

Archdiocesan Pastoral Center — Archdiocese of Chicago

Financial Statements as of and for the
Years Ended June 30, 2008 and 2007,
Additional Information for the Years Ended
June 30, 2008 and 2007, 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, 2008 and 2007, 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 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, 2008 and 2007, 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 \$238,543,121 (40% of total assets) and \$239,787,078 (45% of total assets) as of June 30, 2008 and 2007, 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 9 include investments of \$16,318,195 and \$238,123,782 as of June 30, 2008 and 2007, 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.

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 audits 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

February 3, 2009

ARCHDIOCESAN PASTORAL CENTER — ARCHDIOCESE OF CHICAGO

STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2008 AND 2007 (Amounts in thousands)

	2008	2007		2008	2007
ASSETS			LIABILITIES		
CASH AND CASH EQUIVALENTS	\$ 27,295	\$ 18,300	SAVINGS DEPOSITS:		
INVESTMENTS	<u>266,578</u>	<u>278,450</u>	Parishes	\$ 189,081	\$ 187,170
RECEIVABLES:			Other religious organizations	<u>3,619</u>	<u>4,031</u>
Loans to parishes and religious orders — net	95,397	93,392	Total savings deposits	<u>192,700</u>	<u>191,201</u>
Operating — net	12,118	12,954	ACCOUNTS PAYABLE	<u>30,282</u>	<u>16,694</u>
Development fund — net	<u>2,303</u>	<u>3,659</u>	BANK BORROWINGS	<u>30,150</u>	<u>28,275</u>
Total receivables	<u>109,818</u>	<u>110,005</u>	LIABILITIES OF AFFILIATED AGENCIES	<u>6,068</u>	<u>4,718</u>
ASSETS OF AFFILIATED AGENCIES	<u>19,554</u>	<u>19,939</u>	ASSET RETIREMENT OBLIGATIONS	<u>1,601</u>	<u>1,509</u>
PREPAID PENSION ASSET	86,248	31,313	OTHER LIABILITIES:		
LAND, BUILDINGS, AND EQUIPMENT:			Insurance claims	106,982	100,451
Land	16,996	16,996	Unearned rental income	17,970	-
Buildings and equipment	103,917	99,589	Undistributed collections	2,726	2,269
Undeveloped realty	12,389	11,816	Annuity obligations	<u>3,020</u>	<u>2,964</u>
Closed parish property	18,840	18,550	Total other liabilities	<u>130,698</u>	<u>105,684</u>
Held for sale	355	591	Total liabilities	<u>391,499</u>	<u>348,081</u>
Construction in progress	10,793	-	NET ASSETS:		
Accumulated depreciation	<u>(81,775)</u>	<u>(78,308)</u>	Unrestricted — undesignated	88,423	52,055
Land, buildings, and equipment — net	<u>81,515</u>	<u>69,234</u>	Unrestricted — designated	67,820	74,988
OTHER ASSETS	980	-	Temporarily restricted	29,557	37,671
			Permanently restricted	<u>14,689</u>	<u>14,446</u>
			Total net assets	<u>200,489</u>	<u>179,160</u>
TOTAL	<u>\$591,988</u>	<u>\$527,241</u>	TOTAL	<u>\$591,988</u>	<u>\$527,241</u>

See notes to financial statements.

ARCHDIOCESAN PASTORAL CENTER — ARCHDIOCESE OF CHICAGO

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008 (WITH COMPARATIVE TOTALS FOR 2007) (Amounts in thousands)

