

**ROMAN CATHOLIC DIOCESE
OF SYRACUSE, NEW YORK**

FINANCIAL STATEMENTS

June 30, 2017 and 2016

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Dermody, Burke & Brown, CPAs, LLC

INDEPENDENT AUDITORS' REPORT

FINANCE COUNCIL ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK

Report on the Financial Statements

We have audited the accompanying financial statements of the **ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK**, which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Roman Catholic Diocese of Syracuse, New York as of June 30, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying information on pages 23 to 29 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Dermody, Burke & Brown

DERMODY, BURKE & BROWN, CPAs, LLC

Syracuse, New York

December 27, 2017

ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK**AUDITED FINANCIAL STATEMENTS****STATEMENTS OF FINANCIAL POSITION**

June 30, 2017 and 2016

ASSETS

	2017	2016
Cash	\$ 3,518,266	\$ 1,607,098
Accounts Receivable, Net	1,642,783	1,845,859
Mortgages and Notes Receivable, Net	2,081,581	342,192
Prepaid Expenses and Other Assets	501,522	591,397
Investments:		
Collateral Held by Others	30,240,300	35,620,900
Restricted for Specific Use	2,656,479	5,550,264
Investments in Non-Affiliated Entities	314,565	350,230
Designated for Self Insurance Program	4,516,588	0
Total Investments	<u>37,727,932</u>	<u>41,521,394</u>
Land, Buildings and Equipment, Net of Accumulated Depreciation	<u>7,528,027</u>	<u>7,621,889</u>
TOTAL ASSETS	<u><u>\$ 53,000,111</u></u>	<u><u>\$ 53,529,829</u></u>

LIABILITIES AND NET ASSETS**LIABILITIES**

Accounts Payable and Accrued Expenses	\$ 975,015	\$ 782,038
Accrued Insurance Reserves	6,502,623	6,903,074
Deferred Income	325,045	225,869
Due to Affiliated Organizations	7,171,835	2,355,909
Liability for Custodial Accounts	294,421	340,656
Notes Payable	2,500,000	4,160,000
Unfunded Pension Obligation	<u>23,179,606</u>	<u>31,204,137</u>
Total Liabilities	40,948,545	45,971,683

NET ASSETS

Unrestricted	12,051,566	4,392,367
Temporarily Restricted	<u>0</u>	<u>3,165,779</u>
Total Net Assets	<u>12,051,566</u>	<u>7,558,146</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 53,000,111</u></u>	<u><u>\$ 53,529,829</u></u>
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See notes to financial statements.

ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2017 and 2016

	2017	2016
REVENUE AND SUPPORT		
Contributions	\$ 557,005	\$ 669,876
Hope Appeal Grant from Foundation	4,166,448	0
Fees and Other Services	184,407	187,968
Net Assets Released from Restriction - Hope Appeal	0	4,567,373
Total Revenue and Support from Program Services	<u>4,907,860</u>	<u>5,425,217</u>
PROGRAM SERVICES		
Catholic School Fund Activity, Net	(43,676)	(80,553)
Education	965,044	1,065,323
Catholic School Office Support	292,116	359,442
Community Service	946,010	1,008,329
Pastoral	347,441	418,722
Evangelization	187,403	143,756
Hospital Ministry	219,609	193,064
Family and Respect for Life	277,863	282,830
Youth and Young Adult	791,975	717,440
Retreat House	25,000	49,100
Communications	312,161	412,394
Vicar for Parishes	142,298	190,062
Marriage Tribunal	65,397	67,486
Other	264,021	251,183
Total Program Service Expenses	<u>4,792,662</u>	<u>5,078,578</u>
Change in Unrestricted Net Assets from Program Services	115,198	346,639
OPERATIONS		
Syracuse Catholic Insurance Fund Activity, Net	2,855,453	2,926,052
Plant Fund Activity, Net	(649,655)	(555,364)
Central Administration Support Activity, Net	(247,977)	(823,529)
Total Operations	<u>1,957,821</u>	<u>1,547,159</u>
Change in Unrestricted Net Assets before Non-Operating Activity	2,073,019	1,893,798

See notes to financial statements.

ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2017 and 2016

	2017	2016
CHANGE IN UNRESTRICTED NET ASSETS BEFORE NON-OPERATING ACTIVITY	\$ 2,073,019	\$ 1,893,798
NON-OPERATING ACTIVITY		
Investment Fund - Net	3,474,876	483,904
Lay Pension Plan Contributions	(4,231,736)	(1,156,252)
Capital Contributions	(313,281)	(571,405)
Transfer to Foundation	(71,939)	0
Depreciation	(305,383)	(1,134,394)
Bad Debt Recoveries	75,252	193,831
	<u>(1,372,211)</u>	<u>(2,184,316)</u>
Total Non-Operating Activity		
Change in Unrestricted Net Assets before Unfunded Pension Obligation Adjustment	700,808	(290,518)
Unfunded Pension Obligation Adjustment	<u>8,024,531</u>	<u>(6,461,287)</u>
Change in Unrestricted Net Assets	8,725,339	(6,751,805)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Net Assets Released from Restriction - Hope Appeal	<u>0</u>	<u>(4,567,373)</u>
Change in Temporarily Restricted Net Assets	<u>0</u>	<u>(4,567,373)</u>
CHANGE IN NET ASSETS	8,725,339	(11,319,178)
Net Assets, Beginning of Year	7,558,146	15,086,082
Transfer of Net Assets - Diocesan Schools	0	470,425
Land, Building and Equipment Restatement	0	3,320,817
Transfer of Net Assets - Diocesan Foundation	<u>(4,231,919)</u>	<u>0</u>
Net Assets, End of Year	<u>\$ 12,051,566</u>	<u>\$ 7,558,146</u>

