 46,281,477</b>	<b>\$ 72,688,492</b>

**Endowment**

The Funds' endowment consists of approximately 376 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 or absence 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) signed into law in the State of Rhode Island, effective for fiscal year ended June 30, 2009 and thereafter, 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



#### ***Note 18 – Net Assets and Endowment Matters (Continued)***

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 4 ½% 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 that are reported in unrestricted are \$172,767 and \$1,615 as of June 30, 2012 and 2011, respectively. 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 19 – Transfers To (From)***

In fiscal 2012, net amounts of \$18,270 were transferred from temporarily net assets to permanent restricted net assets and net amounts of \$164,242 were transferred from temporarily restricted to unrestricted net assets. In fiscal 2011, net amounts of \$19,146 were transferred from temporarily restricted net assets to permanently restricted net assets.

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## **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, 2012 and 2011 and our report thereon dated November 15, 2012, which expressed an unqualified opinion on those combined financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statements of financial position of the Central Administration Funds and Diocesan Cemetery Operations within the Diocese of Providence as of June 30, 2012 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, 2011 are presented for purposes of additional analysis and are not a required part of the basic 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 audit 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 U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

*Maya Hoffman McCann P.C.*

November 15, 2012  
Providence, Rhode Island



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

*Combining Statements of Financial Position*

*June 30, 2012*

*(with comparative totals as of June 30, 2011)*

	<b>General Fund</b>	<b>Catholic Charity Fund</b>	<b>Cemetery</b>	<b>Other</b>	<b>Fiduciary Fund</b>	<b>Endowment Fund</b>	<b>Plant Fund</b>	<b>Total 2012</b>	<b>Total 2011</b>
<b>Assets</b>									
Cash and cash equivalents	\$649,903	\$ —	\$126,308	\$ —	\$8,793,201	\$ —	\$110,703	\$9,680,115	\$7,944,741
Cash and cash equivalents designated or restricted for long-term purposes	—	542,495	—	3,903,968	22,436	64,570	—	4,533,469	7,011,448
Accounts and interest receivable, net	487,112	2,927	400,002	528,896	337,009	1,881	—	1,757,827	1,853,543
Pledges receivable, net	—	1,920,119	—	—	923,231	—	—	2,843,350	2,362,082
Loans receivable from parishes and others, net	—	—	—	950,000	15,801,105	—	—	16,751,105	18,433,070
