Archdiocesan Pastoral Center—Archdiocese of Chicago

Financial Statements as of and for the
Years Ended June 30, 2015 and 2014, and
Independent Auditors' Report

ARCHDIOCESAN PASTORAL CENTER—ARCHDIOCESE OF CHICAGO

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INDEPENDENT AUDITORS' REPORT

Most Reverend Blase J. Cupich
Archbishop of Chicago:

We have audited the accompanying financial statements of the Archdiocesan Pastoral Center—Archdiocese of Chicago (the "Pastoral Center"), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pastoral Center as of June 30, 2015 and 2014, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

December 22, 2015

ARCHDIOCESAN PASTORAL CENTER—ARCHDIOCESE OF CHICAGO

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2015 AND 2014
(Amounts in thousands)

ASSETS	2015	2014
CASH AND CASH EQUIVALENTS	$ 25,711	$ 29,205
RESTRICTED CASH	11,601	11,601
INVESTMENTS	333,244	303,781
RECEIVABLES:		
Loans to parishes and other religious organizations—net	32,045	45,130
Interest on loans to parishes and other religious organizations—net	634	1,481
Pledges—net	40,575	36,435
Other—net	15,449	15,153
Total receivables	88,703	98,199
OTHER ASSETS OF AFFILIATED AGENCIES	18,480	21,766
PREPAID PENSION ASSET		61,791
LAND, BUILDINGS, AND EQUIPMENT:		
Land	24,986	25,107
Buildings and equipment	171,489	174,191
Undeveloped real estate	9,998	9,998
Closed parish property	21,892	19,767
Total land, buildings, and equipment	228,365	229,063
Less accumulated depreciation	(115,795)	(111,514)
Land, buildings, and equipment—net	112,570	117,549
OTHER ASSETS	3,257	4,931
TOTAL	$ 593,566	$ 648,823

LIABILITIES	2015	2014
DEPOSITS:		
Parishes	$ 247,918	$ 223,767
Other religious organizations	4,119	6,336
Total deposits	252,037	230,103
ACCOUNTS PAYABLE	28,260	27,161
BORROWINGS—Notes payable	150,683	153,949
OTHER LIABILITIES OF AFFILIATED AGENCIES	6,266	7,857
PENSION LIABILITY	9,444	
OTHER LIABILITIES:		
Insurance claims	168,627	125,023
Unearned rental income	16,576	16,781
Undistributed collections	2,217	2,351
Annuity obligations	2,701	3,012
Asset retirement obligations	1,899	1,791
Total other liabilities	192,020	148,958
Total liabilities	638,710	568,028
NET ASSETS:		
Unrestricted—undesignated	(153,123)	(28,892)
Unrestricted—designated	52,410	55,129
Temporarily restricted	38,540	38,046
Permanently restricted	17,029	16,512
Total net assets	(45,144)	80,795
TOTAL	$ 593,566	$ 648,823

See notes to financial statements.

ARCHDIOCESAN PASTORAL CENTER—ARCHDIOCESE OF CHICAGO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE TOTALS FOR 2014)
(Amounts in thousands)

	2015				2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUES:					
Assessments:					
Parishes	$ 25,283	$ -	$ -	$ 25,283	$ 23,115
Cemeteries	5,000			5,000	5,000
Insurance	105,739			105,739	107,085
Parishes for PRMAA	7,479			7,479	7,354
Investment return designated for current operations	4,971			4,971	13,944
Interest income—parish and agency loans	8,525			8,525	8,354
Food service	46,093			46,093	46,653
Publications	7,516			7,516	7,469
Pastoral Center services	21,616			21,616	22,070
Seminaries	13,648	201	405	14,254	17,550
Annual Catholic Appeal	11,337			11,337	9,356
Capital Campaign—TTWCI	10,655			10,655	22,505
Contributions and bequests	1,070		112	1,182	2,162
Other	4,649			4,649	5,975
Total revenues	273,581	201	517	274,299	298,592
EXPENSES:					
Parish and agency grants:					
Operating	8,203			8,203	8,899
Capital	1,293			1,293	1,012
Contributions to PRMAA	7,479			7,479	7,354
Provision for uncollectible loans and operating receivables	15,240			15,240	18,475
Insurance and retirement benefits program	147,828			147,828	147,036
Deposit valuation	31			31	11,233
Interest expense:					
Deposits	1,370			1,370	1,210
Borrowings	8,286			8,286	7,624
Change in value of gift annuities	62			62	420
Food service	45,222			45,222	44,549
Publications	7,260			7,260	7,111
Pastoral Center services	55,349			55,349	55,316
Seminaries	12,353			12,353	13,811
Annual Catholic Appeal fundraising expenses	1,594			1,594	1,752
Capital Campaign expenses—TTWCI	10,595			10,595	5,185
Depreciation	5,802			5,802	6,041
Other	7,085			7,085	5,002
Total expenses	335,052	-	-	335,052	342,030
LOSS FROM OPERATIONS	(61,471)	201	517	(60,753)	(43,438)
NET ASSETS RELEASED FROM RESTRICTIONS	999	(999)		-	-
PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION EXPENSE	(81,711)			(81,711)	(6,035)
INVESTMENT RETURN EXCLUDING RETURNS DESIGNATED FOR CURRENT OPERATIONS	(4,709)	1,292		(3,417)	16,434
NET PROPERTY GAINS	120			120	1,048
INTERENTITY TRANSFERS	19,822			19,822	23,000
CHANGE IN NET ASSETS	(126,950)	494	517	(125,939)	(8,991)
NET ASSETS—Beginning of year	26,237	38,046	16,512	80,795	89,786
NET ASSETS—End of year	$ (100,713)	$ 38,540	$ 17,029	$ (45,144)	$ 80,795

