

# Parishes — Archdiocese of Chicago

Combined Financial Statements as of and for the  
Years Ended June 30, 2007 and 2006, and  
Independent Accountants' Review Report

# PARISHES — ARCHDIOCESE OF CHICAGO

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

His Eminence  
Francis Cardinal George, O.M.I.  
Archbishop of Chicago:

We have reviewed the combined financial statements of the Parishes — Archdiocese of Chicago (the “Parishes”) as of June 30, 2007 and 2006, and for the years then ended, as listed in the foregoing table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these combined financial statements is the representation of the management of the Archdiocese of Chicago.

A review consists principally of inquiries of administrative personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As discussed in Note 6 to the combined financial statements, effective June 30, 2007, the Parishes adopted Financial Accounting Standards Board (FASB) Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106, and 132(R)*. In addition, as discussed in Note 2 to the combined financial statements, the Parishes changed its method of accounting for conditional asset retirement obligations in 2006.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying combined financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*Deloitte & Touche LLP*

December 7, 2007

## PARISHES — ARCHDIOCESE OF CHICAGO

### COMBINED STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2007 AND 2006 (Amounts in thousands)

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	2007	2006
<b>ASSETS</b>		
CASH	\$ 83,249	\$ 77,990
DEPOSITS WITH ARCHDIOCESAN PASTORAL CENTER	<u>187,170</u>	<u>171,964</u>
ACCOUNTS RECEIVABLE	<u>                    </u>	<u>750</u>
BUILDING FUND PLEDGES RECEIVABLE — Net	<u>26,253</u>	<u>36,773</u>
GIFT ANNUITIES RECEIVABLE	<u>355</u>	<u>270</u>
LAND, BUILDINGS, AND EQUIPMENT:		
Land	157,283	155,353
Buildings and equipment	1,547,041	1,516,681
Accumulated depreciation	<u>(824,164)</u>	<u>(791,345)</u>
Land, buildings, and equipment — net	<u>880,160</u>	<u>880,689</u>
TOTAL	<u>\$ 1,177,187</u>	<u>\$ 1,168,436</u>
<b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Loans from Archdiocesan Pastoral Center	\$ 90,363	\$ 97,092
Accounts payable and other liabilities	33,767	33,042
Accrued postretirement costs	66,280	37,662
Asset retirement obligations	<u>60,585</u>	<u>59,490</u>
Total liabilities	<u>250,995</u>	<u>227,286</u>
NET ASSETS:		
Unrestricted	848,751	876,366
Temporarily restricted	<u>77,441</u>	<u>64,784</u>
Total net assets	<u>926,192</u>	<u>941,150</u>
TOTAL	<u>\$ 1,177,187</u>	<u>\$ 1,168,436</u>

See independent accountants' review report and notes to combined financial statements.

## PARISHES — ARCHDIOCESE OF CHICAGO

### COMBINED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007 (Amounts in thousands)

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES:</b>			
Parish operations:			
Collections and bequests	\$ 224,608	\$ -	\$ 224,608
Other revenues	99,859		99,859
Investment income	15,753		15,753
	<u>340,220</u>	<u>-</u>	<u>340,220</u>
Educational activities:			
Tuition and fees	227,788		227,788
Other revenues	43,861		43,861
	<u>271,649</u>	<u>-</u>	<u>271,649</u>
	<u>611,869</u>	<u>-</u>	<u>611,869</u>
<b>EXPENSES:</b>			
Parish operations:			
Salaries, wages, and benefits	122,951		122,951
Utilities, repairs, and insurance	74,789		74,789
Religious education (CCD)	18,801		18,801
Archdiocesan assessments	22,476		22,476
Office, printing, and postage	7,620		7,620
Depreciation	23,753		23,753
Other expenses	38,706		38,706
Interest expense	7,260		7,260
	<u>316,356</u>	<u>-</u>	<u>316,356</u>
Educational activities:			
Salaries, wages, and benefits	242,477		242,477
Utilities, repairs, and insurance	27,968		27,968
Books and instructional materials	12,704		12,704
Depreciation	10,146		10,146
Other expenses	19,319		19,319
	<u>312,614</u>	<u>-</u>	<u>312,614</u>
	<u>628,970</u>	<u>-</u>	<u>628,970</u>