Due from (to) other funds	(840,616)	87,309	(1,542,960)	1,329,149	(1,527,477)	(119,843)	2,614,438	—	—
Investments	1,297,939	2,954,063	42,597	27,887,531	12,972,701	70,385,837	6,047	115,546,715	109,160,388
Beneficial interest in perpetual trusts	—	—	—	—	—	4,045,127	—	4,045,127	4,396,234
Land and buildings held for interments	—	—	1,394,472	—	—	—	—	1,394,472	1,601,070
Land held for parish development	—	—	—	—	—	—	—	—	1,030,727
Land, buildings and equipment, net	123,826	107,141	4,118,194	413,360	—	1,694,680	2,672,728	9,129,929	8,658,517
Other assets designated or restricted for long-term purposes	15,093	5,442	—	960,703	15,931	98,723	—	1,095,892	972,532
<b>Total assets</b>	<b><u>\$1,733,257</u></b>	<b><u>\$5,619,496</u></b>	<b><u>\$4,538,613</u></b>	<b><u>\$35,973,607</u></b>	<b><u>\$37,338,137</u></b>	<b><u>\$76,170,975</u></b>	<b><u>\$5,403,916</u></b>	<b><u>\$166,778,001</u></b>	<b><u>\$163,424,352</u></b>
<b>Liabilities and Net Assets</b>									
Line of credit	\$ —	\$ —	\$ —	\$3,711,692	\$ —	\$ —	\$ —	\$3,711,692	\$4,685,588
Accounts payable	155,982	69,020	31,394	62,473	109,732	56,206	—	484,807	713,690
Accrued expenses and other liabilities	698,513	352,742	350,516	2,987,108	15,387	17,644	—	4,421,910	5,134,205
Deferred income	7,925	15,459	—	900,103	—	—	—	923,487	1,211,183
Institutional deposits	—	—	—	680,615	2,929,227	—	—	3,609,842	3,192,801
Installment loans - equipment	—	—	193,961	—	—	—	—	193,961	140,155
Loans payable to Perpetual Care Endowment	—	—	1,419,829	—	—	—	—	1,419,829	1,765,694
Loans payable to parishes and agencies	—	—	—	—	29,169,810	—	—	29,169,810	29,605,010
<b>Total liabilities</b>	<b><u>862,420</u></b>	<b><u>437,221</u></b>	<b><u>1,995,700</u></b>	<b><u>8,341,991</u></b>	<b><u>32,224,156</u></b>	<b><u>73,850</u></b>	<b><u>—</u></b>	<b><u>43,935,338</u></b>	<b><u>46,448,326</u></b>
Contingencies									
<b>Net assets</b>									
Unrestricted:									
Internally designated for:									
Insurance	—	—	—	19,978,193	—	—	—	19,978,193	16,960,487
Modernization and support	—	—	—	4,400,899	—	—	—	4,400,899	4,542,018
Unrestricted	870,837	—	2,542,913	3,252,524	1,627,708	1,486,139	5,403,916	15,184,037	13,923,388
Total unrestricted	870,837	—	2,542,913	27,631,616	1,627,708	1,486,139	5,403,916	39,563,129	35,425,893
Temporarily restricted	—	5,182,275	—	—	3,486,273	22,742,409	—	31,410,957	35,268,656
Permanently restricted	—	—	—	—	—	51,868,577	—	51,868,577	46,281,477
<b>Total net assets</b>	<b><u>870,837</u></b>	<b><u>5,182,275</u></b>	<b><u>2,542,913</u></b>	<b><u>27,631,616</u></b>	<b><u>5,113,981</u></b>	<b><u>76,097,125</u></b>	<b><u>5,403,916</u></b>	<b><u>122,842,663</u></b>	<b><u>116,976,026</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$1,733,257</u></b>	<b><u>\$5,619,496</u></b>	<b><u>\$4,538,613</u></b>	<b><u>\$35,973,607</u></b>	<b><u>\$37,338,137</u></b>	<b><u>\$76,170,975</u></b>	<b><u>\$5,403,916</u></b>	<b><u>\$166,778,001</u></b>	<b><u>\$163,424,352</u></b>