See notes to financial statements.

ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 8,725,339	\$ (11,319,178)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Depreciation Expense	305,383	1,134,394
Unrealized Loss on Investments	3,608,879	425,467
Realized Gain on Investments	(6,579,988)	(193,959)
Bad Debt Recoveries	(82,876)	(193,831)
Unfunded Pension Obligation Adjustment	(8,024,531)	6,461,287
Pension Plan Contribution Paid Directly from Investments	2,600,000	0
Donated Land	(92,000)	0
(Increase) Decrease in Operating Assets:		
Accounts Receivable	285,952	1,864,761
Unconditional Promises to Give	0	563,255
Prepaid Expenses and Other Assets	89,875	101,882
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	192,977	(983,048)
Accrued Insurance Reserves	(400,451)	(57,915)
Deferred Income	99,176	162,881
Due to Affiliated Organizations	584,007	1,895,771
Liability for Custodial Accounts	(46,235)	33,480
	1,265,507	(104,753)
CASH FLOWS FROM INVESTING ACTIVITIES		
Building and Equipment Additions	(140,888)	(1,639,176)
Proceeds from Disposal of Vehicle	4,500	0
Investment Activity - Net	(302,859)	(1,906,960)
Notes and Mortgage Receivables - Net Change	(46,024)	(229,204)
	(485,271)	(3,775,340)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Notes Payable	3,290,932	4,160,000
Payments on Notes Payable	(2,160,000)	0
	1,130,932	4,160,000
Net Change in Cash	1,911,168	279,907
Cash, Beginning of Year	1,607,098	1,327,191
Cash, End of Year	\$ 3,518,266	\$ 1,607,098

See notes to financial statements.

ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 1 – NATURE OF OPERATIONS

The Roman Catholic Diocese of Syracuse, New York (the “Diocese”) was established on October 28, 1886 to serve the Catholic Community in Central and South Central New York. The Diocese serves approximately 238,000 Catholics residing in the following seven New York State counties: Broome, Chenango, Cortland, Madison, Oneida, Onondaga and Oswego. The primary activity of the Diocese is to provide support to the other independent legal entities of the Diocese in their overall strategic objective of Evangelizing.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements include the administrative and program offices of the Roman Catholic Diocese of Syracuse. On July 1, 2015, Trinity Catholic, Rome Catholic and St. Patrick’s schools were moved into the programs of the Diocese and net assets of \$470,425 were transferred to the Diocese. The financial statements reflect the activities of the schools for years ended June 30, 2017 and 2016.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting. The Diocese reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There are no permanently restricted net assets as of June 30, 2017 and 2016. Temporarily restricted net assets are those whose use by the Diocese has been limited by donors to a specific time period or purpose.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Diocese uses the indirect method of reporting net cash flows from operating activities and considers all short-term investments with an original maturity of three months or less to be cash equivalents. At June 30, 2017 and 2016, there were no cash equivalents included in cash.

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

Investments

The Diocese reports investments at fair value. Fair value is determined principally on the basis of quoted market prices. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the net change in net assets.

ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Investments – Continued

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

Investment designations are as follows:

- Collateral Held by Others – This consists of the maximum amount of investments required to meet bank requirements for debt agreements. The table below outlines the maximum collateral required and collateral pledged. See also Notes 8 and 9.

2017

Description	Debt Available	Maximum Collateral Required	Outstanding Debt at June 30	Collateral Required at June 30
Portfolio Loan Account Facility	\$ 10,000,000	\$ 16,000,000	\$ 0	\$ 0
Letters of Credit	6,540,300	6,540,300	0	6,540,300
Line-of-Credit	2,500,000	3,850,000	0	0
Term Loan	<u>2,500,000</u>	<u>3,850,000</u>	<u>2,500,000</u>	<u>3,850,000</u>
Total	<u>\$ 21,540,300</u>	<u>\$ 30,240,300</u>	<u>\$ 2,500,000</u>	<u>\$ 10,390,300</u>

2016

Description	Debt Available	Maximum Collateral Required	Outstanding Debt at June 30	Collateral Required at June 30
Portfolio Loan Account Facility	\$ 10,000,000	\$ 16,000,000	\$ 4,160,000	\$ 6,656,000
Letters of Credit	<u>6,540,300</u>	<u>19,620,900</u>	<u>0</u>	<u>19,620,900</u>
Total	<u>\$ 16,540,300</u>	<u>\$ 35,620,900</u>	<u>\$ 4,160,000</u>	<u>\$ 26,276,900</u>

ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Investments – Continued

- Restricted for Specific Use – This consists mainly of investments restricted for Hope Appeal Ministries, the elementary schools and various other departments with the Diocese.
- Investments in Non-Affiliated Entities - This consists of investments in the National Catholic Risk Retention Group, Inc. and the D.W. Barry Foundation.
- Self-Insurance Program - This consists of investments designated for potential uninsured losses.