(Continued)

## PARISHES — ARCHDIOCESE OF CHICAGO

### COMBINED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007 (Amounts in thousands)

	Unrestricted	Temporarily Restricted	Total
CHANGE IN NET ASSETS BEFORE ARCHDIOCESAN PASTORAL CENTER SUPPORT, OTHER OPERATING ACTIVITIES, AND ADOPTION OF FASB STATEMENT NO. 158	\$ (17,101)	\$ -	\$ (17,101)
GRANTS FROM ARCHDIOCESAN PASTORAL CENTER	6,762		6,762
NONCASH GRANTS FROM THE ARCHDIOCESAN PASTORAL CENTER	<u>4,227</u>		<u>4,227</u>
CHANGE IN NET ASSETS BEFORE OTHER OPERATING ACTIVITIES AND ADOPTION OF FASB STATEMENT NO. 158	(6,112)	-	(6,112)
OTHER OPERATING ACTIVITIES:			
Gains on land, building, and equipment sales — net	2,587		2,587
Grants for noise abatement projects	485		485
Building fund commitments and collections		14,586	14,586
Accretion expense of asset retirement obligations	(1,095)		(1,095)
Interentity transfer	24		24
Net assets released from restrictions	<u>1,929</u>	<u>(1,929)</u>	
CHANGE IN NET ASSETS BEFORE ADOPTION OF FASB STATEMENT NO. 158	(2,182)	12,657	10,475
ADOPTION OF FASB STATEMENT NO. 158	<u>(25,433)</u>		<u>(25,433)</u>
CHANGE IN NET ASSETS	(27,615)	12,657	(14,958)
NET ASSETS — Beginning of year	<u>876,366</u>	<u>64,784</u>	<u>941,150</u>
NET ASSETS — End of year	<u>\$ 848,751</u>	<u>\$ 77,441</u>	<u>\$ 926,192</u>

See independent accountants' review report and notes to combined financial statements.

(Concluded)

# PARISHES — ARCHDIOCESE OF CHICAGO

## COMBINED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006 (Amounts in thousands)

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES:</b>			
Parish operations:			
Collections and bequests	\$ 217,796	\$ -	\$ 217,796
Other revenues	92,892		92,892
Investment income	9,742		9,742
Total parish operations	<u>320,430</u>	<u>-</u>	<u>320,430</u>
Educational activities:			
Tuition and fees	221,617		221,617
Other revenues	40,676		40,676
Total educational activities	<u>262,293</u>	<u>-</u>	<u>262,293</u>
Total revenues	<u>582,723</u>	<u>-</u>	<u>582,723</u>
<b>EXPENSES:</b>			
Parish operations:			
Salaries, wages, and benefits	121,498		121,498
Utilities, repairs, and insurance	71,082		71,082
Religious education (CCD)	19,884		19,884
Sharing Christ's Gifts Assessment	11		11
Archdiocesan assessments	21,976		21,976
Office, printing, and postage	7,183		7,183
Depreciation	22,939		22,939
Other expenses	40,400		40,400
Interest expense	6,277		6,277
Total parish operations	<u>311,250</u>	<u>-</u>	<u>311,250</u>
Educational activities:			
Salaries, wages, and benefits	238,108		238,108
Utilities, repairs, and insurance	27,135		27,135
Books and instructional materials	12,343		12,343
Depreciation	9,809		9,809
Other expenses	18,540		18,540
Total educational activities	<u>305,935</u>	<u>-</u>	<u>305,935</u>
Total expenses	<u>617,185</u>	<u>-</u>	<u>617,185</u>

(Continued)

