

# Archdiocesan Pastoral Center — Archdiocese of Chicago

Financial Statements as of and for the  
Years Ended June 30, 2007 and 2006,  
Additional Information for the Years Ended  
June 30, 2007 and 2006, and  
Independent Auditors' Report

# ARCHDIOCESAN PASTORAL CENTER — ARCHDIOCESE OF CHICAGO

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the financial statements of the Archdiocesan Pastoral Center — Archdiocese of Chicago (the "Pastoral Center") as of June 30, 2007 and 2006, and for the years then ended, listed in the table of contents. These financial statements are the responsibility of management. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pastoral Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Pastoral Center as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the financial statements, the financial statements include investments valued at \$239,787,078 (45% of total assets) and \$204,491,735 (45% of total assets) as of June 30, 2007 and 2006, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. In addition, the defined benefit pension plan assets disclosed in Note 8 include investments of \$238,123,782 and \$397,772,121 as of June 30, 2007 and 2006, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners.

As discussed in Note 8 to the financial statements, effective June 30, 2007, the Pastoral Center 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 financial statements, the Pastoral Center changed its method of accounting for conditional asset retirement obligations in 2006.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

*Deloitte & Touche LLP*

December 10, 2007

# ARCHDIOCESAN PASTORAL CENTER — ARCHDIOCESE OF CHICAGO

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

	2007	2006		2007	2006
<b>ASSETS</b>			<b>LIABILITIES</b>		
CASH AND CASH EQUIVALENTS	\$ 18,300	\$ 13,494	SAVINGS DEPOSITS:		
INVESTMENTS	278,450	231,704	Parishes	\$187,170	\$171,964
RECEIVABLES:			Other religious organizations	4,031	3,621
Loans to parishes and religious orders — net	93,392	101,505	Total savings deposits	191,201	175,585
Operating — net	12,954	14,257	ACCOUNTS PAYABLE	16,694	17,403
Development fund — net	3,659	7,241	BANK BORROWINGS	28,275	37,245
Total receivables	110,005	123,003	LIABILITIES OF AFFILIATED AGENCIES	4,718	6,256
ASSETS OF AFFILIATED AGENCIES	19,939	18,821	ASSET RETIREMENT OBLIGATIONS	1,509	1,423
PREPAID PENSION ASSET	31,313		OTHER LIABILITIES:		
LAND, BUILDINGS, AND EQUIPMENT:			Insurance claims	100,451	88,826
Land	16,996	17,016	Accrued pension cost		95,984
Buildings and equipment	99,589	96,677	Undistributed collections	2,269	2,339
Undeveloped realty	11,816	12,205	Annuity obligations	2,964	2,677
Closed parish property	18,550	18,541	Total other liabilities	105,684	189,826
Held for sale	591		Total liabilities	348,081	427,738
Accumulated depreciation	(78,308)	(75,679)	NET ASSETS:		
Land, buildings, and equipment — net	69,234	68,760	Unrestricted—undesignated	52,055	(87,078)
			Unrestricted — board-designated — seminaries	74,988	66,302
			Temporarily restricted	37,671	35,345
			Permanently restricted	14,446	13,475
			Total net assets	179,160	28,044
<b>TOTAL</b>	<b>\$527,241</b>	<b>\$455,782</b>	<b>TOTAL</b>	<b>\$527,241</b>	<b>\$455,782</b>

See notes to financial statements.

# ARCHDIOCESAN PASTORAL CENTER — ARCHDIOCESE OF CHICAGO

## STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007 (WITH COMPARATIVE TOTALS FOR 2006)

(Amounts in thousands)

	2007			Total	2006 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>REVENUES:</b>					
Parishes assessment	\$ 22,476	\$ -	\$ -	\$ 22,476	\$ 21,976
Cemeteries assessment	5,500			5,500	5,500
Assessments for insurance	93,784			93,784	89,068
Investment return designated for current operations	16,640	156		16,796	11,180
Interest income — parish and agency loans	7,264			7,264	6,773
Food service	43,730			43,730	42,982
Publications	8,337			8,337	8,728
Pastoral Center services	12,934			12,934	11,150
Seminaries	9,328			9,328	11,341
Annual Catholic Appeal	11,260			11,260	10,516
Contributions and bequests	1,779	2,160	348	4,287	5,085
Other	2,174			2,174	573
Total revenues	<u>235,206</u>	<u>2,316</u>	<u>348</u>	<u>237,870</u>	<u>224,872</u>
<b>EXPENSES:</b>					
Parish and agency grants:					
Operating	4,729			4,729	3,954
Capital	1,649			1,649	1,091
Provision for uncollectible loans and operating receivables	4,401			4,401	12,287
Insurance program	102,142			102,142	132,215
Interest expense:					
Savings deposits	15,753			15,753	9,742
Bank borrowings	2,437			2,437	1,701
Food service	40,159			40,159	40,270
Publications	8,065			8,065	7,694
Pastoral Center services	42,139			42,139	39,544
Seminaries	15,356			15,356	15,408
Annual Catholic Appeal distributions and fundraising expenses	2,522			2,522	2,230
Depreciation	3,008			3,008	2,895
Other	2,628			2,628	4,746
Total expenses	<u>244,988</u>	<u>-</u>	<u>-</u>	<u>244,988</u>	<u>273,777</u>
LOSS FROM OPERATIONS	(9,782)	2,316	348	(7,118)	(48,905)
NET ASSETS RELEASED FROM RESTRICTIONS	4,473	(4,473)		-	-
ADOPTION OF FASB STATEMENT NO. 158	35,023			35,023	
MINIMUM PENSION LIABILITY RECOVERY					102,760
CURTAILMENT GAIN	83,730			83,730	
INVESTMENT RETURN IN EXCESS OF RETURNS FOR CURRENT OPERATIONS	14,968	4,273	379	19,620	9,462
NET PROPERTY GAINS	20,721			20,721	31,750
DEVELOPMENT FUND REVENUES	214			214	732
DEVELOPMENT FUND EXPENSES	(2,492)			(2,492)	(4,664)
IMPACT OF THE ADDITION OF NEW AFFILIATES (Note 1)	950	210	244	1,404	
INTERENTITY TRANSFERS	398			398	(2,320)
PARISH IMPROVEMENT FUND GRANTS	(384)			(384)	(622)
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE					(1,290)
CHANGE IN NET ASSETS	147,819	2,326	971	151,116	86,903
NET ASSETS — Beginning of year	<u>(20,776)</u>	<u>35,345</u>	<u>13,475</u>	<u>28,044</u>	<u>(58,859)</u>
NET ASSETS — End of year	<u>\$127,043</u>	<u>\$37,671</u>	<u>\$14,446</u>	<u>\$179,160</u>	<u>\$ 28,044</u>

See notes to financial statements.