	2008			Total	2007 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
REVENUES:					
Parishes assessment	\$ 23,066	\$ -	\$ -	\$ 23,066	\$ 22,476
Cemeteries assessment	6,250	-	-	6,250	5,500
Assessments for insurance	96,283	-	-	96,283	93,784
Investment return designated for current operations	7,051	-	-	7,051	16,796
Interest income — parish and agency loans	7,300	-	-	7,300	7,264
Food service	44,406	-	-	44,406	43,730
Publications	8,592	-	-	8,592	8,337
Pastoral Center services	14,100	-	-	14,100	12,934
Seminaries	9,202	-	-	9,202	9,328
Annual Catholic Appeal	8,672	-	-	8,672	11,260
Contributions and bequests	990	757	382	2,129	4,287
Other	1,881	-	-	1,881	2,174
Total revenues	<u>227,793</u>	<u>757</u>	<u>382</u>	<u>228,932</u>	<u>237,870</u>
EXPENSES:					
Parish and agency grants:					
Operating	8,072	-	-	8,072	4,729
Capital	2,368	-	-	2,368	1,649
Provision for uncollectible loans and operating receivables	3,578	-	-	3,578	4,401
Insurance and retirement benefits program	118,679	-	-	118,679	102,142
Interest expense:					
Savings deposits	6,396	-	-	6,396	15,753
Bank borrowings	2,209	-	-	2,209	2,437
Food service	43,690	-	-	43,690	40,159
Publications	8,318	-	-	8,318	8,065
Pastoral Center services	45,063	-	-	45,063	42,139
Seminaries	12,954	-	-	12,954	15,356
Annual Catholic Appeal distributions and fund-raising expenses	2,590	-	-	2,590	2,522
Depreciation	3,108	-	-	3,108	3,008
Other	4,513	-	-	4,513	2,628
Total expenses	<u>261,538</u>	<u>-</u>	<u>-</u>	<u>261,538</u>	<u>244,988</u>
LOSS FROM OPERATIONS	(33,745)	757	382	(32,606)	(7,118)
NET ASSETS RELEASED FROM RESTRICTIONS	9,280	(9,124)	(156)	-	-
ADOPTION OF FASB STATEMENT NO. 158	-	-	-	-	35,023
PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION EXPENSE	57,032	-	-	57,032	-
CURTAILMENT GAIN	-	-	-	-	83,730
INVESTMENT RETURN IN EXCESS OF RETURNS FOR CURRENT OPERATIONS	2,389	253	17	2,659	19,620
NET PROPERTY GAINS	-	-	-	-	20,721
DEVELOPMENT FUND REVENUES	-	-	-	-	214
DEVELOPMENT FUND EXPENSES	(1,727)	-	-	(1,727)	(2,492)
IMPACT OF THE ADDITION OF NEW AFFILIATES (Note 1)	-	-	-	-	1,404
INTERENTITY TRANSFERS	(3,000)	-	-	(3,000)	398
PARISH IMPROVEMENT FUND GRANTS	(1,029)	-	-	(1,029)	(384)
CHANGE IN NET ASSETS	29,200	(8,114)	243	21,329	151,116
NET ASSETS — Beginning of year	<u>127,043</u>	<u>37,671</u>	<u>14,446</u>	<u>179,160</u>	<u>28,044</u>
NET ASSETS — End of year	<u>\$156,243</u>	<u>\$29,557</u>	<u>\$14,689</u>	<u>\$200,489</u>	<u>\$179,160</u>

See notes to financial statements.