## PARISHES — ARCHDIOCESE OF CHICAGO

### COMBINED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006 (Amounts in thousands)

	Unrestricted	Temporarily Restricted	Total
CHANGE IN NET ASSETS BEFORE ARCHDIOCESAN PASTORAL CENTER SUPPORT, OTHER OPERATING ACTIVITIES, AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	\$ (34,462)	\$ -	\$ (34,462)
GRANTS FROM ARCHDIOCESAN PASTORAL CENTER	5,662		5,662
NONCASH GRANTS FROM THE ARCHDIOCESAN PASTORAL CENTER	<u>12,334</u>		<u>12,334</u>
CHANGE IN NET ASSETS BEFORE OTHER OPERATING ACTIVITIES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(16,466)	-	(16,466)
OTHER OPERATING ACTIVITIES:			
Gains on land, building, and equipment sales — net	659		659
Grants for noise abatement projects	1,296		1,296
Building fund commitments and collections	26,158	10,042	36,200
Net assets released from restrictions	<u>3,721</u>	<u>(3,721)</u>	
CHANGE IN NET ASSETS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	15,368	6,321	21,689
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	<u>(58,452)</u>	<u>-</u>	<u>(58,452)</u>
CHANGE IN NET ASSETS	(43,084)	6,321	(36,763)
NET ASSETS — Beginning of year	<u>919,450</u>	<u>58,463</u>	<u>977,913</u>
NET ASSETS — End of year	<u>\$ 876,366</u>	<u>\$ 64,784</u>	<u>\$ 941,150</u>

See independent accountants' review report and notes to combined financial statements.

(Concluded)

## PARISHES — ARCHDIOCESE OF CHICAGO

### COMBINED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006 (Amounts in thousands)

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (14,958)	\$ (36,763)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and accretion	34,994	32,748
Adjustment to adopt FASB Statement No. 158	25,433	
Cumulative effect of change in accounting principle		58,452
Gains on land, buildings, and equipment sales — net	(2,587)	(659)
Noncash grants received	(4,227)	(13,334)
Noncash property transfer	(24)	
Change in assets and liabilities:		
Accounts receivable	750	598
Accounts payable and other liabilities	725	5,695
Accrued postretirement costs	3,185	3,979
Net cash flows provided by operating activities	<u>43,291</u>	<u>50,716</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of land, buildings, and equipment	3,221	890
Additions of land, buildings, and equipment	(33,980)	(44,667)
Net change in deposits with Archdiocesan Pastoral Center	(15,206)	(12,135)
Net cash flows used in investing activities	<u>(45,965)</u>	<u>(55,912)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Building fund pledges receivable — net	10,520	(2,902)
Gift annuities receivable	(85)	(23)
Loan borrowings from Archdiocesan Pastoral Center	16,543	31,680
Loan repayments to Archdiocesan Pastoral Center	(19,045)	(21,963)
Net cash flows provided by financing activities	<u>7,933</u>	<u>6,792</u>
<b>NET CHANGE IN CASH</b>	<b>5,259</b>	<b>1,596</b>
CASH — Beginning of year	<u>77,990</u>	<u>76,394</u>
CASH — End of year	<u>\$ 83,249</u>	<u>\$ 77,990</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION — Cash</b>		
paid during the year for interest	<u>\$ 7,260</u>	<u>\$ 6,429</u>

See independent accountants' review report and notes to combined financial statements.

# PARISHES — ARCHDIOCESE OF CHICAGO

## NOTES TO COMBINED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2007 AND 2006 (See independent accountants' review report) (Amounts in thousands)

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### 1. NATURE OF OPERATIONS

**The Parishes** — Archdiocese of Chicago (the “Parishes”) include the parishes, schools, and various shrines and oratories owned by the Archdiocese in Lake and Cook counties of Illinois. These sites minister to the spiritual, social, and educational needs of the faithful. They provide catechesis for people at all age levels — from young children to the elderly, as part of the educational ministry of the church. The Parishes’ fiscal operations include sacramental services, religious education training, formal preschool through 12th grade educational instruction, fund-raising, and investment of reserve funds. Operating support is derived primarily from parishioners’ contributions, tuition and fees, and fund-raising activities.

These combined financial statements only reflect the operations of the agencies and other organizations of the Catholic Bishop of Chicago, a corporation sole, that are identified above. These financial statements do not reflect the operations of the other agencies and organizations that also are a part of the Catholic Bishop of Chicago, a corporation sole.