# ARCHDIOCESAN PASTORAL CENTER — ARCHDIOCESE OF CHICAGO

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES:</b>				
Parishes assessment	\$ 21,976	\$ -	\$ -	\$ 21,976
Cemeteries assessment	5,500			5,500
Assessments for insurance	89,068			89,068
Investment return designated for current operations	9,760	1,420		11,180
Interest income — parish and agency loans	6,773			6,773
Food service	42,982			42,982
Publications	8,728			8,728
Pastoral Center services	11,150			11,150
Seminaries	11,341			11,341
Annual Catholic Appeal	10,516			10,516
Contributions and bequests	3,930	537	618	5,085
Other	573			573
	<u>222,297</u>	<u>1,957</u>	<u>618</u>	<u>224,872</u>
Total revenues				
<b>EXPENSES:</b>				
Parish and agency grants:				
Operating	3,954			3,954
Capital	1,091			1,091
Provision for uncollectible loans and operating receivables	12,287			12,287
Insurance program	132,215			132,215
Interest expense:				
Savings deposits	9,742			9,742
Bank borrowings	1,701			1,701
Food service	40,270			40,270
Publications	7,694			7,694
Pastoral Center services	39,544			39,544
Seminaries	15,408			15,408
Annual Catholic Appeal distributions and fundraising expenses	2,230			2,230
Depreciation	2,895			2,895
Other	4,746			4,746
	<u>273,777</u>	<u>-</u>	<u>-</u>	<u>273,777</u>
Total expenses				
LOSS FROM OPERATIONS	(51,480)	1,957	618	(48,905)
NET ASSETS RELEASED FROM RESTRICTIONS	9,450	(9,450)		-
MINIMUM PENSION LIABILITY RECOVERY	102,760			102,760
INVESTMENT RETURN IN EXCESS OF RETURNS FOR CURRENT OPERATIONS	7,657	1,522	283	9,462
NET PROPERTY GAINS	31,750			31,750
DEVELOPMENT FUND REVENUES	200	532		732
DEVELOPMENT FUND EXPENSES	(4,664)			(4,664)
INTERENTITY TRANSFERS	(2,320)			(2,320)
PARISH IMPROVEMENT FUND GRANTS	(622)			(622)
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(1,290)			(1,290)
CHANGE IN NET ASSETS	91,441	(5,439)	901	86,903
NET ASSETS — Beginning of year	<u>(112,217)</u>	<u>40,784</u>	<u>12,574</u>	<u>(58,859)</u>
NET ASSETS — End of year	<u>\$ (20,776)</u>	<u>\$ 35,345</u>	<u>\$ 13,475</u>	<u>\$ 28,044</u>

See notes to financial statements.

# ARCHDIOCESAN PASTORAL CENTER — ARCHDIOCESE OF CHICAGO

## 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	\$ 151,116	\$ 86,903
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Cumulative effect of change in accounting principle		1,290
Net investment return	(29,483)	(16,327)
Property gains — net	(20,721)	(31,750)
Market value of noncash contribution received	(5)	(556)
Noncash transfer of property	(1,018)	(1,635)
Provision for uncollectible loans and operating receivables	8,034	12,017
Depreciation	3,008	2,895
Adjustment to adopt FASB Statement No. 158	(35,023)	
Curtailment gain	(83,730)	
Minimum pension liability recovery		(102,760)
Changes in assets and liabilities:		
Receivables	(1,232)	5,168
Intangible pension asset		32,871
Assets of affiliated agencies	(1,118)	(26)
Accounts payable	(709)	(785)
Liabilities of affiliated agencies	(1,538)	1,442
Accrued pension cost	(8,544)	(19,416)
Other liabilities	<u>11,555</u>	<u>9,281</u>
Net cash used in operating activities	<u>(9,408)</u>	<u>(21,388)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of investments	159,553	126,207
Purchases of investments	(176,816)	(145,495)
Proceeds from sales of land, buildings, and equipment	21,945	38,415
Purchases of land, buildings, and equipment	(3,597)	(8,301)
Principal collected on loans to parishes and religious orders	19,045	21,963
Loans to parishes and religious orders	<u>(12,849)</u>	<u>(23,434)</u>
Net cash provided by investing activities	<u>7,281</u>	<u>9,355</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Savings deposits	58,789	65,442
Savings withdrawals	(43,173)	(54,341)
Bank borrowings	2,000	
Bank repayments	(10,970)	(6,030)
Proceeds from investments subject to annuity agreements	619	708
Payments of annuity obligations	<u>(332)</u>	<u>(289)</u>
Net cash provided by financing activities	<u>6,933</u>	<u>5,490</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>4,806</b>	<b>(6,543)</b>
<b>CASH AND CASH EQUIVALENTS — Beginning of year</b>	<b><u>13,494</u></b>	<b><u>20,037</u></b>
<b>CASH AND CASH EQUIVALENTS — End of year</b>	<b><u>\$ 18,300</u></b>	<b><u>\$ 13,494</u></b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION — Cash paid during the year for interest:</b>		
Savings deposits	<u>\$ 15,152</u>	<u>\$ 9,680</u>
Bank borrowings	<u>\$ 2,465</u>	<u>\$ 1,808</u>

See notes to financial statements.

