

**ROMAN CATHOLIC DIOCESE  
OF SYRACUSE, INC.**

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*FINANCIAL STATEMENTS*

June 30, 2016 and 2015

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Dermody, Burke & Brown, CPAs, LLC

## **INDEPENDENT AUDITORS' REPORT**

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### **FINANCE COUNCIL ROMAN CATHOLIC DIOCESE OF SYRACUSE, INC.**

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the **ROMAN CATHOLIC DIOCESE OF SYRACUSE, INC.**, which comprise the statements of financial position as of June 30, 2016 and 2015, 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, Inc. as of June 30, 2016 and 2015, 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 22 to 28 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

October 26, 2016

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, INC.****AUDITED FINANCIAL STATEMENTS****STATEMENTS OF FINANCIAL POSITION**

June 30, 2016 and 2015

**ASSETS**

	<b>2016</b>	<b>2015</b>
Cash	\$ 1,607,098	\$ 1,327,191
Accounts Receivable, Net	2,096,330	3,516,789
Unconditional Promises to Give, Net	0	563,255
Mortgages and Notes Receivable, Net	91,721	112,988
Prepaid Expenses and Other Assets	591,397	693,279
Investments	41,521,394	39,845,942
Land, Buildings and Equipment, Net of Accumulated Depreciation	<u>7,621,889</u>	<u>3,325,865</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 53,529,829</u></u>	<u><u>\$ 49,385,309</u></u>

**LIABILITIES AND NET ASSETS****LIABILITIES**

Accounts Payable and Accrued Expenses	\$ 782,038	\$ 1,765,086
Accrued Insurance Reserves	6,903,074	6,960,989
Deferred Income	225,869	62,988
Due to Affiliated Organizations	2,355,909	460,138
Liability for Custodial Accounts	340,656	307,176
Note Payable	4,160,000	0
Unfunded Pension Obligation	<u>31,204,137</u>	<u>24,742,850</u>
Total Liabilities	45,971,683	34,299,227

**NET ASSETS**

Unrestricted:		
Undesignated	(18,546,974)	(12,410,359)
Designated - Insurance Reserves	<u>22,939,341</u>	<u>20,013,289</u>
Total Unrestricted Net Assets	4,392,367	7,602,930
Temporarily Restricted	<u>3,165,779</u>	<u>7,483,152</u>
Total Net Assets	<u>7,558,146</u>	<u>15,086,082</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 53,529,829</u></u>	<u><u>\$ 49,385,309</u></u>

See notes to financial statements.

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**ROMAN CATHOLIC DIOCESE OF SYRACUSE, INC.**

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**STATEMENTS OF ACTIVITIES**

Years Ended June 30, 2016 and 2015

	<b>2016</b>	<b>Restated 2015</b>
<b>REVENUE AND SUPPORT</b>		
Contributions	\$ 669,876	\$ 122,132
Fees and Other Services	187,968	104,053
Net Assets Released from Restriction - Hope Appeal	<u>4,567,373</u>	<u>5,425,937</u>
Total Revenue and Support from Program Services	5,425,217	5,652,122
<b>PROGRAM SERVICE EXPENSES</b>		
Education	1,065,323	1,080,524
Community Service	1,008,329	1,043,754
Pastoral	418,722	319,606
Evangelization	143,756	119,779
Hospital Ministry	193,064	184,292
Family and Respect for Life	282,830	305,875
Youth and Young Adult	717,440	658,302
Retreat House	49,100	54,400
Communications	412,394	502,815
Vicar for Parishes	190,062	184,997
McDevitt Grants	0	403,904
Other	<u>251,183</u>	<u>347,265</u>
Total Program Service Expenses	<u>4,732,203</u>	<u>5,205,513</u>
Change in Unrestricted Net Assets from Program Services	693,014	446,609
Insurance Fund Activity, Net	2,926,052	2,206,329
Catholic School Fund Activity, Net	(278,889)	(379,143)
Plant Fund Activity, Net	(555,364)	(541,089)
Central Administration Support Activity, Net	<u>(891,015)</u>	<u>(574,461)</u>
Change in Unrestricted Net Assets from Operations	1,893,798	1,158,245

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See notes to financial statements.