Non-Cash Investing and Financing Activities

At June 30, 2017 and 2016, non-cash investing and financing activities are as follows:

	2017	2016
Proceeds from Note Payable Deposited into		
Investments	\$ 1,000,000	\$ 0
Investments Used to Pay Down Notes Payable	(5,500,000)	0
Proceeds from Note Payable to Pay Financing Fees	2,934	0
Proceeds from Note Payable Loaned to Affiliate	<u>1,706,134</u>	<u>0</u>
Total Non-Cash Investing and Financing Activities	<u><u>\$ (2,790,932)</u></u>	<u><u>\$ 0</u></u>

ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Land, Buildings and Equipment

Land, buildings and equipment are capitalized at cost when purchased or at fair value at date of donation. Depreciation on buildings and equipment is calculated using the straight-line method over the estimated useful life of the respective asset. Prior to July 1, 2016, all acquisitions of land, buildings and equipment in excess of \$5,000 and all expenditures for repairs and maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. This amount was increased to \$25,000 beginning July 1, 2016. Maintenance and repairs are charged to expense when incurred.

Contributions

The Diocese recognizes contributions received as either unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reflected in the accompanying financials statements as unrestricted contributions.

Use of Estimates

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

ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Tax Exempt Status

No provision for income taxes is required since the Diocese is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, and under similar requirements of New York State law, no provision has been made for federal or state taxes.

Management is not aware of any unrelated business activities that may be subject to unrelated business income tax or any activities that would jeopardize the Diocese's tax exempt status.

Reclassifications

Certain 2016 amounts have been reclassified to conform with the 2017 financial statement presentation. Total assets, liabilities, and net assets are unchanged due to the reclassification.

Subsequent Events

Management has evaluated subsequent events through December 27, 2017, which is the date the financial statements were available to be issued.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consist mainly of amounts due for insurance premiums and program services provided to participating Diocesan entities. An allowance for uncollectible accounts is maintained, which is based on management's assessment of the collectability of accounts receivable. The allowance for uncollectible accounts was \$997,456 and \$1,207,123 at June 30, 2017 and 2016, respectively.

NOTE 4 – MORTGAGES AND NOTES RECEIVABLE

Mortgages and notes receivable consist of loans to Diocesan entities at various interest rates and terms of repayment. An allowance for uncollectible accounts is maintained, which is based on management's assessment of the collectability of mortgages and notes receivable. The allowance for uncollectible accounts was \$735,155 and \$1,193,926 at June 30, 2017 and 2016, respectively. See also Note 9.

ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 5 – INVESTMENTS

The Diocese's investments consist of corporate equity securities, government and corporate bonds, exchange-traded and closed-ended funds, and cash equivalents. These investments are subject to market and credit risks due to changes in market conditions and interest rates. Corporate equity securities are subject to market value changes associated with publicly held equity securities. Government and corporate values will fluctuate due to interest rate changes. The Diocese utilizes the services of outside money managers for the majority of its investments.

Investments by category are summarized below:

	Fair Value	
	2017	2016
Cash Equivalents	\$ 5,819,576	\$ 1,890,178
Equity Securities	12,773,541	5,194,299
Governmental and Corporate Bonds	8,022,339	10,102,375
Exchange-Traded and Closed-Ended Funds	8,117,458	21,799,868
Other Investments	2,995,018	2,534,674
	<hr/>	<hr/>
Total	<u>\$ 37,727,932</u>	<u>\$ 41,521,394</u>

Net investment activity consists of the following:

	2017	2016
Dividends and Interest	\$ 816,466	\$ 1,030,318
Realized Gain	6,579,988	193,959
Investment and Affiliation Fees	(274,590)	(265,416)
Unrealized Loss	(3,608,879)	(425,467)
	<hr/>	<hr/>
Total	<u>\$ 3,512,985</u>	<u>\$ 533,394</u>

ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 5 – INVESTMENTS – Continued

Fair Value Measurements

Guidance provided by the Financial Accounting Standards Board defines fair value as 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. When measuring fair value, a fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

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

At June 30, 2017 and 2016, the Diocese has Level 1 investments of \$34,732,914 and \$38,986,720, respectively, and Level 3 investments of \$2,995,018 and \$2,534,674, respectively.