# ARCHDIOCESAN PASTORAL CENTER — ARCHDIOCESE OF CHICAGO

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2007 AND 2006 (Amounts in thousands)

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### 1. NATURE OF OPERATIONS

The Pastoral Center is the ministerial and administrative center for the Archdiocese of Chicago (the “Archdiocese”). Its purpose is to provide support and services to the parishes, schools, and other church agencies in Cook and Lake Counties. It operates the Archdiocesan Bank, providing savings and loan services to the parishes, administers a centralized employee benefit and property and casualty insurance program, provides financial support to those parishes unable to sustain themselves, operates a seminary system for the education of priests, provides a nutritional lunch and breakfast program for elementary school students, publishes a biweekly newspaper and various liturgical-related publications, and invests endowment funds. Operating support is derived primarily from parish and cemetery assessments, employee benefit and property and casualty insurance program assessments, contributions and bequests, interest on loans to parishes, and investment earnings.

These financial statements reflect only 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.

Assets and liabilities of affiliated agencies represent the aggregate assets and liabilities of several departments of the Pastoral Center, which are operated independently of the Pastoral Center’s primary operations. Affiliated agencies include Quigley Seminary, Saint Joseph’s Seminary, University of Saint Mary of the Lake, Liturgy Training Publications, New World, Chicago Catolico, Ceres Food Group, Inc., and Food Service Professionals. Effective July 1, 2006, the Sheil Center, John Paul II Center, and Calvert House became affiliated agencies based on a change in control implemented by the Vicar General. Revenues and expenses for these affiliated agencies were \$2,199 and \$1,806 and were recorded in Pastoral Center services revenue and Pastoral Center services expenses, respectively, in 2007. As of June 30, 2007, the operations of Quigley Seminary were discontinued. The closing of this facility did not have a material impact on the Pastoral Center operations. All significant interorganizational balances and transactions have been eliminated.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Use of Estimates** — The preparation of the 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, 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.

**Classification of Net Assets** — The net assets of the Pastoral Center are classified as unrestricted, temporarily restricted, or permanently restricted. The net asset categories are as follows:

*Unrestricted* — Unrestricted net assets are assets that are free of donor-imposed restrictions — all revenues, expenses, gains, and losses that are not changes in temporarily restricted or permanently restricted net assets. The unrestricted net assets of the Pastoral Center are primarily derived from parish and Cemeteries assessments, insurance program assessments, sale of real estate, and investment earnings and gains. Donor-restricted contributions whose restrictions are met in the same reporting period are also reported as unrestricted.

*Temporarily Restricted* — Temporarily restricted net assets are net assets whose use has been limited by donors to a specific time period or purpose. The balance consists primarily of funds restricted for parish capital improvements. When a donor restriction expires, that is, when a stipulation ends or purpose of restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

*Permanently Restricted* — Permanently restricted net assets are donated with stipulations that they be invested to provide a permanent source of income (e.g., endowment funds). Such restrictions can neither expire with the passage of time nor be removed by fulfillment of a stipulated purpose. The restricted portion of the Seminary Endowment Fund has been classified as permanently restricted. This fund is the recipient of contributions that specify that only the earnings of the fund may be spent in support of seminaries' operations.

**Cash and Cash Equivalents** — For purposes of the statements of cash flows, cash equivalents are defined as all highly liquid debt instruments with purchased maturities of three months or less used for the operating activities of the Pastoral Center.

**Investments** — The Pastoral Center, Catholic Cemeteries, Parishes, Priests Retirement and Mutual Aid Association (PRMAA), Catholic Charities, and Mercy Home for Boys and Girls manage a portion of their investments through a pooled investment fund.

The estimated fair values of alternative investment securities that do not have readily determined fair values (that is, investments not listed on national exchanges or over-the-counter markets, or for which quoted market prices are not available from sources such as financial publications or exchanges) are based on estimates developed by external investment managers and are accepted or adjusted 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 recorded had a ready market for these securities existed.

Investments in common stock and fixed income securities, including pooled investment funds, are carried at fair value based on quoted market prices.

Pooled investment fund interest and dividend income, realized gains and losses, and unrealized gains and losses are allocated based on a proportionate share of each entity's market value at the time of allocation. The entities have no cross interest in the funds of the other entities, and therefore, the financial statements of each entity reflect only that entity's share of the pooled fund.

**Receivables** — Loans to parishes and religious orders and operating receivables are presented net of an allowance for uncollectible balances. The allowance for uncollectible loans to parishes and religious orders and operating receivables includes amounts due from parishes that are scheduled to receive grants from the Pastoral Center as well as other parishes that have operating deficits.

The Development Fund is presented net of an allowance for uncollectible balances. This fund accumulates amounts due from parishes and other outside parties for the Millennium Campaign (the “Campaign”) and other capital campaigns which the Pastoral Center administers and records the distribution of funds as they are spent or awarded.

**Revocable Estates** — From time to time, the Pastoral Center is named as a beneficiary of a revocable estate. It is the Pastoral Center’s policy to recognize revenue on such estate when either the cash is received or the commitment from the estate becomes irrevocable.

**Related Parties** — Related parties include Catholic Charities, Mercy Home for Boys and Girls, Maryville Academy, Misericordia Home, Catholic Cemeteries, PRMAA, Parishes, Society for the Propagation of the Faith, and Catholic Conference of Illinois.

### **Land, Buildings, and Equipment**

*Land, Buildings, and Equipment* — Land, buildings, and equipment represents active property and is carried at cost. Where historical cost is unavailable, buildings are carried at the reported insurable value as of July 1, 1980, with subsequent additions recorded at cost. Land is carried at the estimated fair market values as of July 1, 1980, with subsequent additions recorded at cost. Depreciation is recorded on building and equipment.

*Undeveloped Realty* — Undeveloped realty represents sites held for future development and is carried at cost. Depreciation is recorded on buildings and equipment.

*Closed Parish Property* — Closed parish property represents parish property transferred from parishes to the Pastoral Center after the parish was closed. Depreciation is recorded on buildings and equipment.