### 2. SIGNIFICANT ACCOUNTING POLICIES

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

**Cash and Cash Equivalents** — Cash and cash equivalents are defined as all highly liquid debt instruments with original maturities of three months or less (includes deposits with the Archdiocesan Pastoral Center (the “Pastoral Center”)).

**Building Fund Pledges Receivable** — From time to time, individual parishes solicit funds from parishioners to assist in the financing of parish capital projects. Management makes significant assumptions regarding the outstanding pledges and ultimate collectibility of these receivables. Actual results could differ from those estimates.

## Land, Buildings, and Equipment

- Parish buildings are carried at reported insurable value as of July 1, 1980, with subsequent major additions recorded at cost. Land associated with these properties is carried at the estimated fair market value at July 1, 1980, with subsequent additions recorded at cost.
- Depreciation is computed using the straight-line method based upon the following lives:

Land and building improvements	20 years
Buildings (new construction)	50–75 years
Equipment, furniture, fixtures, and contents	25 years

**Asset Impairment** — Management reviews the carrying amount of long-lived assets whenever events or changes in circumstances indicate that impairment may have occurred in accordance with Financial Accounting Standards Board (FASB) Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The provisions under this statement include a requirement that long-lived assets be reviewed for impairment by comparing the future cash flows expected from the asset to the carrying value of the asset. In management’s opinion, no impairment exists as of June 30, 2007 and 2006.

**Classification of Net Assets** — In accordance with FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*, resources are classified into three classifications of net assets according to externally (donor) imposed restrictions:

*Unrestricted* — Net assets which are expendable for any purpose in performing the primary objectives of the organization. Donor-restricted contributions whose restrictions are met in the same reporting period are also reported as unrestricted.

*Temporarily Restricted* — Net assets whose use is limited by donor-imposed restrictions that either expire with the passage of time or can be removed by fulfillment of the stipulated purpose for which the donation was restricted. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions.

*Permanently Restricted* — Net assets donated with stipulations that they be invested to provide a permanent source of income; such restrictions can neither expire with the passage of time nor be removed by fulfillment of a stipulated purpose.

**Fair Value of Financial Instruments** — The carrying amounts of accounts receivable and accounts payable approximate their fair value, as they are short-term in nature. The carrying values of deposits and loans with the Pastoral Center approximate their fair value.

**Revenue Recognition** — Unconditional promises to give cash and other assets to the Parishes are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the contribution is received. Cash received through parish collections or fundraisers is recognized when received. Tuition and fees for educational activities are recognized during the related academic year.

**Contributed Services** — Support arising from services contributed by religious personnel in parish schools totaling \$327 and \$413, during 2007 and 2006, respectively, has been recognized in the combined financial statements as both income and expense. The amounts recognized represent the difference between stipends paid and comparable compensation that would be paid to lay personnel.

**Tax Status** — The agencies that comprise the Parishes are tax-exempt organizations under Section 501(a) as organizations described in Section 501(c)(3) of the Internal Revenue Code.

**Recently Adopted Accounting Pronouncements** — In March 2005, the FASB issued FASB Interpretation (FIN) No. 47, *Accounting for Conditional Asset Retirement Obligations — an interpretation of FASB Statement No. 143*. FIN No. 47 clarifies the term conditional asset retirement obligation as it is used in FASB Statement No. 143, *Accounting for Asset Retirement Obligations*, and requires a liability to be recorded if the fair value of the obligation to retire an asset can be reasonably estimated. Asset retirement obligations covered by FIN No. 47 include those for which an entity has a legal obligation to perform an asset retirement activity; however, the timing and (or) method of settling the obligation are conditional on a future event that may or may not be within the control of the entity.

In accordance with FIN No. 47, the Parishes record all known asset retirement obligations for which the fair value of the liability can be reasonably estimated, including certain obligations relating to regulatory remediation. As a result of adopting FIN No. 47 in fiscal 2006, the Parishes recorded a cumulative effect of change in accounting principle of \$58,452. The Parishes also recorded a liability for asset retirement obligation of \$60,585 and \$59,490 in 2007 and 2006, respectively, and increased the carrying value of the related assets by \$1,038 in 2006.