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**ROMAN CATHOLIC DIOCESE OF SYRACUSE, INC.**

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**STATEMENTS OF ACTIVITIES**

Years Ended June 30, 2016 and 2015

	<b>2016</b>	<b>Restated 2015</b>
CHANGE IN UNRESTRICTED NET ASSETS FROM OPERATIONS	1,893,798	1,158,245
Investment Fund - Net	483,904	892,779
Lay Pension Plan Contributions	(1,156,252)	(1,000,000)
Capital Contributions	(571,405)	0
Depreciation	(1,134,394)	(407,190)
Bad Debt Recovery (Expense)	193,831	(476,914)
	<hr/>	<hr/>
Change in Unrestricted Net Assets before Unfunded Pension Obligation Adjustment	(290,518)	166,920
Unfunded Pension Obligation Adjustment	(6,461,287)	(2,318,998)
	<hr/>	<hr/>
Change in Unrestricted Net Assets	(6,751,805)	(2,152,078)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions - Hope Appeal	0	4,854,819
Investment Activity, Net	0	(984)
McDevitt Foundation	0	923,155
Net Assets Released from Restriction - Hope Appeal	(4,567,373)	(5,425,937)
	<hr/>	<hr/>
Change in Temporarily Restricted Net Assets	(4,567,373)	351,053
CHANGE IN NET ASSETS	(11,319,178)	(1,801,025)
Net Assets, Beginning of Year	15,086,082	16,887,107
Land, Building and Equipment Restatement	3,320,817	0
Transfer of Net Assets - Diocesan Schools	470,425	0
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Net Assets, End of Year	<u>\$ 7,558,146</u>	<u>\$ 15,086,082</u>

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See notes to financial statements.

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**ROMAN CATHOLIC DIOCESE OF SYRACUSE, INC.**

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**STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2016 and 2015

	<b>2016</b>	<b>Restated 2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (11,319,178)	\$ (1,801,025)
Adjustments to Reconcile Change in Net Assets to Net Cash Used In Operating Activities:		
Depreciation Expense	1,134,394	407,190
Unrealized Loss on Investments	425,467	85,756
Realized Gain on Investments	(193,959)	(405,959)
Bad Debt Expense (Recovery)	(193,831)	77,580
Unfunded Pension Obligation Adjustment	6,461,287	2,318,998
(Increase) Decrease in Operating Assets:		
Accounts Receivable	1,614,290	(639,192)
Unconditional Promises to Give	563,255	929,713
Prepaid Expenses and Other Assets	101,882	(270,479)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	(983,048)	360,893
Accrued Insurance Reserves	(57,915)	307,513
Deferred Income	162,881	(71,313)
Due to Affiliated Organizations	1,895,771	(1,663,470)
Liability for Custodial Accounts	33,480	113,289
	<hr/>	<hr/>
Net Cash Used In Operating Activities	(355,224)	(250,506)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Building and Equipment Additions	(1,639,176)	(895,092)
Purchase of Investments	(5,656,077)	(5,413,959)
Proceeds from Sale of Investments	3,749,117	7,156,750
Notes and Mortgage Receivables - Net Change	21,267	1,135
	<hr/>	<hr/>
Net Cash Provided By (Used In) Investing Activities	(3,524,869)	848,834
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Note Payable	4,160,000	0
	<hr/>	<hr/>
Net Cash Provided By Financing Activities	4,160,000	0
Net Change in Cash	279,907	598,328
Cash, Beginning of Year	1,327,191	728,863
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Cash, End of Year	<u>\$ 1,607,098</u>	<u>\$ 1,327,191</u>

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See notes to financial statements.



## ROMAN CATHOLIC DIOCESE OF SYRACUSE, INC.

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### NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

#### NOTE 1 – NATURE OF OPERATIONS

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The Roman Catholic Diocese of Syracuse, Inc. (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 and oversight to the other legal entities of the Diocese in their overall strategic objective of Evangelizing.

#### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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##### 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 year ended June 30, 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, 2016 and 2015. Temporarily restricted net assets are those whose use by the Diocese has been limited by donors to a specific time period or purpose.

##### Net Assets Designated for Insurance Reserves

Net assets designated for insurance reserves represent the excess of insurance premiums over related insurance expense and will be used to cover potential uninsured losses in the future.

##### 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, 2016 and 2015, 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.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2016 and 2015

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**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.

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.

**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. 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. 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 financial 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.

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**ROMAN CATHOLIC DIOCESE OF SYRACUSE, INC.**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2016 and 2015

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – Continued**

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**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 2015 amounts have been reclassified to conform with the 2016 financial statement presentation. Total assets, liabilities, and net assets are unchanged due to the reclassification.

**Subsequent Events**

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. Minimum rental income is \$456,000 and \$114,000 for the years ended June 30, 2017 and June 30, 2018, respectively.

Management has evaluated subsequent events through October 26, 2016, which is the date the financial statements were available to be issued.

**NOTE 3 – ACCOUNTS RECEIVABLE**

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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 \$1,207,123 and \$2,874,857 at June 30, 2016 and 2015, respectively.

**NOTE 4 – MORTGAGES AND NOTES RECEIVABLE**

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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 \$1,193,926 and \$2,110,357 at June 30, 2016 and 2015, respectively.

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**ROMAN CATHOLIC DIOCESE OF SYRACUSE, INC.**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2016 and 2015

**NOTE 5 – INVESTMENTS**

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The Diocese's investments consist of corporate equity securities, government and corporate bonds 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:

	<b>Fair Value</b>	
	<b>2016</b>	<b>2015</b>
Cash Equivalents	\$ 1,681,448	\$ 878,605
Equity Securities	25,100,975	26,864,300
Governmental and Corporate Bonds	10,596,406	9,978,578
Other Investments	4,142,565	2,124,458
	<u>41,521,394</u>	<u>39,845,941</u>
Total	<u>\$ 41,521,394</u>	<u>\$ 39,845,941</u>

Net investment activity consists of the following:

	<b>2016</b>	<b>2015</b>
Dividends and Interest	\$ 1,030,318	\$ 832,631
Realized Gain	193,959	405,959
Investment and Affiliation Fees	(265,416)	(261,039)
Unrealized Loss	(425,467)	(85,756)
	<u>533,394</u>	<u>891,795</u>
Total	<u>\$ 533,394</u>	<u>\$ 891,795</u>

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**ROMAN CATHOLIC DIOCESE OF SYRACUSE, INC.**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2016 and 2015

**NOTE 5 – INVESTMENTS – Continued**

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**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, 2016 and 2015, the Diocese has Level 1 investments of \$37,378,829 and \$37,721,483, respectively, and Level 3 investments of \$4,142,565 and \$2,124,458, respectively.

Following is a summary of activity in Level 3 Investments:

	<b>2016</b>	<b>2015</b>
Level 3 Investments - Beginning of Year	\$ 2,124,458	\$ 2,573,044
D.W. Barry Foundation - Net Activity	(46,272)	(72,772)
Net Investment Activity	<u>2,064,379</u>	<u>(375,814)</u>
Level 3 Investments - End of Year	<u>\$ 4,142,565</u>	<u>\$ 2,124,458</u>

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**ROMAN CATHOLIC DIOCESE OF SYRACUSE, INC.**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2016 and 2015

**NOTE 6 – LAND, BUILDINGS AND EQUIPMENT**

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

	<b>2016</b>	<b>2015</b>
Land and Sites for Future Parishes	\$ 1,276,925	\$ 387,917
Land	350,000	350,000
Furniture and Fixtures	2,648,093	1,227,592
Buildings and Improvements	21,984,964	10,228,347
Equipment	571,444	519,194
Automobiles	<u>212,810</u>	<u>196,768</u>
Total Land, Buildings and Equipment	27,044,236	12,909,818
Less: Accumulated Depreciation	<u>19,422,347</u>	<u>9,583,953</u>
Net Land, Buildings and Equipment	<u>\$ 7,621,889</u>	<u>\$ 3,325,865</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, 2016 and 2015 totaled \$1,134,394 and \$407,190, respectively.