*Held for Sale* — Held for sale represents property that qualifies as held for sale, as defined by Financial Accounting Standards Board (FASB) Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Held for sale is generally defined as a property that is immediately available for sale, expected to be sold within one year, and is actively marketed for sale. No depreciation is recorded on this property.

*Depreciation* — Depreciation is computed using the straight-line method based on the estimated useful lives of assets, which range from 3 to 50 years. Repairs and maintenance that do not extend the life of the applicable assets are charged to expense as incurred.

*Asset Impairment* — The Pastoral Center reviews the carrying amount of long-lived assets whenever events or changes in circumstances indicate that impairment may have occurred. The Pastoral Center follows FASB Statement No. 144.

**Loans to Parishes and Religious Orders and Savings Deposits** — Loans to parishes and religious orders bear interest at rates below prevailing commercial interest rates.

Savings deposits bear interest at rates that vary depending on the amount and availability of the deposit. During 2007 and 2006, interest rates paid on savings deposits ranged from 1.25% to 5.3% and 1% to 4.9%, respectively.

**Insurance** — Insurance claims reserves are an accumulation of the estimated amounts necessary to settle outstanding claims, including claims that are incurred but not reported, based on the facts in each case and the Pastoral Center’s experience with similar cases. These estimates are reviewed and updated regularly, and any resulting adjustments are reflected in current operations.

Property and casualty risks of the parishes and participating religious organizations of the Archdiocese are covered in part by self-insurance programs administered through the Pastoral Center. Property and casualty losses in excess of self-insured retention levels are insured under commercial excess policies. Medical and health insurance for employees is provided through a combination of HMO and self-insured PPO plans. The Pastoral Center assesses the parishes and participating religious organizations of the Archdiocese to fund the costs of such programs.

During 2007 and 2006, the Pastoral Center settled several legal claims related to allegations of past sexual misconduct by priests totaling \$8,604 and \$17,742, respectively. Subsequent to June 30, 2007, the Pastoral Center settled an additional \$3,737 in claims. The costs of these settlements are included in the insurance claims reserve at June 30, 2007.

**Food Service, Publications, and Seminaries Expenses** — Expenses for food service, publications, and seminaries as reported on the statements of activities do not include expenses that result from insurance and other related assessments from the Pastoral Center. The following related party expenses have been eliminated from the statements of activities:

	<b>2007</b>	<b>2006</b>
Food service	\$ 3,302	\$ 3,356
Publications	481	410
Seminaries	746	702

**Undistributed Collections** — Undistributed collections represent the proceeds from special collections that will be distributed to the applicable office, program, or national campaign.

**Fair Value of Financial Instruments** — The carrying amounts of cash and cash equivalents, operating receivables, development fund receivables, accounts payable, and other liabilities approximate their fair values, since they are short term in nature.

The carrying values of deposits and loans approximate fair value. The carrying values of line-of-credit facilities approximate fair value, since interest rates are adjusted quarterly based on current market rates. The carrying value of term loans approximate fair value.

**Interest Rate Swaps** — The Pastoral Center entered into interest rate swap agreements to hedge a portion of its variable rate borrowings against adverse changes in interest rates. In accordance with FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, the interest rate swaps have been classified as cash flow derivatives and are recorded at fair value on the statements of financial position with the corresponding adjustment to interest expense in the statements of activities. The adjustments recorded in 2007 and 2006 resulted in recognizing a reduction of the liability and expense in the amount of \$77 and \$366, respectively.

**Revenue Recognition** — Unconditional promises to give cash and other assets to the Pastoral Center 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 or when the promise becomes unconditional. Parish, Cemeteries, and insurance assessments are recorded as

revenue when billed. Food service revenue is recognized when the food is delivered to customers. Seminary tuition revenue is recognized during the related academic year. Gift annuity revenue is recognized when the contract is signed and the assets are received.

**Gift Annuities Payable** — Gift annuities payable result from funds granted to the Pastoral Center by individuals in return for payments to those individuals during their lifetime. The liabilities are actuarially determined using the market interest rate at the time of the annuity agreement and are based upon the annuitant's age and life expectancy. Assets received under these arrangements are recorded as investments in the statements of financial position. The excess of the funds granted to the Pastoral Center over the calculated annuity payable is recorded as contributions.

**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.

The Pastoral Center adopted FIN No. 47 effective July 1, 2005. In accordance with FIN No. 47, the Pastoral Center records 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, the Pastoral Center recorded a cumulative effect of change in accounting principle of \$1,290 in 2006. The Pastoral Center also recorded a liability for asset retirement obligations of \$1,510 and \$1,423 in 2007 and 2006, respectively, and increased the carrying value of the related assets by \$133 at June 30, 2007 and 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 8, the Pastoral Center has adopted the provisions of FASB Statement No. 158 that require the Pastoral Center to (1) recognize on its statement of financial position the overfunded or underfunded status of its defined benefit retirement plans as the difference between the fair value of the plan assets and the projected benefit obligations, (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 Pastoral Center 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 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 Pastoral Center is assessing the impact the application of FASB Statement No. 157 will have on its 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 Pastoral Center, early adoption is permitted as of January 1, 2007, provided the Pastoral Center also elects to apply the provisions of FASB Statement No. 157. The Pastoral Center is assessing the impact FASB Statement No. 159 will have on its 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 Pastoral Center fiscal year ending June 30, 2009. The Pastoral Center is assessing the impact, if any, the application of FIN No. 48 will have on its financial statements.

### 3. INVESTMENTS

The Pastoral Center's investment portfolio at June 30, 2007 and 2006, consisted of the following:

	<b>2007</b>	<b>2006</b>
Invested cash	\$ 18,180	\$ 9,860
Common stocks	19,375	9,879
Fixed income	1,108	7,473
Alternative investments:		
Marketable alternative equity	122,034	111,763
Fixed income	78,137	60,581
Marketable energy and commodities	24,201	22,681
Private equity	<u>15,415</u>	<u>9,467</u>
Total alternative investments	<u>239,787</u>	<u>204,492</u>
Total	<u>\$ 278,450</u>	<u>\$ 231,704</u>

The 2006 investment allocation balances have been reclassified to conform to 2007 presentation.