In September 2006, the FASB issued FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106, and 132(R)*. As disclosed in Note 6, the Parishes have adopted the provisions of FASB Statement No. 158 that require the Parishes to (1) recognize on its combined statement of financial position the overfunded or underfunded status of its postretirement plans as the difference between the fair value of the plan assets and the accumulated postretirement benefit obligation, (2) recognize the actuarial and experienced gains or losses and prior service costs or credits as a component of unrestricted net assets, and (3) measure the funded status of the plan as of the date of its year-end statement of financial position. The required date of adoption of FASB Statement No. 158 for the Parishes is June 30, 2007, for the recognition provision of the standard, and June 30, 2008, for the measurement date provision. Management is currently evaluating the impact the measurement date provision will have on its combined financial statements.

**Recently Issued Accounting Pronouncements** — In September 2006, the FASB issued FASB Statement No. 157, *Fair Value Measurements*. In order to address the diversity in practice that exists due to the different definitions of fair value and the limited guidance for applying those definitions, this statement defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. FASB Statement No. 157 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. FASB Statement No. 157 is effective for years beginning after November 15, 2007, although early adoption is permitted. The Parishes are assessing the impact the application of FASB Statement No. 157 will have on its combined financial statements.

In February 2007, the FASB issued FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115*. FASB Statement No. 159 permits entities that elect the fair value provisions of FASB Statement No. 157 to choose to measure many financial instruments and certain other items at fair value. It also provides the opportunity to mitigate volatility, in reported earnings caused by measuring related assets and liabilities differently, without having to apply complex hedge accounting provisions. Accordingly, unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings. FASB Statement No. 159 is effective for years beginning after November 15, 2007. However, for the Parishes, early adoption is permitted as of January 1, 2007, provided the Parishes also elect to apply the provisions of FASB Statement No. 157. The Parishes are assessing the impact FASB Statement No. 159 will have on its combined financial statements.

In June 2006, the FASB issued FIN No. 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109*. This interpretation clarifies the accounting treatment for uncertainty in income taxes recognized in an organization's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. This interpretation prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in an income tax return. FIN No. 48 is effective for the Parishes fiscal year ending June 30, 2009. The Parishes are assessing the impact, if any, the application of FIN No. 48 will have on its combined financial statements.

### 3. DEPOSITS WITH ARCHDIOCESAN PASTORAL CENTER

Deposits at June 30, 2007 and 2006, consisted of the following:

	<b>2007</b>	<b>2006</b>
General savings	\$ 106,532	\$ 104,832
Endowment funds	65,019	52,498
Investment accounts	<u>15,619</u>	<u>14,634</u>
Total	<u>\$ 187,170</u>	<u>\$ 171,964</u>

Investment income for the year ended June 30, 2007 and 2006, is as follows:

	<b>2007</b>	<b>2006</b>
Interest income on savings and investment accounts	\$ 4,289	\$ 2,954
Realized/unrealized gain on endowment funds	<u>11,464</u>	<u>6,788</u>
Total	<u>\$ 15,753</u>	<u>\$ 9,742</u>

### 4. BUILDING FUND PLEDGES RECEIVABLE

As of June 30, 2007 and 2006, the Parishes have remaining uncollected unconditional pledges totaling \$26,253 and \$36,773, respectively. For measurement purposes at June 30, 2007 and 2006, a 4.875% and 5.125%, respectively, discount rate was used to determine the present value of the pledges receivable.

Aging and valuation of the building fund pledges receivable at June 30, 2007, is as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Due in less than one year	\$ 14,932	\$ -	\$ 14,932
Due in two to five years	<u>          </u>	<u>14,377</u>	<u>14,377</u>
Gross building fund pledges receivable	14,932	14,377	29,309
Less allowance for uncollectible pledges	(746)	(719)	(1,465)
Less discount to present value	<u>          </u>	<u>(1,591)</u>	<u>(1,591)</u>
Total building fund pledges receivable — net	<u>\$ 14,186</u>	<u>\$ 12,067</u>	<u>\$ 26,253</u>

## 5. COMMITMENTS

At June 30, 2007 and 2006, contractual commitments on construction and sales pending or in process amounted to \$48,528 and \$49,143, respectively. There were no purchases pending at June 30, 2007 and 2006.