ARCHDIOCESAN PASTORAL CENTER — ARCHDIOCESE OF CHICAGO

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES:				
Parishes assessment	\$ 22,476	\$ -	\$ -	\$ 22,476
Cemeteries assessment	5,500	-	-	5,500
Assessments for insurance	93,784	-	-	93,784
Investment return designated for current operations	16,640	156	-	16,796
Interest income — parish and agency loans	7,264	-	-	7,264
Food service	43,730	-	-	43,730
Publications	8,337	-	-	8,337
Pastoral Center services	12,934	-	-	12,934
Seminaries	9,328	-	-	9,328
Annual Catholic Appeal	11,260	-	-	11,260
Contributions and bequests	1,779	2,160	348	4,287
Other	2,174	-	-	2,174
	235,206	2,316	348	237,870
EXPENSES:				
Parish and agency grants:				
Operating	4,729	-	-	4,729
Capital	1,649	-	-	1,649
Provision for uncollectible loans and operating receivables	4,401	-	-	4,401
Insurance program	102,142	-	-	102,142
Interest expense:				
Savings deposits	15,753	-	-	15,753
Bank borrowings	2,437	-	-	2,437
Food service	40,159	-	-	40,159
Publications	8,065	-	-	8,065
Pastoral Center services	42,139	-	-	42,139
Seminaries	15,356	-	-	15,356
Annual Catholic Appeal distributions and fund-raising expenses	2,522	-	-	2,522
Depreciation	3,008	-	-	3,008
Other	2,628	-	-	2,628
	244,988	-	-	244,988
LOSS FROM OPERATIONS	(9,782)	2,316	348	(7,118)
NET ASSETS RELEASED FROM RESTRICTIONS	4,473	(4,473)	-	-
ADOPTION OF FASB STATEMENT NO. 158	35,023	-	-	35,023
CURTAILMENT GAIN	83,730	-	-	83,730
INVESTMENT RETURN IN EXCESS OF RETURNS FOR CURRENT OPERATIONS	14,968	4,273	379	19,620
NET PROPERTY GAINS	20,721	-	-	20,721
DEVELOPMENT FUND REVENUES	214	-	-	214
DEVELOPMENT FUND EXPENSES	(2,492)	-	-	(2,492)
IMPACT OF THE ADDITION OF NEW AFFILIATES (Note 1)	950	210	244	1,404
INTERENTITY TRANSFERS	398	-	-	398
PARISH IMPROVEMENT FUND GRANTS	(384)	-	-	(384)
CHANGE IN NET ASSETS	147,819	2,326	971	151,116
NET ASSETS — Beginning of year	(20,776)	35,345	13,475	28,044
NET ASSETS — End of year	\$ 127,043	\$ 37,671	\$ 14,446	\$179,160

See notes to financial statements.

ARCHDIOCESAN PASTORAL CENTER — ARCHDIOCESE OF CHICAGO

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007 (Amounts in thousands)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 21,329	\$ 151,116
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net investment return	(3,544)	(29,483)
Property gains — net	-	(20,721)
Market value of noncash contribution made (received)	5	(5)
Noncash transfer of property	55	(1,018)
Provision for uncollectible loans and operating receivables	3,578	8,034
Depreciation	3,108	3,008
Permanently restricted contributions	(382)	-
Noncash credit for changes in defined benefit pension plan other than periodic pension expense	(57,032)	-
Adjustment to adopt FASB Statement No. 158	-	(35,023)
Curtailment gain	-	(83,730)
Changes in assets and liabilities:		
Receivables	(4,925)	(1,232)
Prepaid pension asset	2,097	-
Assets of affiliated agencies	385	(1,118)
Accounts payable	12,841	(709)
Liabilities of affiliated agencies	1,350	(1,538)
Accrued pension cost	-	(8,544)
Other assets	(980)	-
Other liabilities	25,079	11,555
Net cash provided by (used in) operating activities	<u>2,964</u>	<u>(9,408)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	82,622	159,553
Purchases of investments	(67,206)	(176,816)
Proceeds from sales of land, buildings, and equipment	-	21,945
Purchases of land, buildings, and equipment	(15,132)	(3,597)
Principal collected on loans to parishes and religious orders	12,817	19,045
Loans to parishes and religious orders	<u>(11,115)</u>	<u>(12,849)</u>
Net cash provided by investing activities	<u>1,986</u>	<u>7,281</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Savings deposits	61,777	58,789
Savings withdrawals	(59,924)	(43,173)
Bank borrowings	23,675	2,000
Bank repayments	(21,800)	(10,970)
Permanently restricted contributions	382	-
Proceeds from annuity agreements	302	619
Payments of annuity obligations	<u>(367)</u>	<u>(332)</u>
Net cash provided by financing activities	<u>4,045</u>	<u>6,933</u>
CHANGE IN CASH AND CASH EQUIVALENTS	8,995	4,806
CASH AND CASH EQUIVALENTS — Beginning of year	<u>18,300</u>	<u>13,494</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 27,295</u>	<u>\$ 18,300</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION — Cash paid during the year for interest:		
Savings deposits	<u>\$ 6,467</u>	<u>\$ 15,152</u>
Bank borrowings	<u>\$ 2,169</u>	<u>\$ 2,465</u>
Accrued accounts payable for construction and fixed asset purchases	<u>\$ 747</u>	<u>\$ -</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, 2008 AND 2007 (Amounts in thousands)

1. NATURE OF OPERATIONS

The Archdiocesan Pastoral Center (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, Katolik, 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 of \$1,971 and \$2,199 and expenses of \$1,936 and \$1,806 for these affiliated agencies were recorded in Pastoral Center services revenue and Pastoral Center services expenses, respectively, in 2008 and 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. 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.