Following is a summary of activity in Level 3 Investments:

	2017	2016
Level 3 Investments - Beginning of Year	\$ 2,534,674	\$ 2,124,458
D.W. Barry Foundation - Net Activity	(35,665)	(46,272)
Net Investment Activity	<u>496,009</u>	<u>456,488</u>
Level 3 Investments - End of Year	<u>\$ 2,995,018</u>	<u>\$ 2,534,674</u>

ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 6 – LAND, BUILDINGS AND EQUIPMENT

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

	2017	2016
Land	\$ 1,791,638	\$ 1,626,925
Furniture and Fixtures	1,218,818	2,224,138
Buildings and Improvements	20,833,655	21,984,964
Equipment	1,044,695	995,399
Automobiles	<u>185,621</u>	<u>212,810</u>
Total Land, Buildings and Equipment	25,074,427	27,044,236
Less: Accumulated Depreciation	<u>17,546,400</u>	<u>19,422,347</u>
Net Land, Buildings and Equipment	<u><u>\$ 7,528,027</u></u>	<u><u>\$ 7,621,889</u></u>

During 2016, land, buildings and equipment were restated to reflect \$12,572,474 of assets and accumulated depreciation of \$9,251,657 resulting in a net asset addition of \$3,320,817. These assets purchased by the Diocese had been recorded on various schools' financial statements.

Depreciation expense for the years ended June 30, 2017 and 2016 totaled \$305,383 and \$1,134,394, respectively.

NOTE 7 – INSURANCE RESERVES

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

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

Accrued reserve liabilities of \$6,502,623 and \$6,903,074 have been established to cover claims in the various self-insured programs. Reserve estimates for reported claims are determined by evaluation of individual reported claims by the Plan Administrator. Procedures for establishing the resulting liabilities are periodically reviewed and updated. Any adjustments resulting therefrom are reflected in current operations.

ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 8 – LINE-OF-CREDIT

On June 30, 2017, the Diocese entered into a secured line-of-credit agreement for \$2,500,000 with a financial institution. The line-of-credit is secured by the investments held by the financial institution. The terms of the agreement call for monthly interest only payments at 1.25% over LIBOR. The LIBOR rate at June 30, 2017 was 1.22%. At June 30, 2017, the outstanding balance was \$-0-.

NOTE 9 – LETTERS OF CREDIT AND NOTES PAYABLE

Letters of Credit

The Diocese has a workers' compensation letter of credit in the amount of \$5,300,000 which matures on February 28, 2018. The Diocese also has a health insurance letter of credit in the amount of \$1,240,300 which matures July 1, 2018. No balances were outstanding on the letters of credit as of June 30, 2017. The terms of the letters of credit require that the Diocese maintain a minimum cash and unrestricted investments balance greater than one times the letters of credit measured quarterly. The Diocese met this requirement for the year ended June 30, 2017.

Notes Payable

The Diocese has a \$10,000,000 portfolio loan account facility. The amount outstanding bears interest at 1.25% over LIBOR and is collateralized by investments. At June 30, 2017 and 2016, the outstanding balance was \$-0- and \$4,160,000, respectively.

In June 2017, the Diocese entered into a term loan agreement for \$2,500,000 with another financial institution for the purpose of loaning \$2,000,000 to Catholic Cemeteries of the Roman Catholic Diocese of Syracuse, Inc. The \$2,000,000 loaned is included in mortgages and notes receivable on the statement of financial position on June 30, 2017. The \$2,500,000 loan is for sixty months and carries monthly interest only payments at 3.15% with all remaining principal due at maturity in June 2022. The loan is collateralized by properly margined cash and marketable securities held by the Diocese and housed with the financial institution. The outstanding balance was \$2,500,000 at June 30, 2017.

Cash paid for interest was \$38,109 and \$49,490 for the years ended June 30, 2017 and 2016, respectively.

ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 10 – TRANSFERS TO DIOCESAN FOUNDATION

On July 1, 2015, the Diocesan Hope Appeal campaign was moved to the Foundation of the Roman Catholic Diocese of Syracuse, New York (the Foundation). At June 30, 2016, temporarily restricted net assets of \$2,915,779 relating to the Hope Appeal's 2015 and prior campaigns remained on the financial statements of the Diocese. The Hope Appeal's 2016 campaign was recorded on the Foundation's June 30, 2016 financial statements. At June 30, 2017, the temporarily restricted net assets of \$2,915,779 were transferred to the Foundation and are included in the due to affiliated organizations on the statement of financial position.

Temporarily restricted net assets of \$250,000 relating to Trinity Catholic School's scholarship fund were transferred to the Foundation on June 30, 2017. This amount is also included in the due to affiliated organizations on the statement of financial position.

Also, at June 30, 2017, the Bishop's Discretionary Fund totaling \$1,066,140 was transferred to the Foundation. This amount is also included in the due to affiliated organizations on the statement of financial position.

NOTE 11 – LITIGATIONS AND CLAIMS

Various legal actions are pending against the Diocese. The outcome of these matters is not presently determinable, but in the opinion of management under current New York State law, the Diocese is adequately protected by purchased insurance coverage and by insurance reserves, and any ultimate resolution will not have a material adverse effect on the financial condition of the Diocese. Management will continue to monitor these matters and adjust insurance reserves as appropriate.