See notes to financial statements.

ARCHDIOCESAN PASTORAL CENTER—ARCHDIOCESE OF CHICAGO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014
(Amounts in thousands)

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES:				
Assessments:				
Parishes	$ 23,115	$ -	$ -	$ 23,115
Cemeteries	5,000			5,000
Insurance	107,085			107,085
Parishes for PRMAA	7,354			7,354
Investment return designated for current operations	13,944			13,944
Interest income—parish and agency loans	8,354			8,354
Food service	46,653			46,653
Publications	7,469			7,469
Pastoral Center services	22,070			22,070
Seminaries	15,951	1,599		17,550
Annual Catholic Appeal	9,356			9,356
Capital Campaign—TTWCI	22,505			22,505
Contributions and bequests	1,095	701	366	2,162
Other	5,975			5,975
Total revenues	295,926	2,300	366	298,592
EXPENSES:				
Parish and agency grants:				
Operating	8,899			8,899
Capital	1,012			1,012
Contributions to PRMAA	7,354			7,354
Provision for uncollectible loans and operating receivables	18,475			18,475
Insurance and retirement benefits program	147,036			147,036
Deposit valuation	11,233			11,233
Interest expense:				
Deposits	1,210			1,210
Borrowings	7,624			7,624
Change in value of gift annuities	420			420
Food service	44,549			44,549
Publications	7,111			7,111
Pastoral Center services	55,316			55,316
Seminaries	13,811			13,811
Annual Catholic Appeal fund-raising expenses	1,752			1,752
Capital Campaign fund-raising expenses—TTWCI	5,185			5,185
Depreciation	6,041			6,041
Other	5,002			5,002
Total expenses	342,030	-	-	342,030
LOSS FROM OPERATIONS	(46,104)	2,300	366	(43,438)
NET ASSETS RELEASED FROM RESTRICTIONS	1,403	(1,403)		-
PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION EXPENSE	(6,035)			(6,035)
INVESTMENT RETURN EXCLUDING RETURNS DESIGNATED FOR CURRENT OPERATIONS	11,176	5,258		16,434
NET PROPERTY GAINS	1,048			1,048
INTERENTITY TRANSFERS	23,000			23,000
CHANGE IN NET ASSETS	(15,512)	6,155	366	(8,991)
NET ASSETS—Beginning of year	41,749	31,891	16,146	89,786
NET ASSETS—End of year	$ 26,237	$38,046	$16,512	$ 80,795

See notes to financial statements.

ARCHDIOCESAN PASTORAL CENTER—ARCHDIOCESE OF CHICAGO

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(Amounts in thousands)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (125,939)	$ (8,991)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Change in unrealized gains/losses and realized losses (gains) on investments—net	3,210	(28,813)
Property gains—net	(120)	(1,048)
Provision for uncollectible receivables	15,240	18,475
Depreciation and accretion	5,910	6,143
Permanently restricted contributions	(517)	(366)
Noncash charge for changes in defined benefit pension plan other than periodic pension expense	81,711	6,035
Changes in assets and liabilities:		
Receivables	(24,597)	(52,589)
Prepaid pension asset/pension liability	(10,476)	(9,197)
Assets of affiliated agencies	3,286	3,020
Accounts payable	1,099	(1,897)
Liabilities of affiliated agencies	(1,591)	(417)
Other assets	1,674	(762)
Annuity obligations	(311)	108
Other liabilities	43,265	32,768
Net cash used in operating activities	(8,156)	(37,531)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	95,476	146,176
Purchases of investments	(128,149)	(184,888)
Proceeds from sales of land, buildings, and equipment	3,301	3,860
Purchases of land, buildings, and equipment	(729)	(3,122)
Deposits to restricted cash accounts		(3,569)
Principal collected on loans to parishes and religious orders	18,799	8,927
Loans to parishes and religious orders	(3,221)	(5,619)
Net cash used in investing activities	(14,523)	(38,235)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Savings deposits	82,441	79,741
Savings withdrawals	(60,507)	(44,311)
Borrowings		60,000
Borrowing repayments	(3,266)	(3,103)
Permanently restricted contributions	517	366
Net cash provided by financing activities	19,185	92,693
CHANGE IN CASH AND CASH EQUIVALENTS	(3,494)	16,927
CASH AND CASH EQUIVALENTS—Beginning of year	29,205	12,278
CASH AND CASH EQUIVALENTS—End of year	$ 25,711	$ 29,205
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest:		
Deposits	$ 1,432	$ 1,630
Borrowings	$ 8,277	$ 6,752
Property acquired to settle other asset and receivables	$ 3,275	$ 4,338

See notes to financial statements.