Invested cash includes short-term investments and money market accounts. Fifty-eight percent of marketable alternative equity and 100% of fixed income alternative investments consists of institutional funds or other alternative funds that have underlying securities whose fair value is readily determinable (that is, underlying securities are listed on national exchanges or over-the-counter markets, or for which quoted market prices are available from sources such as financial publications or exchanges).

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

Investments at June 30, 2007 and 2006, are allocated as follows:

	<b>2007</b>	<b>2006</b>
Pastoral Center	\$ 78,601	\$ 61,413
Seminary	95,772	84,845
Bank operations	23,437	14,060
Parishes	<u>80,640</u>	<u>71,386</u>
Total	<u>\$ 278,450</u>	<u>\$ 231,704</u>

Net investment return for the years ended June 30, 2007 and 2006, is as follows:

	<b>2007</b>	<b>2006</b>
Interest and dividends on investments	\$ 6,933	\$ 4,315
Realized gains — net	16,196	9,175
Unrealized gains — net	<u>13,287</u>	<u>7,152</u>
Net investment return	<u>\$ 36,416</u>	<u>\$ 20,642</u>

#### 4. LOANS AND OPERATING RECEIVABLES

The Pastoral Center has a parish loan program, which lends at rates generally below the prevailing commercial interest rate. This program is funded by deposits of surplus funds from parishes and other religious organizations. At June 30, 2007 and 2006, there were loans outstanding to parishes, net of reserves for doubtful accounts, aggregating \$90,363 and \$97,092, respectively.

In 2006, the Pastoral Center changed the timing of conversion of outstanding operating receivables to loans, resulting in two conversions in fiscal year 2006.

The activity for the allowance for impaired loans to parishes and religious orders included in the net loan balances at June 30, 2007 and 2006, is as follows:

	<b>2007</b>	<b>2006</b>
Allowance for impaired loans — beginning of year	\$ (44,864)	\$ (28,904)
Current-year activity:		
Change in provision	1,917	(6,108)
Write-offs — net of recoveries	1,747	366
Transfer of allowance on impaired receivables reclassified as loans	<u>(4,953)</u>	<u>(10,218)</u>
Allowance for impaired loans — end of year	<u>\$ (46,153)</u>	<u>\$ (44,864)</u>

At June 30, 2007 and 2006, operating receivables were net of an allowance for doubtful accounts of \$6,618 and \$2,993, respectively.

**5. DEVELOPMENT FUND**

During 2000, the Archdiocese launched the Campaign, with a goal to raise a minimum of \$250,000 over the following four years. The Campaign consists of two subcampaigns. The first subcampaign is the School Major Gift Campaign, the purpose of which is to raise funds for the capital needs of Archdiocesan schools. This subcampaign is administered by Big Shoulders Fund, an independent organization dedicated to raising funds for Catholic schools of the Archdiocese. All funds raised by Big Shoulders Fund under this subcampaign will be remitted to the Pastoral Center or directly to the Archdiocesan schools. All outstanding pledge receivables recorded by Big Shoulders Fund as of June 30, 2007 and 2006 (discounted and net of an allowance for uncollectible pledges), are recorded by the Pastoral Center as a Development Fund receivable.

The second sub-campaign is Sharing Christ’s Gifts, the purpose of which is to raise funds for the capital, endowment, and ministerial needs of parishes. As part of the subcampaign, 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. These sharing funds will be remitted to the Pastoral Center and used to support various Archdiocesan-wide capital projects (e.g., Priests’ retirement home, repairs at University of Saint Mary of the Lake), grants to support Archdiocesan programs at needy parishes, and to pay for the primary expenses of the subcampaign. The Pastoral Center has recorded sharing amounts due from those parishes in the year in which the subcampaign was commenced.

The School Major Gift Campaign recognizes revenue consistent with other pledges. Unconditional promises to give cash and other assets to the Pastoral Center 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 or when the promise becomes unconditional. Sharing Christ’s Gifts recognizes 100% of the revenue due from each parish in the year in which the parish participates in the fundraising campaign as designated by the Pastoral Center. Millennium Campaign revenue is recorded in development fund revenues in the statements of activities.

In addition to the parish operating grants expense reported in the statements of activities, the Pastoral Center administered grants of \$2,261 and \$1,558 in 2007 and 2006, respectively, funded by Big Shoulders Fund.

The Development Fund receivable, net of reserves, at June 30, 2007 and 2006, consisted of the following:

	<b>2007</b>	<b>2006</b>
Due from Big Shoulders Fund — School Major Gift Campaign	\$ 3,102	\$ 4,980
Due from Parishes — Sharing Christ’s Gifts	543	2,247
Due from third parties — other campaigns	<u>14</u>	<u>14</u>
 Total Development Fund	 <u>\$ 3,659</u>	 <u>\$ 7,241</u>

## 6. BANK BORROWINGS

A summary of bank borrowings at June 30, 2007 and 2006, is as follows:

	<b>2007</b>	<b>2006</b>
\$10,000 term loan, due May 31, 2008, interest rate is fixed, (4.72% at June 30, 2007 and 2006)	\$ 10,000	\$ 10,000
\$10,000 line of credit, payable on demand, interest rate below prime, (4.72% and 5.8% at June 30, 2007 and 2006, respectively)	7,000	5,000
Note payable, due December 27, 2010, interest rate is fixed, (4.84% at June 30, 2007 and 2006)	5,800	5,800
Note payable, due December 20, 2008, interest rate is fixed, (5.92% at June 30, 2007 and 2006)	3,900	4,100
Note payable, due January 7, 2010, interest rate is fixed, (4.57% at June 30, 2007 and 2006)	1,575	1,675
\$16,000 line of credit, payable on demand, interest rate below prime, (6.15% at June 30, 2006)		5,470
\$5,000 line of credit, payable on demand, interest rate below prime, (6.02% at June 30, 2006)		5,000
\$8,800 term loan, due July 3, 2006, interest rate is based on LIBOR plus 50 basis points (3.15% at June 30, 2006)		<u>200</u>
Total bank borrowings	<u>\$ 28,275</u>	<u>\$ 37,245</u>

Total principal payments are due as follows:

<b>Years Ending June 30</b>	<b>Amount</b>
2008	\$ 17,300
2009	3,800
2010	1,375
2011	5,800
2012	<u>          </u>
Total bank borrowings	<u>\$ 28,275</u>

The Pastoral Center is required to meet certain debt covenants related to minimum liquidity levels and investment to debt ratios. The Pastoral Center was in compliance with all debt covenants at June 30, 2007 and 2006.