NOTE 12 – LEASES

The Diocese leases vehicles and copy machines under operating leases expiring in various years through July 2021. Future minimum lease payments are \$35,881 for 2018, \$31,649 for 2019, \$16,417 for 2020, and \$8,043 for 2021. Total lease expense for June 30, 2017 and 2016 amounted to \$36,373 and \$24,140, respectively.

On July 1, 2016, the Diocese entered into an agreement to lease a building to Rome City School District. The terms of the lease call for monthly payments of \$38,000 commencing July 1, 2016 and ending on September 30, 2018. The tenant has the option to renew the lease on a month-to-month basis with a monthly payment of \$25,500. Rent received was \$456,000 and \$-0- for the years ended June 30, 2017 and 2016, respectively. Minimum rental income is \$456,000 and \$114,000 for the years ended June 30, 2018 and 2019, respectively.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 13 – MULTIEMPLOYER RETIREMENT BENEFIT PLANS

Defined Benefit Pension Plan (Lay Plan)

The Diocese contributes to the Roman Catholic Diocese of Syracuse Pension Plan which is a multi-employer defined benefit plan. This plan provides retirement income to the lay employees of the Diocese, Parishes, Cemeteries and Schools affiliated with the Diocese. The plan is non-contributory and covers lay employees who meet certain minimum service requirements. The plan is a “church plan” which exempts it from certain requirements enumerated by ERISA and the Department of Labor. Participation in the plan for new employees has been frozen as of July 1, 2011. New employees are eligible to participate in a Diocesan sponsored 403 (b) plan.

Participating organizations have a responsibility to contribute to the plan amounts as may be required to meet minimum funding standards. The Diocese’s current year’s contribution for all eligible employees totaled \$224,712 and \$246,636 in 2017 and 2016, respectively. The Diocese also paid \$4,100,000 and \$1,000,000 in additional contributions as a means of reducing the unfunded status of the plan in the years ended June 30, 2017 and 2016, respectively. The Trustees of the Plan have the option to terminate the Plan at any time and pay out all participants in the Plan at the then current funded rate.

Plan Summary

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

- Active and retired participants in the plan at the end of 2017 and 2016 totaled 1,104 and 1,401, respectively.
- In conjunction with various third party administrators, the Diocese assists in administering the plan.
- Benefits are based on years of service and the employee’s compensation during their years of employment.
- The Roman Catholic Diocese of Syracuse, New York contributes annually a prorated share of the total liability as determined by the actuary.
- The contribution for all eligible employees totaled \$5,179,313 and \$1,624,680 in 2017 and 2016, respectively.
- Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.
- Benefit payments totaled \$3,703,971 and \$1,747,628 in 2017 and 2016, respectively.

ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 13 – MULTIEMPLOYER RETIREMENT BENEFIT PLANS – Continued

The following sets forth the plan's funded status as of June 30, 2017 and 2016 from the most recent actuarial study, which was prepared for the June 30, 2017 and 2016 plan year. The changes in the benefit obligation and fair value of plan assets, the funded status of the plan, the components of net periodic pension cost and the assumptions used in the measurement of the Diocese's benefit obligation are as follows:

	2017	2016
CHANGE IN BENEFIT OBLIGATION		
Projected Benefit Obligation at the Beginning of the Year:	\$ 50,811,321	\$ 44,650,329
Service Cost	447,061	570,028
Interest Cost	2,030,667	2,265,445
Actuarial (Gain) Loss	(2,952,055)	5,073,147
Benefits Paid	<u>(3,703,971)</u>	<u>(1,747,628)</u>
Projected Benefit Obligation at the End of the Year	<u>\$ 46,633,023</u>	<u>\$ 50,811,321</u>
CHANGE IN PLAN ASSETS		
Fair Value of Plan Assets at the Beginning of the Year:	\$ 19,607,184	\$ 19,908,468
Actual Return (Loss) on Plan Assets	2,370,891	(178,336)
Contributions	5,179,313	1,624,680
Benefits Paid	<u>(3,703,971)</u>	<u>(1,747,628)</u>
Fair Value of Plan Assets at the End the Year	<u>\$ 23,453,417</u>	<u>\$ 19,607,184</u>
FUNDED STATUS:		
Unfunded Status of Plan	<u>\$ 23,179,606</u>	<u>\$ 31,204,137</u>

ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 13 – MULTIEmployer RETIREMENT BENEFIT PLANS – Continued

For the fiscal years ending June 30, 2017 and 2016, the net periodic pension cost included the following components:

Service Cost	\$ 447,061	\$ 570,028
Interest Cost	2,030,667	2,265,445
Expected Return on Assets	(1,358,372)	(1,369,064)
Amortization of Net Loss	<u>718,399</u>	<u>390,197</u>
Net Periodic Pension Cost	<u>\$ 1,837,755</u>	<u>\$ 1,856,606</u>

The accumulated benefit obligation totaled \$45,071,526 and \$49,220,663 at June 30, 2017 and 2016, respectively.