Cash and Cash Equivalents — Cash and cash equivalents are defined to include highly liquid debt instruments purchased with a maturity of three months or less.

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.

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 buildings 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 actively marketed for sale. No depreciation is recorded on this property.

Depreciation — Depreciation is computed using the straight-line method based upon the following lives:

Asset Description	Useful Life
Buildings	20–50 years
Land and building improvements	10–20 years
Equipment, furniture, and fixtures	3–10 years

Repairs and maintenance that do not extend the life of the applicable assets are charged to expense as incurred.

Asset Retirement Obligation — Management records all known asset retirement obligations for which the fair value can be reasonably estimated in accordance with FASB Interpretation (FIN) No. 47, *Accounting for Conditional Asset Retirement Obligations — an interpretation of FASB Statement*

No. 143. FIN No. 47 clarifies the 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. The Pastoral Center has recorded a liability for asset retirement obligation of \$1,601 and \$1,509 in 2008 and 2007, respectively, and increased the carrying value of the related assets by \$92 in 2008.

Asset Impairment — The Pastoral Center has implemented 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, 2008.

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. Included in unrestricted net assets are board-designated funds. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted. 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.

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 statements 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. Included in permanently restricted net assets are contributions that have been classified as permanently restricted. 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.

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. Annuities payable are actuarially determined using the market interest rate at the time of the annuity 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. The fair market value of annuity investments held by the Pastoral Center was \$4,466 and \$4,291 as of June 30, 2008 and 2007, 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.

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.

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 2008 and 2007, interest rates paid on savings deposits ranged from 1.25% to 5.10% and 1.25% to 5.3%, 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 2008 and 2007, the Pastoral Center settled several legal claims related to allegations of past sexual misconduct by priests totaling \$11,020 and \$8,604, respectively. Subsequent to June 30, 2008, the Pastoral Center settled an additional \$15,838 in claims. The costs of these settlements are included in the insurance claims reserve at June 30, 2008.

Food Service, Publications, and Seminaries Expenses — Expenses for food service, publications, and seminaries as reported in 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:

	2008	2007
Food service	\$3,585	\$3,302
Publications	579	481
Seminaries	1,297	746

Unearned Rental Income — In May 2008, the Catholic Bishop of Chicago executed a land lease agreement for the site of the Pastoral Center operational headquarters building. The lease has a term of 99 years commencing no later than January 1, 2009, and gives the tenant a right to renew the term of lease for two additional 25-year periods. The agreement allows for escalating rental payments during each rent adjustment year. In addition, base rent will be adjusted annually by a factor of the percentage increase in the Consumer Price Index not to exceed 5% annually, commencing with the third lease year. The tenant made an initial rent payment of \$18 million at the inception of the agreement, which will be recognized on a straight-line basis over the 99-year lease term.

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

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 in the statements of financial position with the corresponding adjustment to interest expense in the statements of activities. The adjustments recorded in 2008 and 2007 resulted in recognizing an increase of the liability and expense in the amount of \$246 and \$77, respectively.

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.

Recently Adopted Accounting Pronouncements — 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.