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**ROMAN CATHOLIC DIOCESE OF SYRACUSE, INC.**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2016 and 2015

**NOTE 7 – INSURANCE RESERVES**

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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 and aggregate 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 \$6,903,074 and \$6,960,989 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.

**NOTE 8 – LETTERS OF CREDIT AND NOTE PAYABLE**

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The Diocese has a workers' compensation letter of credit in the amount of \$5,300,000 which matures on September 28, 2017. No balance was outstanding as of June 30, 2016.

The Diocese has a health insurance letter of credit in the amount of \$1,240,300 which matures July 1, 2017. No balance was outstanding as of June 30, 2016. The terms of the letter of credit require that the Diocese maintain a minimum cash and unrestricted investments balance greater than three times the letter of credit measured quarterly. The Diocese met this requirement for the year ended June 30, 2016.

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, 2016 and 2015, the outstanding balance was \$4,160,000 and \$-0-, respectively. Cash paid for interest was \$49,490 and \$-0- for the years ended June 30, 2016 and 2015, respectively.

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**ROMAN CATHOLIC DIOCESE OF SYRACUSE, INC.**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2016 and 2015

**NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS**

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At June 30, 2016 and 2015, temporarily restricted net assets consist primarily of contributions received from the Diocese's annual gifting campaign known as the Diocesan Hope Appeal.

On July 1, 2015, the Diocesan Hope Appeal campaign was moved to the Foundation of the Roman Catholic Diocese of Syracuse, Inc. (the Foundation). Activity relating to the Hope Appeal's 2015 and prior campaigns remain on the financial statements of the Diocese, while similar activity for the Hope Appeal's 2016 campaign has been recorded on the Foundation's June 30, 2016 financial statements. The 2016 and future Hope Appeal campaigns will continue to support programs of the Diocese.

**NOTE 10 – LITIGATIONS AND CLAIMS**

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Various legal actions are pending against the Diocese. The outcome of these matters is not presently determinable but, in the opinion of management, 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.

**NOTE 11 – LEASES**

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The Diocese leases vehicles and copy machines under operating leases expiring in various years through July 2021. Future minimum lease payments are \$28,152 for 2017, \$22,905 for 2018, \$17,844 for 2019, \$5,855 for 2020 and \$699 for 2021. Total lease expense for June 30, 2016 and 2015 amounted to \$24,140 and \$44,550, respectively.



**NOTES TO FINANCIAL STATEMENTS**

June 30, 2016 and 2015

**NOTE 12 – MULTIEMPLOYER RETIREMENT BENEFIT PLANS**

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**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 \$246,636 and \$209,334 in 2016 and 2015, respectively. The Diocese also paid \$1,156,252 and \$1,000,000 in additional contributions as a means of reducing the unfunded status of the plan in the years ended June 30, 2016 and 2015, respectively.

**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 2016 and 2015 totaled 1,401 and 1,433, 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, Inc. contributes annually a prorated share of the total liability as determined by the actuary.
- The contribution for all eligible employees totaled \$1,624,680 and \$1,613,268 in 2016 and 2015, 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 \$1,747,628 and \$1,528,636 in 2016 and 2015, respectively.

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**ROMAN CATHOLIC DIOCESE OF SYRACUSE, INC.**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2016 and 2015

**NOTE 12 – MULTIEMPLOYER RETIREMENT BENEFIT**

**PLANS – Continued**

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The following sets forth the plan's funded status as of June 30, 2016 and 2015 from the most recent actuarial study, which was prepared for the June 30, 2016 and 2015 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:

	<b>2016</b>	<b>2015</b>
<b>CHANGE IN BENEFIT OBLIGATION</b>		
Projected Benefit Obligation at the Beginning of the Year:	\$ 44,650,329	\$ 42,294,794
Service Cost	570,028	672,487
Interest Cost	2,265,445	2,066,183
Actuarial Loss	5,073,147	1,145,501
Benefits Paid	<u>(1,747,628)</u>	<u>(1,528,636)</u>
 Projected Benefit Obligation at the End of the Year	 <u>\$ 50,811,321</u>	 <u>\$ 44,650,329</u>
<b>CHANGE IN PLAN ASSETS</b>		
Fair Value of Plan Assets at the Beginning of the Year:	\$ 19,908,468	\$ 19,650,371
Actual Return (Loss) on Plan Assets	(178,336)	173,465
Contributions	1,624,680	1,613,268
Benefits Paid	<u>(1,747,628)</u>	<u>(1,528,636)</u>
 Fair Value of Plan Assets at the End the Year	 <u>\$ 19,607,184</u>	 <u>\$ 19,908,468</u>
 <b>FUNDED STATUS:</b>		
Unfunded Status of Plan	 <u>\$ 31,204,137</u>	 <u>\$ 24,742,850</u>

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**ROMAN CATHOLIC DIOCESE OF SYRACUSE, INC.**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2016 and 2015

**NOTE 12 – MULTIEMPLOYER RETIREMENT BENEFIT PLANS** – Continued

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For the fiscal years ending June 30, 2016 and 2015, the net periodic pension cost included the following components:

	<b>2016</b>	<b>2015</b>
Service Cost	\$ 570,028	\$ 672,487
Interest Cost	2,265,445	2,066,183
Expected Return on Assets	(1,369,064)	(1,368,147)
Amortization of Net Loss	<u>390,197</u>	<u>0</u>
Net Periodic Pension Cost	<u>\$ 1,856,606</u>	<u>\$ 1,370,523</u>

The accumulated benefit obligation totaled \$49,220,663 and \$42,978,496 at June 30, 2016 and 2015, respectively.

The total amount recognized in net periodic cost and unrestricted net assets totaled \$8,086,956 and \$3,710,706 in 2016 and 2015, respectively.

The total change recognized in unrestricted net assets amounted to \$6,230,350 and \$2,340,183 in 2016 and 2015, 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.

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**ROMAN CATHOLIC DIOCESE OF SYRACUSE, INC.**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2016 and 2015

**NOTE 12 – MULTIEMPLOYER RETIREMENT BENEFIT PLANS** – Continued

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The Diocese’s share of plan assets as of June 30, 2016 and 2015 were as follows:

	<b>2016</b>	<b>2015</b>
Investments at Fair Value (Level 1):		
Cash and Money Market Fund	\$ 787,337	\$ 0
Defined Benefit Guaranteed Portfolio	230,831	4,461,019
Emerging Markets	1,570,485	1,459,449
International Core Equity	3,009,622	3,575,341
Real Estate Securities	1,543,014	1,241,688
U.S. Core Equity	5,733,940	557,132
Short-Term Government	<u>6,731,919</u>	<u>3,499,187</u>
Total	<u>\$ 19,607,148</u>	<u>\$ 14,793,816</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% and 5% in 2016 and 2015, respectively. The expected long-term return on plan assets was 7% in 2016 and 2015. The rate of compensation increase was 2.5% and 3.0% in 2016 and 2015, 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.

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**ROMAN CATHOLIC DIOCESE OF SYRACUSE, INC.**

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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2016 and 2015

**NOTE 12 – MULTIEMPLOYER RETIREMENT BENEFIT PLANS** – Continued

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

2017	\$ 2,269,960
2018	2,470,268
2019	2,602,935
2020	2,728,941
2021	2,802,449
2022-2026	<u>15,344,008</u>
Total	<u>\$ 28,218,561</u>

Plan contributions expected to be paid by the Diocese in 2017 amount to \$1,700,000.

In 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.

In 2015, the plan adopted the RP-2014 mortality tables for annuitants and non-annuitants, fully generational with projected mortality improvements using Scale MP-2014 with no collar adjustment.