## 7. ANNUAL CATHOLIC APPEAL

Annual Catholic Appeal operations for the years ended June 30, 2007 and 2006, are as follows:

	<b>2007</b>	<b>2006</b>
Contributions	\$ 14,919	\$ 13,102
Parish rebates	(1,697)	(2,586)
Uncollectible pledge provision	<u>(1,962)</u>	<u>          </u>
Net contributions after Parish rebates and uncollectible pledge provision	<u>\$ 11,260</u>	<u>\$ 10,516</u>
Specific distribution to Catholic Relief Services	\$ 640	\$ 640
Pastoral Center program and grant support	8,738	8,286
Fundraising expenses	<u>1,882</u>	<u>1,590</u>
Total distributions	<u>\$ 11,260</u>	<u>\$ 10,516</u>

During 2007, the Pastoral Center established a provision for uncollectible Catholic appeal pledges based on historical collection trends.

## 8. EMPLOYEE BENEFITS

The Archdiocese has a noncontributory pension plan (the "Plan") covering substantially all lay employees of the Pastoral Center, parishes, and certain participating charitable organizations. The Pastoral Center charges parishes and the participating charitable organizations for pension costs. The plan provides annual retirement benefits (over and above normal Social Security benefits) equal to 1.375% of annual pay for each year of employment based on the career average salary without limitation as to amount of salary or term of service before normal retirement age. For employment years prior to 1997, the salary was updated for the average salary during 1997–2001. A participant is 100% vested after five years of service.

During 2007, the Plan was amended, effective July 1, 2007, to freeze benefit accruals and participation as of that date. This event constituted a curtailment as defined by FASB Statement No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*.

A curtailment gain of \$83,730 was recognized in 2007 for the amount representing unrecognized service costs for the future years of service eliminated by the Plan change.

On June 30, 2007, the Pastoral Center adopted FASB Statement No. 158, which requires the recognition of any unfunded or overfunded liability on the statement of financial position. For defined benefit plans, FASB Statement No. 158 requires the recognition of the unfunded Projected Benefit Obligation. Prior to the adoption of FASB Statement No. 158, the unfunded liability on the statement of financial position was based on the Accumulated Benefit Obligation. There is no difference between the Accumulated Benefit Obligation and the Projected Benefit Obligation for the Pastoral Center.

The Pastoral Center has recorded the total funded status of the Plan on the statements of financial position. This asset is related to all participants of the Plan, which includes those employed by parishes and participating charitable organizations. The information to allocate the asset to the parishes and other charitable organizations is available, and those parties are responsible for their related costs. This asset may be transferred to those other organizations in the future.

The Pastoral Center uses a June 30 measurement date for its Plan.

Summary information for the Plan at June 30, 2007 and 2006, is as follows:

	<b>2007</b>	<b>2006</b>
Change in benefit obligation:		
Projected benefit obligation — beginning of year	\$ 487,510	\$ 670,167
Service cost	16,342	25,652
Interest cost	31,173	33,224
Plan amendments	(29,089)	(93,272)
Actuarial losses (gains)	17,021	(132,419)
Benefits paid	<u>(17,407)</u>	<u>(15,842)</u>
Projected benefit obligation — end of year	<u>\$ 505,550</u>	<u>\$ 487,510</u>
Change in plan assets:		
Fair value of plan assets — beginning of year	\$ 454,607	\$ 406,707
Actual return on plan assets	84,663	45,742
Employer contributions	15,000	18,000
Benefits paid	<u>(17,407)</u>	<u>(15,842)</u>
Fair value of plan assets — end of year	<u>\$ 536,863</u>	<u>\$ 454,607</u>
Funded status — end of year	<u>\$ 31,313</u>	<u>\$ (32,903)</u>
Amounts recognized in the statements of financial position:		
Prepaid pension asset (accrued liability)	<u>\$ 31,313</u>	<u>\$ (95,984)</u>
Additional minimum liability recovery	<u>\$ -</u>	<u>\$ 102,760</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	\$ 16,342	\$ 25,652
Interest cost	31,173	33,224
Expected return on plan assets	(35,307)	(33,491)
Amortization of unrecognized:		
Prior service cost	(5,752)	(8)
Net loss		6,079
Curtailment gain	<u>(83,730)</u>	<u>          </u>
Total net periodic benefit (income) cost	<u>\$ (77,274)</u>	<u>\$ 31,456</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:		
Discount rate — benefit obligation	6.25 %	6.50 %
Discount rate — benefit cost	6.50	5.25
Expected return on plan assets — benefit cost	8.00	8.00
Rate of compensation increase	N/A	4.00

Plan assets at June 30, 2007 and 2006, are as follows:

	<b>2007</b>	<b>2006</b>
Invested cash	1 %	2 %
Common stocks		8
Alternative investments	44	88
U.S. government securities	37	1
Corporate debt securities	17	1
Derivative instruments	<u>1</u>	<u>          </u>
Total	<u>100 %</u>	<u>100 %</u>

The Plan's investment strategy is to meet its obligations to retired employees. To continue to achieve this objective, the Plan changed its investment composition in 2007. In 2006, the Plan maintained an investment composition of approximately 75% equities and 25% fixed income (some of which was included in alternative investments). In 2007, the Plan is in the process of repositioning its investment composition to 100% fixed income due to the decision to freeze benefit accruals and participation in the Plan.

The Pastoral Center does not plan to contribute to the Plan in 2008.