The total amount recognized in net periodic cost and unrestricted net assets totaled \$(2,845,218) and \$8,086,956 in 2017 and 2016, respectively.

The total change recognized in unrestricted net assets amounted to \$(4,682,973) and \$6,230,350 in 2017 and 2016, respectively.

The plan assets are measured at fair value on a recurring basis. Fair value is defined as the price that would be received to sell an asset in an ordinary transaction between market participants at the measurement date. Accounting standards establish a three level hierarchy based upon the prioritization of inputs to measure fair value. All the plan assets have been designated as Level 1. Fair value at this level is determined by quoted prices in active markets for identical assets.

ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 13 – MULTIEMPLOYER RETIREMENT BENEFIT PLANS – Continued

The Diocese’s share of plan assets as of June 30, 2017 and 2016 were as follows:

Investments at Fair Value (Level 1):		
Cash and Money Market Fund	\$ 704,551	\$ 787,337
Defined Benefit Guaranteed Portfolio	0	230,831
Emerging Markets	1,906,481	1,570,485
International Core Equity	3,844,908	3,009,622
Real Estate Securities	1,306,514	1,543,014
U.S. Core Equity	6,966,482	5,733,940
Short-Term Government	<u>8,724,481</u>	<u>6,731,955</u>
 Total	 <u><u>\$ 23,453,417</u></u>	 <u><u>\$ 19,607,184</u></u>

Long-term investment objectives are to maintain plan assets that will assist in covering long-term obligations and to generate a return on plan assets sufficient to off-set the growth of obligations. A diversified portfolio and various risk management techniques are used to achieve these objectives.

The discount rate used in determining the actuarial present value of the projected benefit obligation was 4.25% in both 2017 and 2016. The expected long-term return on plan assets was 7% in both 2017 and 2016. The rate of compensation increase was 2.5% in both 2017 and 2016, respectively. The discount rates were selected to reflect the interest rate environment at the respective measurement dates. The expected long-term rate of return assumptions were selected to represent reasonable expectations of future experience.

ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 13 – MULTIEMPLOYER RETIREMENT BENEFIT PLANS – Continued

Plan benefits expected to be paid by the Diocese for the next ten years are as follows:

2018	\$ 2,398,757
2019	2,486,398
2020	2,580,501
2021	2,643,500
2022	2,705,612
2023-2027	<u>14,523,938</u>
Total	<u>\$ 27,338,706</u>

Plan contributions expected to be paid by the Diocese in 2018 amount to \$1,300,000.

For both 2017 and 2016, the sex-distinct RP-2014 mortality tables for employees and healthy annuitants, adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with the Scale MP-2015 mortality improvement scale on a generational basis.

Other Post-Retirement Benefit Plans

The Retirement Plan for Secular Priests of the Roman Catholic Diocese of Syracuse, New York (the Priests Plan) provides pension benefits to retired priests. As of June 30, 2017, the Priests Plan has an unfunded post-retirement pension liability of approximately \$18,000,000 that is recorded on that legal entity. In addition, the Clerical Fund Society of the Roman Catholic Diocese of Syracuse, New York, Inc. (the Clerical Fund) has recorded an unfunded liability of approximately \$19,200,000 related to post-retirement health care benefits for retired priests. It is anticipated that the majority of the \$37,200,000 of unfunded post-retirement liabilities in these two separate legal entities will be funded by The Robert L. McDevitt, K.S.G., K.C.H.S. and Catherine H. McDevitt, L.C.H.S. Foundation, Inc. (the Foundation). One of the stated purposes of the Foundation is to provide for the retirement and welfare of the priests of the Diocese of Syracuse. Distributions from the Foundation to the Priests Plan was \$1,143,789 and \$1,235,577 in 2017 and 2016, respectively. Distributions from the Foundation to the Clerical Fund was \$1,222,111 and \$1,201,979 in 2017 and 2016, respectively. As of June 30, 2017, the Foundation has the funds available to meet these liabilities. The Diocese would be required to meet these liabilities if the Foundation was unable to meet these liabilities.

ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 14 – CONTINGENCIES

Debt Guarantees

The Diocese is a guarantor of the following debt:

- \$250,000 Key Bank line-of-credit to Notre Dame High School – no amount outstanding at June 30, 2017.
- \$250,000 M&T Bank line-of-credit to Bishop Ludden Jr./Sr. High School – no amount outstanding at June 30, 2017.
- \$100,000 M&T Bank line-of-credit to Bishop Grimes Jr./Sr. High School – no amount outstanding at June 30, 2017.
- \$5,000,000 M&T Bank line-of-credit to the Foundation of the Roman Catholic Diocese of Syracuse, New York – \$3,432,400 was outstanding at June 30, 2017.

The Diocese has determined that no liability is necessary for the guarantee of debt at June 30, 2017 and 2016.