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. 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. The Pastoral Center has elected to defer FIN No. 48 to annual financial statements for fiscal years beginning after December 15, 2008, in accordance with FASB Staff Position FIN 48-3, *Effective Date of Interpretation No. 48 for Certain Nonpublic Enterprises*. 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 as of June 30, 2008 and 2007, consisted of the following:

	2008	2007
Invested cash	<u>\$ 12,459</u>	<u>\$ 18,180</u>
Common stocks	<u>14,340</u>	<u>19,375</u>
Fixed income	<u>1,236</u>	<u>1,108</u>
Alternative investments:		
Marketable alternative equity	98,720	122,034
Fixed income	77,881	78,137
Marketable energy and commodities	28,356	24,201
Private equity	<u>33,586</u>	<u>15,415</u>
Total alternative investments	<u>238,543</u>	<u>239,787</u>
Total	<u><u>\$ 266,578</u></u>	<u><u>\$ 278,450</u></u>

Invested cash includes short-term investments and money market accounts.

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 statements of activities.

Investments as of June 30, 2008 and 2007, are allocated as follows:

	2008	2007
Pastoral Center	\$ 79,400	\$ 78,601
Seminary	78,677	95,772
Bank operations	26,050	23,437
Parishes	81,772	80,640
Other affiliated agencies	<u>679</u>	<u>-</u>
Total	<u><u>\$ 266,578</u></u>	<u><u>\$ 278,450</u></u>

Net investment return for the years ended June 30, 2008 and 2007, is as follows:

	2008	2007
Interest and dividends on investments	\$ 6,166	\$ 6,933
Realized gains — net	12,515	16,196
Unrealized (losses) gains — net	<u>(8,971)</u>	<u>13,287</u>
Net investment return	<u>\$ 9,710</u>	<u>\$ 36,416</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, 2008 and 2007, there were loans outstanding to parishes, net of reserves for doubtful accounts, aggregating \$92,957 and \$90,363, respectively.

The activity for the allowance for impaired loans to parishes and religious orders included in the net loan balances as of June 30, 2008 and 2007, is as follows:

	2008	2007
Allowance for impaired loans — beginning of year	\$ (46,153)	\$ (44,864)
Current-year activity:		
Change in provision	2,051	1,917
Write-offs — net of recoveries	5,488	1,747
Transfer of allowance on impaired receivables reclassified as loans	<u>(3,691)</u>	<u>(4,953)</u>
Allowance for impaired loans — end of year	<u>\$ (42,305)</u>	<u>\$ (46,153)</u>

At June 30, 2008 and 2007, operating receivables were net of an allowance for doubtful accounts of \$7,074 and \$6,618, 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, 2008 and 2007 (discounted and net of an allowance for uncollectible pledges), are recorded by the Pastoral Center as a Development Fund receivable.

The second subcampaign 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 fund-raising campaign as designated by the Pastoral Center. Sharing Christ's Gifts 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 \$2,000 and \$2,261 in 2008 and 2007, respectively, funded by Big Shoulders Fund.

The Development Fund receivable, net of reserves, as of June 30, 2008 and 2007, consisted of the following:

	2008	2007
Due from Big Shoulders Fund — School Major Gift Campaign	\$ 2,058	\$ 3,102
Due from Parishes — Sharing Christ's Gifts	245	543
Due from third parties — other campaigns	-	14
	<u> </u>	<u> </u>
Total Development Fund	<u>\$ 2,303</u>	<u>\$ 3,659</u>

6. BANK BORROWINGS

A summary of bank borrowings as of June 30, 2008 and 2007, is as follows:

	2008	2007
\$10,000 term loan, originally due May 31, 2008, extended to April 30, 2010, interest rate is fixed (3.71% and 4.72% at June 30, 2008 and 2007, respectively)	\$ 10,000	\$ 10,000
\$10,000 line of credit, payable on demand, interest rate is LIBOR plus (5.99% and 4.72% at June 30, 2008 and 2007, respectively)	2,000	7,000
Note payable, due December 27, 2010, interest rate is fixed (5.19% and 4.84% at June 30, 2008 and 2007, respectively)	5,800	5,800
Note payable, due December 20, 2008, interest rate is fixed (5.92% at June 30, 2008 and 2007)	3,700	3,900
Note payable, due January 7, 2010, interest rate is fixed (4.57% at June 30, 2008 and 2007)	1,475	1,575
\$31,000 line of credit, payable on demand, interest rate is LIBOR plus (4.15% at June 30, 2008)	3,175	-
\$10,000 line of credit, payable on demand, interest rate is LIBOR plus (3.53% at June 30, 2008)	4,000	-
	<u> </u>	<u> </u>
Total bank borrowings	<u>\$ 30,150</u>	<u>\$ 28,275</u>

Total principal payments are due as follows:

Years Ending June 30	Amount
2009	\$ 12,875
2010	11,475
2011	<u>5,800</u>
Total bank borrowings	<u>\$ 30,150</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, 2008 and 2007.