**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, 2016, the Priests Plan has an unfunded post-retirement pension liability of approximately \$21,500,000 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 \$18,100,000 related to post-retirement health care benefits for retired priests. It is anticipated that the majority of the \$39,600,000 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 \$1,235,577 and \$1,133,312 in 2016 and 2015, respectively. Distributions from the Foundation to the Clerical Fund was \$1,201,979 and \$1,098,808 in 2016 and 2015, respectively. As of June 30, 2016, 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.

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## ROMAN CATHOLIC DIOCESE OF SYRACUSE, INC.

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### NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

#### NOTE 13 – CONTINGENCIES

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##### Notes Receivable

In March 2016, the Diocese executed an interest free note receivable not to exceed \$100,000 with Our Lady of Lourdes Church. The note is secured by a building with no stated repayment terms. There was no outstanding receivable balance at June 30, 2016.

On June 30, 2016, the Diocese executed a \$250,000 interest free note receivable with Bishop Grimes School. The terms of the unsecured note call for monthly payments of \$4,500 commencing on July 1, 2017 maturing on June 1, 2022. There was no outstanding receivable balance at June 30, 2016.

##### Debt Guarantees

The Diocese is a guarantor of the following debt:

- \$1,100,000 M&T Bank multiple disbursement term note commitment to Notre Dame High School – no amount outstanding at June 30, 2016.
- \$250,000 First Niagara Bank loan to Notre Dame High School – no amount outstanding at June 30, 2016.
- \$250,000 M&T Bank line-of-credit to Bishop Ludden Jr./Sr. High School – no amount outstanding at June 30, 2016.
- \$3,500,000 M&T Bank line-of-credit to the Foundation of the Roman Catholic Diocese of Syracuse, Inc. – no amount outstanding at June 30, 2016.

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

#### NOTE 14 – RESTATEMENT

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The 2015 financial statements have been restated to reflect the change in presentation of the Diocese operations. The effect of this change was to reclassify the unfunded pension obligation of \$3,318,998 as an expense on the statement of activities rather than an adjustment to net assets for \$3,318,998. Net assets at June 30, 2015 remain unchanged.

**OTHER FINANCIAL INFORMATION**

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**SCHEDULE OF INSURANCE FUND ACTIVITY**

Year Ended June 30, 2016 with Comparative Totals for June 30, 2015

	<b>PSI</b>	<b>Health</b>
<b>REVENUE</b>		
Insurance Premiums	\$ 4,660,184	\$ 19,051,031
Rebates	<u>15,914</u>	<u>812,233</u>
Total Revenue	4,676,098	19,863,264
<b>EXPENSES</b>		
Administrative and Operational	434,037	1,945,183
Insurance - Outside Carrier	1,652,614	401,086
Insurance - Claims Paid	2,005,629	14,722,366
Insurance - Claims Accrued	(401,876)	353,425
Program Expense - Departments	<u>423,414</u>	<u>348,615</u>
Total Expenses	<u>4,113,818</u>	<u>17,770,675</u>
CHANGE IN NET ASSETS	562,280	2,092,589
Net Assets at Beginning of Year	<u>4,013,234</u>	<u>11,949,522</u>
Net Assets at End of Year	<u>\$ 4,575,514</u>	<u>\$ 14,042,111</u>
Years on Reserve Coverage	<u>2.28</u>	<u>0.95</u>

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, INC.**

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<b>Unemployment</b>	<b>Disability</b>	<b>2016</b>	<b>Total</b>	<b>2015</b>
\$ 496,616	\$ 340,513	\$ 24,548,344		\$ 24,386,777
<u>0</u>	<u>0</u>	<u>828,147</u>		<u>594,473</u>
496,616	340,513	25,376,491		24,981,250
10,200	18,000	2,407,420		2,458,593
0	0	2,053,700		1,875,792
344,191	193,555	17,265,741		17,347,667
0	0	(48,451)		284,796
<u>0</u>	<u>0</u>	<u>772,029</u>		<u>808,073</u>
<u>354,391</u>	<u>211,555</u>	<u>22,450,439</u>		<u>22,774,921</u>
142,225	128,958	2,926,052		2,206,329
<u>2,705,713</u>	<u>1,344,820</u>	<u>20,013,289</u>		<u>17,806,960</u>
<u>\$ 2,847,938</u>	<u>\$ 1,473,778</u>	<u>\$ 22,939,341</u>		<u>\$ 20,013,289</u>
<u>8.27</u>	<u>7.61</u>			

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See notes to financial statements.