The following benefit payments are expected to be paid as follows:

<b>Years Ending June 30</b>	<b>Amount</b>
2008	\$ 20,848
2009	23,235
2010	25,413
2011	27,633
2012	30,012
Years 2013 through 2017	190,223

The Archdiocese also has a defined contribution plan, which includes a matching program. The matching program is available to all lay benefits-eligible employees of the Pastoral Center, parishes, and certain other Archdiocesan entities. The match is 50% of gross salary up to a maximum of 2% of gross salary. Vesting in the matching contribution occurs at 25% per year. Employees with five or more years of service are fully vested in their match. The Archdiocese contributed \$2,305 and \$2,273 to the plan in 2007 and 2006, respectively.

## 9. COMMITMENTS AND CONTINGENCIES

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.

The Archdiocesan Finance Council and its Investment Committee oversee a Pooled Investment Fund for various entities in the Archdiocese, including the Pastoral Center, Parishes and Schools, the Seminaries, Catholic Cemeteries, PRMAA, and Charitable Activities' agencies. The pooled investment fund invests with a number of investment managers in various equity and fixed income products. An allocation of the investments is in nonmarketable investments through Limited Partnerships. At any point in time, the Pastoral Center has open commitments to fund additional capital calls to certain Limited Partnerships. The aggregate amount of open commitments at any point in time ranges between 1% and 4% of the Pooled Investment Fund.

Other various legal actions and governmental proceedings involve the Catholic Bishop of Chicago or separately incorporated religious organizations under his control. These actions can involve claims for compensatory or punitive damages, as well as other types of relief. Among the pending or potential legal claims against the Archdiocese are some related to allegations of past sexual misconduct by priests. Cost of settlement and legal defense for such claims are managed and reported through an insurance claims reserve (see Note 2). The outcome of these matters is not presently determinable, but in the opinion of management, the ultimate liability will not have a material effect on the net assets of the Pastoral Center beyond the reserve for insurance claims already reflected in the statements of financial position. The ultimate liability will change in the future and is sensitive to precedents established by pending court cases; possible legislative action, particularly related to the statutes of limitation; and additional claims that may be asserted in the future.

## 10. LEASES

The Pastoral Center entered into an agreement with a telecommunications provider in 2002 to lease its excess Instructional Television Fixed Service (ITFS) capacity. The lease was renewed in 2007 and expires in June 2012, with an option to extend for another five years.

At June 30, 2007, future minimum rental income related to the ITFS noncancelable operating lease is as follows:

<b>Years Ending June 30</b>	<b>Amount</b>
2008	\$ 417
2009	429
2010	442
2011	456
2012	<u>429</u>
Total	<u>\$ 2,173</u>

The Pastoral Center entered into a lease agreement with Loyola University of Chicago in 2002 to lease Campion Hall for the use of St. Joseph Seminary. Total rental expense for the years ended June 30, 2007 and 2006, was \$657 and \$655, respectively.

Future payments under this agreement are as follows:

<b>Years Ending June 30</b>	<b>Amount</b>
2008	\$ 677
2009	677
2010	677
2011	677
2012	<u>677</u>
Total	<u>\$ 3,385</u>

The Pastoral Center has an option to extend the lease for 10 years beyond 2012.

In accordance with FASB Statement No. 13, *Accounting for Leases*, the Pastoral Center recognizes the associated rental income and expense on a straight-line basis over the term of the lease.

## 11. FUNCTIONAL EXPENSES

The following is a summary of expenses by functional classification and reconciliation to total expenses for the years ended June 30, 2007 and 2006. Certain expenses in the summary include the allocation of depreciation expense:

	<b>2007</b>	<b>2006</b>
Program activities:		
Insurance program	\$ 102,142	\$ 132,215
Food service	40,159	40,270
Publications	8,065	7,693
Ministerial services	15,437	16,001
Seminaries	<u>15,356</u>	<u>15,408</u>
Total program activities	181,159	211,587
Fundraising and development expense	2,742	2,409
Management and general expense (including depreciation)	<u>27,909</u>	<u>27,780</u>
Total functional expenses	211,810	241,776
Parish and agency grants	6,378	5,045
Provision for uncollectible loans and operating receivables	4,401	12,287
Annual appeal distributions	640	640
Annual appeal rebates and uncollectible pledge provision	3,569	2,586
Interest expense for savings deposits and line of credit	<u>18,190</u>	<u>11,443</u>
Total expenses	<u>\$ 244,988</u>	<u>\$ 273,777</u>

**12. TAX-EXEMPT STATUS**

The Pastoral Center is a tax-exempt organization under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code.

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## **ADDITIONAL INFORMATION**

## ARCHDIOCESAN PASTORAL CENTER — ARCHDIOCESE OF CHICAGO

### UNRESTRICTED NET ASSETS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006 (Amounts in thousands)

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The Pastoral Center operates seven separate funds under the classification of unrestricted net assets. A summary of the changes in net assets, including interentity transfers of these funds, for the year is as follows:

	<b>2007</b>	<b>2006</b>
Pastoral Center Activities Fund	\$ 2,846	\$ 4,964
Archdiocesan Bank	3,251	(3,836)
Insurance Fund	125,484	86,301
Real Estate Fund	16,281	23,422
Endowment Fund	17,194	9,553
Development Fund	753	1,654
Professional Conduct Fund	<u>(17,990)</u>	<u>(30,617)</u>
Total change in unrestricted net assets	<u>\$ 147,819</u>	<u>\$ 91,441</u>