OTHER FINANCIAL INFORMATION

SCHEDULE OF INSURANCE FUND ACTIVITY

Year Ended June 30, 2017 with Comparative Totals for June 30, 2016

	PSI	Health
REVENUE		
Insurance Premiums	\$ 4,681,148	\$ 18,360,402
Rebates	<u>0</u>	<u>807,914</u>
Total Revenue	4,681,148	19,168,316
EXPENSES		
Administrative and Operational	306,630	1,659,919
Insurance - Outside Carrier	1,654,847	393,744
Insurance - Claims Paid	1,374,970	14,561,963
Insurance - Claims Accrued	(54,620)	(335,253)
Program Expense - Departments	<u>934,010</u>	<u>782,525</u>
Total Expenses	<u>4,215,837</u>	<u>17,062,898</u>
CHANGE IN NET ASSETS	465,311	2,105,418
Net Assets at Beginning of Year	4,575,514	14,042,111
Transfer to Lay Pension Plan	<u>(564,000)</u>	<u>680,000</u>
Net Assets at End of Year	<u>\$ 4,476,825</u>	<u>\$ 16,827,529</u>
Years on Reserve Coverage	<u>1.06</u>	<u>0.99</u>

ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK

Unemployment	Disability	2017	Total	2016
\$ 506,523 <u>0</u>	\$ 321,798 <u>0</u>	\$ 23,869,871 <u>807,914</u>		\$ 24,564,258 <u>812,233</u>
506,523	321,798	24,677,785		25,376,491
10,200 0 322,429 0 <u>0</u>	18,000 0 192,968 0 <u>0</u>	1,994,749 2,048,591 16,452,330 (389,873) <u>1,716,535</u>		2,407,420 2,053,700 17,265,741 (48,451) <u>772,029</u>
<u>332,629</u>	<u>210,968</u>	<u>21,822,332</u>		<u>22,450,439</u>
173,894	110,830	2,855,453		2,926,052
2,847,938	1,473,778	22,939,341		20,013,289
<u>(1,823,000)</u>	<u>(893,000)</u>	<u>(2,600,000)</u>		<u>0</u>
<u>\$ 1,198,832</u>	<u>\$ 691,608</u>	<u>\$ 23,194,794</u>		<u>\$ 22,939,341</u>
<u><u>3.60</u></u>	<u><u>3.28</u></u>			

See notes to financial statements.

SCHEDULE OF CATHOLIC SCHOOL FUND ACTIVITY
Year Ended June 30, 2017

STATEMENT OF NET ASSETS

	Trinity
ASSETS	
Cash and Investments	\$ 748,444
Accounts Receivable, Net	2,203
Fixed Assets, Net	75,368
Other	<u>0</u>
TOTAL ASSETS	<u><u>\$ 826,015</u></u>
LIABILITIES	
Accounts Payable	\$ 496
Due to Foundation	250,000
Loans from Diocese	0
Other	<u>18,801</u>
Total Liabilities	269,297
NET ASSETS	<u>556,718</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 826,015</u></u>

STATEMENT OF ACTIVITIES

REVENUE	
Tuition Billed	\$ 743,091
Tuition Waivers and Discounts	<u>(120,110)</u>
Net Tuition	622,981
Diocesan Support	11,096
Net Fundraising	65,477
Hope Appeal and Other Grants	20,087
Investment Activity, Net	11,156
Other Income	<u>52,330</u>
Total Revenue	783,127
EXPENSES	
Personnel (S&B)	924,214
Instructional	25,217
Building/Occupancy	47,283
Other Expenses	<u>43,185</u>
Total Expenses	1,039,899
Operating Loss before Parish Assessments and Hope Appeal	(256,772)
Parish Assessments	<u>293,991</u>
Operating Income (Loss) before Hope Appeal	37,219
Hope Appeal	<u>0</u>
OPERATING INCOME (LOSS)	<u><u>\$ 37,219</u></u>

ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK

Rome	St. Patrick's	CSO/Support	Eliminations	Total
\$ 186,088	\$ 158,431	\$ 0	\$ 0	\$ 1,092,963
27,116	6,881	0	0	36,200
0	71,681	0	0	147,049
754	0	0	0	754
<u>\$ 213,958</u>	<u>\$ 236,993</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,276,966</u>
\$ 271,159	\$ 5,034	\$ 0	\$ (242,971)	\$ 33,718
0	0	0	0	0
220,000	0	0	(220,000)	0
18,847	10,336	0	0	47,984
<u>510,006</u>	<u>15,370</u>	<u>0</u>	<u>(462,971)</u>	<u>81,702</u>
(296,048)	221,623	0	462,971	1,195,264
<u>\$ 213,958</u>	<u>\$ 236,993</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,276,966</u>
\$ 363,427	\$ 419,678	\$ 0	\$ 0	\$ 1,526,196
(22,087)	(126,498)	0	0	(268,695)
<u>341,340</u>	<u>293,180</u>	<u>0</u>	<u>0</u>	<u>1,257,501</u>
8,691	33,668	0	(53,455)	0
2,041	68,833	36,745	0	173,096
6,440	19,480	0	0	46,007
895	2,123	151,020	0	165,194
<u>110,572</u>	<u>58,713</u>	<u>558,092</u>	<u>0</u>	<u>779,707</u>
469,979	475,997	745,857	(53,455)	2,421,505
618,064	581,604	667,987	0	2,791,869
43,281	29,414	0	0	97,912
52,823	29,678	0	0	129,784
<u>47,258</u>	<u>47,471</u>	<u>369,986</u>	<u>(53,455)</u>	<u>454,445</u>
<u>761,426</u>	<u>688,167</u>	<u>1,037,973</u>	<u>(53,455)</u>	<u>3,474,010</u>
(291,447)	(212,170)	(292,116)	0	(1,052,505)
<u>290,074</u>	<u>220,000</u>	<u>0</u>	<u>0</u>	<u>804,065</u>
(1,373)	7,830	(292,116)	0	(248,440)
0	0	292,116	0	292,116
<u>\$ (1,373)</u>	<u>\$ 7,830</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 43,676</u>