7. ANNUAL CATHOLIC APPEAL

Annual Catholic Appeal operations for the years ended June 30, 2008 and 2007, are as follows:

	2008	2007
Contributions	\$ 14,458	\$ 14,919
Parish rebates	(4,244)	(1,697)
Uncollectible pledge provision	<u>(1,542)</u>	<u>(1,962)</u>
Net contributions after Parish rebates and uncollectible pledge provision	<u>\$ 8,672</u>	<u>\$ 11,260</u>
Pastoral Center program and grant support	\$ 6,083	\$ 8,738
Fund-raising expenses	1,949	1,882
Specific distribution to Catholic Relief Services	<u>640</u>	<u>640</u>
Total distributions	<u>\$ 8,672</u>	<u>\$ 11,260</u>

8. LEASES

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, 2008 and 2007, was \$677 and \$657, respectively.

Future payments under this agreement are as follows:

Years Ending June 30	Amount
2009	\$ 697
2010	697
2011	697
2012	<u>697</u>
Total	<u>\$ 2,788</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 rental expense on a straight-line basis over the term of the lease.

9. RETIREMENT 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 in 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 in 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 in 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 as of June 30, 2008 and 2007, is as follows:

	2008	2007
Change in benefit obligation — projected benefit obligation — beginning of year:	\$ 505,550	\$ 487,510
Service cost	-	16,342
Interest cost	30,945	31,173
Plan amendments	-	(29,089)
Actuarial (gains) losses	(40,307)	17,021
Benefits paid	<u>(19,392)</u>	<u>(17,407)</u>
Projected benefit obligation — end of year	<u>\$ 476,796</u>	<u>\$ 505,550</u>
Change in plan assets — fair value of plan assets — beginning of year:	\$ 536,863	\$ 454,607
Actual return on plan assets	45,573	84,663
Employer contributions	-	15,000
Benefits paid	<u>(19,392)</u>	<u>(17,407)</u>
Fair value of plan assets — end of year	<u>\$ 563,044</u>	<u>\$ 536,863</u>
Funded status — end of year	<u>\$ 86,248</u>	<u>\$ 31,313</u>
Amounts recognized in the statements of financial position — prepaid pension asset	<u>\$ 86,248</u>	<u>\$ 31,313</u>

The components of net periodic benefit cost for the years ended June 30, 2008 and 2007, are as follows:

	2008	2007
Components of net periodic benefit cost:		
Service cost	\$ -	\$ 16,342
Interest cost	30,945	31,173
Expected return on plan assets	(28,848)	(35,307)
Amortization of unrecognized — prior service cost	-	(5,752)
Curtailment gain	<u>-</u>	<u>(83,730)</u>
Total net periodic benefit (income) cost	<u>\$ 2,097</u>	<u>\$ (77,274)</u>

Pension-related changes, other than net periodic pension expense, that have been included as a separate charge to unrestricted net assets during the year ended June 30, 2008, consist of actuarial gains arising during the period of \$57,032.

The pension plan accumulated net actuarial gain not yet recognized as a component of periodic pension expense but accumulated in unrestricted net assets as of June 30, 2008 and 2007, are \$92,055 and \$35,023, respectively. An estimated \$3,972 of net actuarial gain will be included as a component of periodic pension expense in 2009.

Actuarial assumptions for the Plan as of June 30, 2008 and 2007, are as follows:

	2008	2007
Weighted-average assumptions:		
Discount rate — benefit obligation	7.00 %	6.25 %
Discount rate — benefit cost	6.25	6.50
Expected return on plan assets — benefit cost	5.50	8.00
Rate of compensation increase	N/A	N/A

Plan assets as of June 30, 2008 and 2007, are as follows:

	2008	2007
Invested cash	1 %	1 %
Common stocks		
Alternative investments	3	44
U.S. government securities	47	37
Corporate debt securities	49	17
Derivative instruments	<u>-</u>	<u>1</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 2008 and 2007, the Plan repositioned 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 2009.