**SCHEDULE OF CATHOLIC SCHOOL FUND ACTIVITY**  
Year Ended June 30, 2016

**STATEMENT OF NET ASSETS**

	<b>Trinity</b>
<b>ASSETS</b>	
Cash and Investments	\$ 734,778
Accounts Receivable, Net	11,032
Fixed Assets, Net	59,514
Other	<u>0</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 805,324</u></u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 3,158
Loans from Diocese	0
Other	<u>32,666</u>
Total Liabilities	35,824
<b>NET ASSETS</b>	<u>519,500</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 555,324</u></u>

**STATEMENT OF ACTIVITIES**

<b>REVENUE</b>	
Tuition Billed	\$ 725,008
Tuition Waivers and Discounts	<u>(88,651)</u>
Net Tuition	636,357
Diocesan Support	18,456
Net Fundraising	85,911
Hope Appeal and Other Grants	10,000
Investment Activity, Net	(525)
Other Income	<u>42,166</u>
Total Revenue	792,365
<b>EXPENSES</b>	
Personnel (S&B)	898,117
Instructional	31,280
Building/Occupancy	51,807
Other Expenses	<u>57,409</u>
Total Expenses	<u>1,038,613</u>
Operating Loss before Parish Assessments and Hope Appeal Allocation	(246,248)
Parish Assessments	<u>320,000</u>
Operating Income (Loss) before Hope Appeal Allocation	73,752
Hope Appeal Allocation	<u>0</u>
<b>OPERATING INCOME (LOSS)</b>	<u><u>\$ 73,752</u></u>

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, INC.**

Rome	St. Patrick's	CSO/Support	Eliminations	Total
\$ 232,632	\$ 167,080	\$ 0	\$ 0	\$ 1,134,490
7,783	5,171	0	0	23,986
0	80,202	0	0	139,716
27,744	100	0	0	27,844
<u>\$ 268,159</u>	<u>\$ 252,553</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,326,036</u>
\$ 36,363	\$ 21,641	\$ 0	\$ 0	\$ 61,162
520,471	0	0	(520,471)	0
6,000	17,119	0	0	55,785
562,834	38,760	0	(520,471)	116,947
(294,675)	213,793	0	520,471	1,209,089
<u>\$ 268,159</u>	<u>\$ 252,553</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,326,036</u>
\$ 439,282	\$ 378,580	\$ 0	\$ 0	\$ 1,542,870
(25,082)	(137,776)	0	0	(251,509)
414,200	240,804	0	0	1,291,361
27,600	24,010	0	(70,066)	0
85,538	91,364	38,766	0	301,579
15,587	45,687	0	0	71,274
56	160	(15,519)	0	(15,828)
130,228	27,215	620,682	0	820,291
673,209	429,240	643,929	(70,066)	2,468,677
612,440	566,744	721,465	0	2,798,766
18,535	12,174	0	0	61,989
74,745	46,787	0	0	173,339
83,340	63,244	419,545	(70,066)	553,472
789,060	688,949	1,141,010	(70,066)	3,587,566
(115,851)	(259,709)	(497,081)	0	(1,118,889)
300,000	220,000	0	0	840,000
184,149	(39,709)	(497,081)	0	(278,889)
0	0	359,442	0	359,442
<u>\$ 184,149</u>	<u>\$ (39,709)</u>	<u>\$ (137,639)</u>	<u>\$ 0</u>	<u>\$ 80,553</u>

See notes to financial statements.