See notes to financial statements.

ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK

SCHEDULES OF PLANT FUND ACTIVITY

Years Ended June 30, 2017 and 2016

	2017	2016
REVENUE		
Assessments	\$ 30,495	\$ 31,912
Service Fees	<u>284,164</u>	<u>281,137</u>
Total Revenue	314,659	313,049
EXPENSES		
Facilities Management	365,304	305,828
Plant Fund	101,805	59,461
Building Occupancy Cost	<u>497,205</u>	<u>503,124</u>
Total Expenses	<u>964,314</u>	<u>868,413</u>
PLANT FUND ACTIVITY, NET	<u><u>\$ (649,655)</u></u>	<u><u>\$ (555,364)</u></u>

The Plant Fund is used to account for the acquisition, construction, and maintenance of the physical plant of the Diocese.

ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK

SCHEDULES OF CENTRAL ADMINISTRATION SUPPORT SERVICES

Years Ended June 30, 2017 and 2016

	2017	2016
REVENUE		
Contributions	\$ 250,262	\$ 40,393
Fees - Other Services	52,541	168,265
Affiliation Fees	1,668,820	1,580,981
Parish Administration Fees	<u>533,274</u>	<u>556,346</u>
Total Revenue	2,504,897	2,345,985
EXPENSES		
Executive Management	734,210	668,165
Development and Fundraising	505,177	434,306
Information Technology	442,531	462,405
Finance and Payroll	549,140	1,060,781
Banking Fees	64,954	47,503
Lay Pension Plan	80,436	74,376
Parish Services	44,555	220,261
Chancery Support Services	117,914	0
Central Purchasing	155,503	145,811
Archives	<u>58,454</u>	<u>55,906</u>
Total Expenses	<u>2,752,874</u>	<u>3,169,514</u>
CENTRAL ADMINISTRATION SUPPORT SERVICES, NET	<u><u>\$ (247,977)</u></u>	<u><u>\$ (823,529)</u></u>

Central administration support services provide support to the programs operated by the Diocese.

ROMAN CATHOLIC DIOCESE OF SYRACUSE, NEW YORK

SCHEDULE OF INVESTMENT FUND ACTIVITY

Year Ended June 30, 2017 with Comparative Totals for June 30, 2016

	Investment Pool	Deposit and Loan	Total 2017	Total 2016
REVENUE				
Investment Earnings	\$ 815,020	\$ 1,446	\$ 816,466	\$ 1,030,318
Realized Gains	6,579,988	0	6,579,988	193,959
Unrealized Losses	<u>(3,608,879)</u>	<u>0</u>	<u>(3,608,879)</u>	<u>(425,467)</u>
Total Revenue	3,786,129	1,446	3,787,575	798,810
EXPENSES				
Investment Fees	163,988	0	163,988	167,916
Affiliation Fees - Support Services	110,602	0	110,602	97,500
Interest Expense	<u>38,109</u>	<u>0</u>	<u>38,109</u>	<u>49,490</u>
Total Expenses	<u>312,699</u>	<u>0</u>	<u>312,699</u>	<u>314,906</u>
CHANGE IN NET ASSETS BEFORE BAD DEBT EXPENSE (RECOVERY)				
	3,473,430	1,446	3,474,876	483,904
Bad Debt Expense (Recovery)	<u>0</u>	<u>(8,269)</u>	<u>(8,269)</u>	<u>245,148</u>
CHANGE IN NET ASSETS	3,473,430	(6,823)	3,466,607	729,052
Net Assets, Beginning of Year	16,105,966	90,975	16,196,941	15,854,412
Transfer to Plant Fund for Capital Expenses	<u>(379,897)</u>	<u>0</u>	<u>(379,897)</u>	<u>(386,523)</u>
Net Assets, End of Year	<u>\$ 19,199,499</u>	<u>\$ 84,152</u>	<u>\$ 19,283,651</u>	<u>\$ 16,196,941</u>

See notes to financial statements.