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

Years Ending June 30	Amount
2009	\$ 22,902
2010	25,255
2011	27,287
2012	29,297
2013	31,232
2014–2018	183,774

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 \$2,923 and \$2,305 to the plan in 2008 and 2007, respectively.

Effective July 1, 2007, the Archdiocese of Chicago implemented the Share Plan contribution to replace the defined benefit pension plan for full-time and benefits-eligible part-time employees. Under the Share

Plan, the Archdiocese will make a contribution to the eligible employees' 403(b) retirement plan accounts. The contribution is a percentage of gross pay and is deposited each quarter. For eligible employees hired on or before June 30, 2007, the quarterly contribution will be an age-weighted percentage of the employee's gross earnings, and that percentage will increase as employees advance in age, based on age as of January 1st each year.

Share Plan contributions for employees who became eligible or were hired on or after July 1, 2007 will be based on a flat percentage of gross earnings, regardless of age. The flat contribution can range from 1.25% to 5.0% as determined annually by the Archdiocese. The Share Plan will have the same five-year cliff vesting as the defined benefit pension plan. The Archdiocese contributed \$13,895 and \$0 to the Share Plan in 2008 and 2007, respectively.

10. 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.

11. 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, Catholic Charities, and Mercy Home for Boys and Girls. 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 for the Pooled Investment Fund as of June 30, 2008 and 2007, is \$33,459 and \$30,760, respectively.

As a part of normal operating activities, the Pastoral Center enters into various agreements providing financial or performance assurance to third parties on behalf of the Parishes. Such agreements include standby letters of credit. These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to a parish on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the Parish's capital expenditures. The total letters of credit in existence as of June 30, 2008, are \$825.

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.

12. FUNCTIONAL EXPENSES

The following is a summary of expenses by functional classification and reconciliation to total expenses for the years ended June 30, 2008 and 2007. Certain expenses in the summary include the allocation of depreciation expense:

	2008	2007
Program activities:		
Insurance and retirement benefits program	\$ 118,679	\$ 102,142
Food service	43,690	40,159
Ministerial services	17,036	8,065
Seminaries	12,954	15,437
Publications	<u>8,318</u>	<u>15,356</u>
Total program activities	200,677	181,159
Management and general expense (including depreciation)	28,874	27,909
Fund-raising and development expense	<u>2,939</u>	<u>2,742</u>
Total functional expenses	232,490	211,810
Parish and agency grants	10,440	6,378
Interest expense for savings deposits and line of credit	8,605	18,190
Annual appeal rebates and uncollectible pledge provision	5,785	3,569
Provision for uncollectible loans and operating receivables	3,578	4,401
Annual appeal distributions	<u>640</u>	<u>640</u>
Total expenses	<u>\$ 261,538</u>	<u>\$ 244,988</u>

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ADDITIONAL INFORMATION

ARCHDIOCESAN PASTORAL CENTER — ARCHDIOCESE OF CHICAGO

UNRESTRICTED NET ASSETS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007 (Amounts in thousands)

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 years ended June 30, 2008 and 2007, is as follows:

	2008	2007
Pastoral Center Activities Fund	\$ (9,123)	\$ 2,846
Archdiocesan Bank	5,164	3,251
Insurance Fund	49,682	125,484
Real Estate Fund	(4,270)	16,281
Endowment Fund	4,358	17,194
Development Fund	1,261	753
Professional Conduct Fund	<u>(17,872)</u>	<u>(17,990)</u>
Total change in unrestricted net assets	<u>\$ 29,200</u>	<u>\$ 147,819</u>