# ARCHDIOCESAN PASTORAL CENTER — ARCHDIOCESE OF CHICAGO

**SEMINARIES OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2007  
(Amounts in thousands)**

	University of St. Mary of the Lake	St. Joseph Seminary	Archbishop Quigley Seminary	Total
<b>REVENUES:</b>				
Tuition, fees, and room and board	\$ 4,985	\$ 1,391	\$ 1,006	\$ 7,382
Development	882	512	40	1,434
Other	<u>512</u>	<u>          </u>	<u>          </u>	<u>512</u>
Total revenues	<u>6,379</u>	<u>1,903</u>	<u>1,046</u>	<u>9,328</u>
<b>EXPENSES:</b>				
Salaries and wages	3,545	691	1,750	5,986
Employee benefits	145	132	410	687
Occupancy	682	934	412	2,028
Other	<u>2,724</u>	<u>1,607</u>	<u>443</u>	<u>4,774</u>
Total expenses	<u>7,096</u>	<u>3,364</u>	<u>3,015</u>	<u>13,475</u>
<b>DEFICIENCY OF REVENUES OVER EXPENSES BEFORE PRIESTHOOD CANDIDATE EXPENSE, DEPRECIATION, AND EXTERNAL SUPPORT</b>				
	(717)	(1,461)	(1,969)	(4,147)
<b>PRIESTHOOD CANDIDATE EXPENSE</b>				
	<u>1,881</u>	<u>          </u>	<u>          </u>	<u>1,881</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENSES BEFORE DEPRECIATION AND EXTERNAL SUPPORT</b>				
	(2,598)	(1,461)	(1,969)	(6,028)
<b>DEPRECIATION</b>				
	(1,256)	(56)	(281)	(1,593)
<b>EXTERNAL SUPPORT:</b>				
Proceeds from sale of land	414			414
Endowment Fund income	558	1,495	937	2,990
Seminary Appeal allocation	<u>508</u>	<u>67</u>	<u>93</u>	<u>668</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES</b>				
	<u>\$ (2,374)</u>	<u>\$ 45</u>	<u>\$ (1,220)</u>	<u>\$ (3,549)</u>
<b>CAPITAL EXPENDITURES</b>				
	<u>\$ 1,528</u>	<u>\$ -</u>	<u>\$ 400</u>	<u>\$ 1,928</u>

# ARCHDIOCESAN PASTORAL CENTER — ARCHDIOCESE OF CHICAGO

**SEMINARIES OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2006  
(Amounts in thousands)**

	University of St. Mary of the Lake	St. Joseph Seminary	Archbishop Quigley Seminary	Total
<b>REVENUES:</b>				
Tuition, fees, and room and board	\$ 4,617	\$ 1,741	\$ 1,246	\$ 7,604
Development	1,606	632	360	2,598
Other	<u>1,139</u>	<u>          </u>	<u>          </u>	<u>1,139</u>
Total revenues	<u>7,362</u>	<u>2,373</u>	<u>1,606</u>	<u>11,341</u>
<b>EXPENSES:</b>				
Salaries and wages	3,465	776	1,696	5,937
Employee benefits	166	162	309	637
Occupancy	729	881	420	2,030
Other	<u>2,288</u>	<u>2,051</u>	<u>760</u>	<u>5,099</u>
Total expenses	<u>6,648</u>	<u>3,870</u>	<u>3,185</u>	<u>13,703</u>
<b>SURPLUS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE PRIESTHOOD CANDIDATE EXPENSE, DEPRECIATION, AND EXTERNAL SUPPORT</b>				
	714	(1,497)	(1,579)	(2,362)
<b>PRIESTHOOD CANDIDATE EXPENSE</b>	<u>1,705</u>	<u>          </u>	<u>          </u>	<u>1,705</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENSES BEFORE DEPRECIATION AND EXTERNAL SUPPORT</b>				
	(991)	(1,497)	(1,579)	(4,067)
<b>DEPRECIATION</b>	(1,159)	(76)	(214)	(1,449)
<b>EXTERNAL SUPPORT:</b>				
Endowment Fund income	539	1,438	896	2,873
Seminary Appeal allocation	<u>442</u>	<u>72</u>	<u>83</u>	<u>597</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENSES</b>	<u>\$ (1,169)</u>	<u>\$ (63)</u>	<u>\$ (814)</u>	<u>\$ (2,046)</u>
<b>CAPITAL EXPENDITURES</b>	<u>\$ 2,306</u>	<u>\$ -</u>	<u>\$ 122</u>	<u>\$ 2,428</u>

## ARCHDIOCESAN PASTORAL CENTER — ARCHDIOCESE OF CHICAGO

### SEMINARIES OPERATIONS (CONTINUED) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006 (AMOUNTS IN THOUSANDS)

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The Seminaries expense line in the Pastoral Center's statements of activities includes \$1,881 and \$1,705 for charges related to preparing candidates for priesthood in Chicago at University of Saint Mary of the Lake (the "University") for the years ended June 30, 2007 and 2006, respectively. The University is owned and operated by the Archdiocese. The University contains the following departments: Mundelein Seminary, Pastoral Associates, Liturgical Institute, Diaconate Formation, Instituto de Liderazgo, Lay Ministry, and Ongoing Formation Programs. The Archdiocese had 71 and 66 students studying under these arrangements in 2007 and 2006, respectively. This schedule reflects this cost as revenue to the seminary and an expense to the Pastoral Center.

The University had a capital campaign to raise \$9,000 for the Theological Resource Center (TRC). In 2007 and 2006, the University had \$1,167 and \$597 in cash, \$2 and \$163 in outstanding pledges, and a gift annuity for \$500 and \$500, respectively. The University revenue includes pledges and gifts related to the TRC campaign totaling \$1 and \$598 in 2007 and 2006, respectively.

External support excludes restricted and designated gifts of \$915 and \$0, respectively, in 2007 and \$998 and \$329, respectively, in 2006. Realized gains of \$7,388 and \$4,060 in 2007 and 2006, respectively, were also excluded. These amounts were added to the corpus of the Seminary Endowment Fund. In addition, unrealized gains of \$4,717 and \$4,078 were reported for the fund in 2007 and 2006, respectively.

Endowment income used for operations is calculated as 5% of a four-quarter sliding scale market value of the Seminary Endowment Fund.

In 2007 and 2006, capital expenditures included \$0 and \$1,606 for the TRC, \$1,147 and \$241 for roof repairs at the University, and \$400 and \$79 for window repairs at Archbishop Quigley Seminary, respectively.

As of June 30, 2007, the operations of the Archbishop Quigley Seminary were discontinued. The closing of this facility did not have a material impact on the Pastoral Center operations.