The Archdiocese has entered into contracts with third parties to purchase substantially all of its natural gas needs until April 2011 and electricity needs until December 2009.

## 6. RETIREMENT BENEFITS

**Employee Benefits** — The Archdiocese of Chicago has noncontributory pension plans covering substantially all priests and eligible lay employees of the Pastoral Center, Parishes, and participating agencies. The lay employees' plan provides retirement benefits (over and above normal Social Security benefits) based on length of service and annual salary. The priests' plan provides level benefits at normal retirement (age 70) and also covers disability prior to retirement. Priests are also able to participate in a defined contribution plan with a match funded from the Priests' Retirement & Mutual Aid Association (PRMAA) assessment. During 2007, the lay employees' plan was amended, effective July 1, 2007, to freeze benefit accruals and participation as of that date.

Parishes are assessed for fringe benefits by the Pastoral Center based on the parish payroll. The assessment for these costs was \$18,049 and \$17,371 for 2007 and 2006, respectively.

Parishes are also assessed for health and medical benefits related to priests by the PRMAA. The assessment for these costs was \$6,935 and \$6,850 for 2007 and 2006, respectively, and is reflected in parish operations — salaries, wages, and benefits on the combined statements of activities.

Since the pension plans cover many agencies, benefit and asset information applicable to the Parishes is not available. The Pastoral Center has recorded the total minimum pension liability on its combined statements of financial position. The information to allocate the liability to the Parishes is available at this time, and Parishes are responsible for their related costs. This liability may be transferred to the Parishes in the future.

On June 30, 2007, the Parishes adopted FASB Statement No. 158, which requires the recognition of any unfunded or overfunded liability on the statement of financial position. For postretirement plans, FASB Statement No. 158 requires the recognition of the unfunded accumulated postretirement benefit

obligation. Prior to the adoption of FASB Statement No. 158, the accrued cost was recognized on the combined statement of financial position. Because the accrued cost is less than the accumulated postretirement benefit obligation, the Parishes recorded an expense of \$25,433 in the combined statement of activities in 2007 to reflect the increase in postretirement benefit liability.

**Postretirement Benefits** — Certain insurance (medical, life, and auto) and other aid is provided to retired priests. Retired priests do not contribute to the cost of these benefit plans, and the plans are currently not funded. These benefits are administered and partially funded through the PRMAA.

Summary information for the priests' postretirement benefit plan is as follows:

	<b>2007</b>	<b>2006</b>
Change in benefit obligation:		
Benefit obligation — beginning of year	\$ 57,418	\$ 61,582
Service cost	1,395	1,667
Interest cost	3,643	3,170
Actuarial losses (gains)	6,600	(6,758)
Benefits paid	<u>(2,776)</u>	<u>(2,243)</u>
Benefit obligation — end of year	<u>\$ 66,280</u>	<u>\$ 57,418</u>
Change in plan assets:		
Fair value of plan assets — beginning of year	\$ -	\$ -
Employer contributions	2,776	2,243
Benefits paid	<u>(2,776)</u>	<u>(2,243)</u>
Fair value of plan assets — end of year	<u>\$ -</u>	<u>\$ -</u>
Funded status — end of year	\$ (66,280)	\$ (57,418)
Unrecognized net actuarial loss	<u>                    </u>	<u>19,756</u>
Net accrued benefit cost	<u>\$ (66,280)</u>	<u>\$ (37,662)</u>
Amounts recognized in the combined statements of financial position — accrued postretirement cost	<u>\$ (66,280)</u>	<u>\$ (37,662)</u>

The components of net periodic benefit cost for the years ended June 30, 2007 and 2006, are as follows:

	<b>2007</b>	<b>2006</b>
Components of net periodic benefit cost:		
Service cost	\$ 1,395	\$ 1,667
Interest cost	3,643	3,170
Recognized net actuarial loss	<u>924</u>	<u>1,385</u>
Total net periodic benefit cost	<u>\$ 5,962</u>	<u>\$ 6,222</u>

Actuarial assumptions for the plan as of June 30, 2007 and 2006, are as follows:

	<b>2007</b>	<b>2006</b>
Weighted-average assumptions used to determine benefit obligations as of June 30:		
Discount rate	6.36 %	6.50 %
Expected return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A
Weighted-average assumptions used to determine benefit cost for the years ended June 30:		
Discount rate	6.50 %	5.25 %
Expected return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A

For measurement purposes, a 10% net health care trend rate was used for fiscal year 2007. Trend rates were assumed to decrease gradually to 5% in fiscal year 2013 and remain at this level beyond.