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**ROMAN CATHOLIC DIOCESE OF SYRACUSE, INC.**

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**SCHEDULES OF PLANT FUND ACTIVITY**

Years Ended June 30, 2016 and 2015

	<b>2016</b>	<b>2015</b>
<b>REVENUE</b>		
Assessments (Cathedracticum)	\$ 31,912	\$ 35,226
Service Fees	<u>281,137</u>	<u>339,808</u>
Total Revenue	313,049	375,034
<b>EXPENSES</b>		
Facilities Management	305,828	296,070
Plant Fund	59,461	130,460
Building Occupancy Cost	<u>503,124</u>	<u>489,593</u>
Total Expenses	<u>868,413</u>	<u>916,123</u>
<b>PLANT FUND ACTIVITY, NET</b>	<u><u>\$ (555,364)</u></u>	<u><u>\$ (541,089)</u></u>

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

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**ROMAN CATHOLIC DIOCESE OF SYRACUSE, INC.**

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**SCHEDULES OF CENTRAL ADMINISTRATION SUPPORT SERVICES**

Years Ended June 30, 2016 and 2015

	2016	2015
<b>REVENUE</b>		
Contributions	\$ 40,393	\$ 138,763
Fees - Other Services	168,265	106,233
Affiliation Fees	<u>2,137,327</u>	<u>2,115,754</u>
Total Revenue	2,345,985	2,360,750
<b>EXPENSES</b>		
Executive Management	668,165	556,954
Development and Fundraising	434,306	482,149
Information Technology	462,405	389,161
Finance and Payroll	1,060,781	973,231
Banking Fees	47,503	53,085
Lay Pension Plan	74,376	0
Parish Services	220,261	207,719
Central Purchasing	145,811	140,015
Archives	55,906	57,871
Marriage Tribunal	<u>67,486</u>	<u>75,026</u>
Total Expenses	<u>3,237,000</u>	<u>2,935,211</u>
<b>CENTRAL ADMINISTRATION SUPPORT SERVICES, NET</b>	<u><u>\$ (891,015)</u></u>	<u><u>\$ (574,461)</u></u>

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

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See notes to financial statements.

**ROMAN CATHOLIC DIOCESE OF SYRACUSE, INC.**

**SCHEDULE OF INVESTMENT FUND ACTIVITY**

Year Ended June 30, 2016 with Comparative Totals for June 30, 2015

	<b>Investment Pool</b>	<b>Deposit and Loan</b>	<b>Total</b>	
			<b>2016</b>	<b>2015</b>
<b>REVENUE</b>				
Investment Earnings	\$ 1,020,970	\$ 9,348	\$ 1,030,318	\$ 832,631
Realized Gains	193,959	0	193,959	405,959
Unrealized Losses	<u>(425,467)</u>	<u>0</u>	<u>(425,467)</u>	<u>(85,756)</u>
Total Revenue	789,462	9,348	798,810	1,152,834
<b>EXPENSES</b>				
Investment Fees	167,916	0	167,916	171,039
Affiliation Fees - Support Services	97,500	0	97,500	90,000
Interest Expense	<u>49,490</u>	<u>0</u>	<u>49,490</u>	<u>0</u>
Total Expenses	<u>314,906</u>	<u>0</u>	<u>314,906</u>	<u>261,039</u>
<b>CHANGE IN NET ASSETS BEFORE BAD DEBT EXPENSE (RECOVERY)</b>				
	474,556	9,348	483,904	891,795
Bad Debt Expense (Recovery)	<u>0</u>	<u>245,148</u>	<u>245,148</u>	<u>(415,134)</u>
<b>CHANGE IN NET ASSETS</b>	474,556	254,496	729,052	476,661
Net Assets, Beginning of Year	16,017,933	(163,521)	15,854,412	15,731,751
Transfer to Plant Fund for Capital Expenses	<u>(386,523)</u>	<u>0</u>	<u>(386,523)</u>	<u>(354,000)</u>
Net Assets, End of Year	<u><u>\$ 16,105,966</u></u>	<u><u>\$ 90,975</u></u>	<u><u>\$ 16,196,941</u></u>	<u><u>\$ 15,854,412</u></u>

See notes to financial statements.