ARCHDIOCESAN PASTORAL CENTER — ARCHDIOCESE OF CHICAGO

**SEMINARIES OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2008
(Amounts in thousands)**

	University of St. Mary of the Lake	St. Joseph Seminary	Total
REVENUES:			
Tuition, fees, and room and board	\$ 5,259	\$ 1,676	\$ 6,935
Development	926	787	1,713
Other	<u>554</u>	<u>-</u>	<u>554</u>
Total revenues	<u>6,739</u>	<u>2,463</u>	<u>9,202</u>
EXPENSES:			
Salaries and wages	3,727	698	4,425
Employee benefits	239	173	412
Occupancy	773	930	1,703
Other	<u>1,660</u>	<u>2,729</u>	<u>4,389</u>
Total expenses	<u>6,399</u>	<u>4,530</u>	<u>10,929</u>
DEFICIENCY OF REVENUES OVER EXPENSES BEFORE PRIESTHOOD CANDIDATE EXPENSE, DEPRECIATION, AND EXTERNAL SUPPORT	340	(2,067)	(1,727)
PRIESTHOOD CANDIDATE EXPENSE	<u>2,025</u>	<u>-</u>	<u>2,025</u>
DEFICIENCY OF REVENUES UNDER EXPENSES BEFORE DEPRECIATION AND EXTERNAL SUPPORT	(1,685)	(2,067)	(3,752)
DEPRECIATION	(1,333)	(42)	(1,375)
EXTERNAL SUPPORT:			
Endowment Fund income	850	1,704	2,554
Seminary Appeal allocation	<u>486</u>	<u>55</u>	<u>541</u>
EXCESS DEFICIENCY OF REVENUES UNDER EXPENSES	<u>\$(1,682)</u>	<u>\$ (350)</u>	<u>\$(2,032)</u>
CAPITAL EXPENDITURES	<u>\$ 1,350</u>	<u>\$ -</u>	<u>\$ 1,350</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
REVENUES:				
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>
EXPENSES:				
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>
DEFICIENCY OF REVENUES OVER EXPENSES BEFORE PRIESTHOOD CANDIDATE EXPENSE, DEPRECIATION, AND EXTERNAL SUPPORT				
	(717)	(1,461)	(1,969)	(4,147)
PRIESTHOOD CANDIDATE EXPENSE				
	<u>1,881</u>	<u>-</u>	<u>-</u>	<u>1,881</u>
DEFICIENCY OF REVENUES UNDER EXPENSES BEFORE DEPRECIATION AND EXTERNAL SUPPORT				
	(2,598)	(1,461)	(1,969)	(6,028)
DEPRECIATION				
	(1,256)	(56)	(281)	(1,593)
EXTERNAL SUPPORT:				
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>
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENSES				
	<u>\$(2,374)</u>	<u>\$ 45</u>	<u>\$(1,220)</u>	<u>\$ (3,549)</u>
CAPITAL EXPENDITURES				
	<u>\$ 1,528</u>	<u>\$ -</u>	<u>\$ 400</u>	<u>\$ 1,928</u>

ARCHDIOCESAN PASTORAL CENTER — ARCHDIOCESE OF CHICAGO

SEMINARIES OPERATIONS (CONTINUED) FOR THE YEARS ENDED JUNE 30, 2008 AND 2007 (Amounts in thousands)

The Seminaries expense line in the Pastoral Center's statements of activities includes \$2,024 and \$1,881 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, 2008 and 2007, 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 72 and 71 students studying under these arrangements in 2008 and 2007, 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. In 2008 and 2007, the University had \$1,041 and \$1,167 in cash and a gift annuity for \$500 and \$500, respectively.

External support excludes restricted and designated gifts of \$183 and \$54, respectively, in 2008 and \$915 and \$0, respectively, in 2007. Realized gains of \$4,155 and \$7,388 in 2008 and 2007, respectively, were also excluded. These amounts were added to the corpus of the Seminary Endowment Fund. In addition, unrealized losses and gains of \$(3,944) and \$4,717 were reported for the fund in 2008 and 2007, respectively.

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

In 2008 and 2007, capital expenditures included \$233 for the mall restoration in 2008, \$400 for window repairs at Archbishop Quigley Seminary in 2007, and \$710 and \$1,147 for roof repairs at the University, 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.