Benefits paid in fiscal years 2007 and 2006 of \$2,776 and \$2,243, respectively, have been recorded in the PRMAA financial statements. The excess of total postretirement benefit expense over such benefits paid (\$3,182 in 2007 and \$3,979 in 2006) has been recorded in the Parishes' combined financial statements.

The PRMAA expects to contribute \$3,125 to its plan in 2008.

The following benefit payments, which reflect expected future services, as appropriate, are expected to be paid:

2008	\$ 3,125
2009	3,226
2010	3,396
2011	3,586
2012	3,722
2013–2016	21,663

## 7. TRANSACTIONS WITH RELATED PARTIES

**Archdiocesan Assessments** — Each parish is assessed annually from the Pastoral Center for the support of Pastoral Center activities. This assessment is computed as 10% of operating revenue from two years prior. For example, the 2007 assessment is 10% of 2005 operating revenue. Archdiocesan assessments were \$22,476 and \$21,976 in 2007 and 2006, respectively.

**PRMAA Assessments** — Each parish is assessed annually from the PRMAA to reimburse the PRMAA for health and medical benefits, for current and retired priests. This assessment is computed as 3.5% of prior-year ordinary income. PRMAA assessments were \$6,935 and \$6,850 in 2007 and 2006, respectively, and were recorded in parish salaries, wages, and benefits.

**Sharing Christ's Gifts Assessment** — The purpose of the Sharing Christ's Gifts Campaign is to raise funds for the capital, endowment, and ministerial needs of parishes. As part of the campaign, parishes will provide 20% of their ordinary income (defined as total revenues from parish operations) for the fiscal year prior to their participation in Sharing Christ's Gifts. The portion of funds to be shared will be remitted to the Pastoral Center and used to support various Archdiocesan-wide capital projects (e.g., grants to support Archdiocesan programs at needy parishes, priests' retirement home, repairs at University of St. Mary of the Lake) and pay for the primary expenses of the campaign. The Parishes have recorded sharing amounts due to the Pastoral Center in the year which the campaign was commenced. Included in accounts payable is the net amount due to the Pastoral Center related to prior years' and current-year Sharing Christ's Gifts assessments totaling \$543 and \$2,247 at June 30, 2007 and 2006, respectively.

**Insurance Program** — The Parishes participate in a self-insurance program coordinated by the Archdiocese of Chicago. In the event that the Parishes withdraw from participation in the program, amounts may be payable to the Archdiocese of Chicago for residual liabilities relating to historical claims experience or for claims incurred but not yet reported.

**Grants** — Certain parishes receive financial assistance from the Pastoral Center.

**Deposits With and Loans From Archdiocesan Pastoral Center** — Generally, deposits bear interest at rates that are contingent upon the amount and availability of the deposit. During 2006, the interest rates paid on deposits ranged from 1.0% to 4.9%. During 2007, the interest rates paid on deposits ranged from 1.25% to 5.30%. Parishes may invest in pooled investment accounts that are in various equity and bond investments and whose returns are dependent upon market conditions. The estimated fair values of equity securities that do not have readily determined fair values, and of other investments, are based on estimates provided by external investment managers and are examined through a valuation review process performed by management. A range of possible values exists for these securities, and therefore, the estimated values may differ from the values that would have been used had a ready market for these securities existed. Loans bear interest at rates below the prevailing commercial interest rates. In 2006, the Pastoral Center changed the timing of conversion of outstanding operating receivables to loans resulting in two conversions in fiscal year 2006.

**Parish and School Endowments** — The Parishes can invest in board-designated as well as donor-restricted endowment funds. These endowments are invested in equity and bond securities and their returns are based upon market conditions.

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