*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, 2012*

*(with comparative totals for the Year Ended June 30, 2011)*

	General Fund	Catholic Charity Fund	Cemetery	Other	Fiduciary Fund	Endowment Fund	Plant Fund	Total 2012	Total 2011
<b>Revenues</b>									
Interest and dividend income	\$9,265	\$3,155	\$109	\$652,130	\$1,213,848	\$1,475,141	\$65,383	\$3,419,031	\$3,047,556
Gifts and bequests	440	23,687	—	130,647	—	18,303	—	173,077	552,000
Trust income	—	193,318	—	—	—	17,204	—	210,522	182,068
Realized gains (losses) on investments, net	(6,461)	(4,307)	—	(101,979)	(247,293)	(1,888,497)	—	(2,248,537)	3,648,330
Parish assessment	2,980,137	—	—	—	—	—	—	2,980,137	3,061,162
Risk management premiums	—	—	—	21,145,560	—	—	—	21,145,560	21,278,054
Agency administrative assessment	272,894	—	—	—	—	—	—	272,894	283,382
Major Seminarian program	—	—	—	—	—	164,242	—	164,242	167,453
Program support receipts	183,437	225,217	—	—	—	—	—	408,654	646,553
Mission receipts	—	—	—	—	—	148,610	—	148,610	142,621
Human development collection	—	36,308	—	—	—	—	—	36,308	30,000
Communications collection	54,321	—	—	—	—	—	—	54,321	61,336
Program grants/contracts	—	6,000	—	—	—	—	—	6,000	6,000
Catholic Charity Fund Appeal	—	7,678,872	—	—	—	—	—	7,678,872	7,705,752
Vision of Hope Fund Appeal	—	—	—	—	—	—	—	—	3,660
Shepherds of Hope Campaign	—	—	—	—	1,263,531	—	—	1,263,531	401,201
Diocesan cemeteries	—	—	5,677,044	—	—	—	—	5,677,044	5,154,502
Rental, lease and other income	757,013	2,477	—	385	—	5,100	—	764,975	634,502
<b>Total revenues</b>	<b>4,251,046</b>	<b>8,164,727</b>	<b>5,677,153</b>	<b>21,826,743</b>	<b>2,230,086</b>	<b>(59,897)</b>	<b>65,383</b>	<b>42,155,241</b>	<b>47,006,132</b>
<b>Program expenses</b>									
Communications and telecommunications	\$398,798	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$398,798	\$382,155
The Tribunal	334,575	—	—	—	—	—	—	334,575	302,042
Rhode Island Catholic	479,036	—	—	—	—	—	—	479,036	495,000
Director of Religious	—	62,885	—	—	—	—	—	62,885	61,743
Priest Council	746	—	—	—	—	—	—	746	849
Spiritual Development	72,975	—	—	—	—	—	—	72,975	70,507
Youth Ministry	—	576,457	—	—	—	—	—	576,457	506,420
Multicultural Ministry	—	211,865	—	—	—	—	—	211,865	219,000
Christian Education	—	949,864	—	—	—	—	—	949,864	934,997
Campus Ministry	—	296,971	—	—	—	—	—	296,971	332,128
Apostolate for the Handicapped	—	149,087	—	—	—	—	—	149,087	151,625
Diocesan Schools	—	837,050	—	—	—	—	—	837,050	652,050
Community Services and Advocacy	—	1,038,379	—	—	—	—	—	1,038,379	1,043,789
Advocacy and Emergency Shelter	—	36,308	—	—	—	—	—	36,308	30,000
Life and Family Ministry	—	359,853	—	—	—	—	—	359,853	375,055
St. Antoine Residence	—	75,000	—	—	—	—	—	75,000	75,000
St. Clare's Home	—	50,000	—	—	—	—	—	50,000	50,000
Ministries and Clergy personnel	346,451	518,758	—	—	—	—	—	865,209	1,026,824
Parish share support	—	115,330	—	—	—	—	—	115,330	158,337
Grants:									
National grants	165,228	—	—	—	—	—	—	165,228	169,833
Diocesan grants	440,414	744,926	—	—	—	—	—	1,185,340	1,217,846
Vision of Hope Grants:									
Program and Services	—	—	—	—	95,482	—	—	95,482	134,214
Capital Needs	—	—	—	—	195,539	—	—	195,539	42,000
Mission support	—	—	—	—	—	15,539	—	15,539	50,428
Contributions and gifts	21,667	—	—	—	—	—	—	21,667	17,850
Restricted Funds expended	—	—	—	—	—	3,127,479	—	3,127,479	2,737,265
Seminarian support	158,928	400,285	—	—	—	230,150	—	789,363	754,746
Insurance and risk management	—	—	—	16,665,843	—	—	—	16,665,843	17,882,799
Inter-Parish loan program interest	—	—	—	—	897,860	—	—	897,860	881,086
Diocesan Cemeteries	—	—	5,195,028	—	—	—	—	5,195,028	5,278,806
<b>Total program expenses</b>	<b>2,418,818</b>	<b>6,423,018</b>	<b>5,195,028</b>	<b>16,665,843</b>	<b>1,188,881</b>	<b>3,373,168</b>	<b>—</b>	<b>35,264,756</b>	<b>36,034,394</b>

*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, 2012*

*(with comparative totals for the Year Ended June 30, 2011)*

	General Fund	Catholic Charity Fund	Cemetery	Other	Fiduciary Fund	Endowment Fund	Plant Fund	Total 2012	Total 2011
<b>General and administrative expenses</b>									
Financial affairs	\$174,798	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$174,798	\$109,944
Provision for uncollectible receivables	404,028	319,686	44,000	(242,936)	231,004	—	—	755,782	1,313,712
Administration	1,046,389	447,987	—	—	—	—	—	1,494,376	1,545,415
Support services	933,162	43,969	—	938,523	465,810	—	12,556	2,394,020	2,436,582
Property expenses	172,628	—	—	—	—	—	—	172,628	301,764
Depreciation	77,372	21,977	434,898	—	—	117,964	181,689	833,900	858,914
Interest	—	—	—	126,197	—	—	—	126,197	204,251
<b>Total general and administrative expenses</b>	<b>2,808,377</b>	<b>833,619</b>	<b>478,898</b>	<b>821,784</b>	<b>696,814</b>	<b>117,964</b>	<b>194,245</b>	<b>5,951,701</b>	<b>6,770,582</b>
<b>Fundraising expenses</b>									
Catholic Charity Fund Appeal	—	869,512	—	—	—	—	—	869,512	860,127
Shepherds of Hope Appeal	—	—	—	—	239,097	—	—	239,097	557,807
<b>Total fundraising expenses</b>	<b>—</b>	<b>869,512</b>	<b>—</b>	<b>—</b>	<b>239,097</b>	<b>—</b>	<b>—</b>	<b>1,108,609</b>	<b>1,417,934</b>
<b>Total expenses</b>	<b>5,227,195</b>	<b>8,126,149</b>	<b>5,673,926</b>	<b>17,487,627</b>	<b>2,124,792</b>	<b>3,491,132</b>	<b>194,245</b>	<b>42,325,066</b>	<b>44,222,910</b>
Excess (deficiency) of revenues over expenses before capital additions and other income (expense)	(976,149)	38,578	3,227	4,339,116	105,294	(3,551,029)	(128,862)	(169,825)	2,783,222
<b>Capital additions and other income (expense)</b>									
Endowment gifts and bequests	—	—	—	—	342,111	6,919,826	—	7,261,937	4,761,474
Beneficial interest in perpetual trusts	—	—	—	—	—	(351,107)	—	(351,107)	826,497
Transfers from Perpetual Care Fund	—	—	780,000	—	—	—	—	780,000	275,000
Transfers (to) from	942,483	106,700	—	(1,301,925)	—	(106,700)	359,442	—	—
Transfers to Lay Retirement Plan (Note 10)	—	—	—	(1,200,000)	—	—	—	(1,200,000)	(1,800,000)
Transfers to Priest Benefit Fund (Note 11)	—	—	—	—	—	—	—	—	(200,000)
Gain on sale of property	—	—	—	1,425,419	—	—	(156,506)	1,268,913	2,187,213
Capital additions	—	—	—	211,572	—	—	—	211,572	—
Capital property transfer (Note 2)	—	—	—	(3,975)	—	—	(581,350)	(585,325)	(965,656)
Unrealized gains (losses) on investments	139	93	—	467,473	132,008	(1,949,241)	—	(1,349,528)	9,768,400
<b>Total capital additions and other income (expense)</b>	<b>942,622</b>	<b>106,793</b>	<b>780,000</b>	<b>(401,436)</b>	<b>474,119</b>	<b>4,512,778</b>	<b>(378,414)</b>	<b>6,036,462</b>	<b>14,852,928</b>
<b>Increase (decrease) in net assets</b>	<b>(33,527)</b>	<b>145,371</b>	<b>783,227</b>	<b>3,937,680</b>	<b>579,413</b>	<b>961,749</b>	<b>(507,276)</b>	<b>5,866,637</b>	<b>17,636,150</b>
Net assets, beginning of year	904,364	5,036,904	1,759,686	23,693,936	4,534,568	75,135,376	5,911,192	116,976,026	99,339,876
<b>Net assets, end of year</b>	<b>\$870,837</b>	<b>\$5,182,275</b>	<b>\$2,542,913</b>	<b>\$27,631,616</b>	<b>\$5,113,981</b>	<b>\$76,097,125</b>	<b>\$5,403,916</b>	<b>\$122,842,663</b>	<b>\$116,976,026</b>

*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. was established in fiscal year 2006 and 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 Funds: 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 loans 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, established in fiscal year 2011, 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 and Similar Funds: 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.*