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, shrines, and oratories in Cook and Lake Counties (the "Parishes") and other church agencies. It operates the Archdiocesan Bank, which provides 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 students; publishes three biweekly newspapers 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, food service revenue, interest on loans to Parishes, and investment earnings.

Other assets and other liabilities of affiliated agencies represent the aggregate assets and liabilities, with the exception of investments and property, of several departments of the Pastoral Center, which are operated independently of the Pastoral Center's primary operations. Affiliated agencies include Saint Joseph College Seminary, University of Saint Mary of the Lake/Mundelein Seminary, Liturgy Training Publications, Catholic New World, Chicago Catolico, Katolik, Ceres Food Group, Inc., Food Service Professionals, the Sheil Center, John Paul II Newman Center, Calvert House, and Saint Benedict Technology Consortium. All significant interorganizational balances and transactions have been eliminated.

These financial statements reflect only the operations of those agencies and other organizations of the Archdiocese under 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 Archdiocese.

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 (GAAP) 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.

Subsequent Events—The Pastoral Center evaluated subsequent events through December 22, 2015, the date the financial statements were available for issuance.

Cash Equivalents—Cash equivalents are defined to include highly liquid debt instruments purchased with an original maturity of three months or less and are stated at cost, which approximates fair value.

Restricted Cash—Restricted cash includes amounts included in a separate bank account for the benefit of lenders for debt service in accordance with debt agreement.

Investments—Investments are carried at fair value.

The estimated fair values of alternative investments that do not have readily determinable 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 investments, and therefore, the estimated values may differ from the values that would have been recorded had a ready market for these investments existed.

The Pastoral Center, Catholic Cemeteries, Parishes, Priests Retirement & Mutual Aid Association (PRMAA), and Mercy Home for Boys and Girls, all of whom are related parties, manage a portion of their investments through a pooled investment fund.

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 fair 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 and Buildings and Equipment—Land and buildings and equipment represent 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 values as of July 1, 1980, with subsequent additions recorded at cost. Depreciation is recorded on buildings and equipment.

Undeveloped Real Estate—Undeveloped real estate represents sites held for future development and is carried at cost.

Closed Parish Property—Closed parish property represents parish property transferred to the Pastoral Center after the parish was closed.

Depreciation—Depreciation is computed using the straight-line method based upon the following estimated useful 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 Obligations—Management records all known asset retirement obligations for which the fair value can be reasonably estimated. A liability is initially recorded at fair value if the fair value of the obligation to retire an asset can be reasonably estimated. The Pastoral Center has a liability for asset retirement obligations of $1,899 and $1,790 as of June 30, 2015 and 2014, respectively.

Asset Impairment—The Pastoral Center reviews long-lived assets for impairment by comparing the future cash flows expected from the asset to the carrying value of the asset when certain conditions exist or events occur. The Pastoral Center did not record an impairment loss on long-lived assets in 2015 or 2014.

Fair Value of Financial Instruments—The carrying value of debt approximates fair value given interest rates on borrowings approximate market interest rates. The fair value of loans to parishes and other religious organizations is not practical to estimate due to the related-party nature of these loans. The fair value of investments is disclosed within Note 8.

Classification of Net Assets—In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*, 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 designated funds that are designated by The Catholic Bishop of Chicago for the seminary operations. 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 returns.

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.

Temporarily restricted net assets as of June 30, 2015 and 2014, are available for the following purposes:

	2015	2014
Seminary programs	$ 29,229	$ 29,414
School programs	7,538	6,927
Ministry programs	1,773	1,705
	$ 38,540	$ 38,046

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. 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.

Annuity Obligation—Annuity obligations result from funds granted to the Pastoral Center by individuals in return for payments to those individuals during their lifetime. Annuity obligations are actuarially determined using the market interest rate at the inception of the gift annuity and are based upon the annuitant's age and life expectancy. The excess of the funds granted to the Pastoral Center over the calculated annuity payable is recorded as contributions. At the end of the year, the liability for all existing annuity contracts is actuarially determined and the adjustment to annuities payable is recorded as interest expense—change in value of gift annuities in the statements of activities.

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. Parishes, Cemeteries, Parishes for PRMAA, 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 contributions are recognized when the contract is signed and the assets are received. 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.

Receivables—Loans to parishes and other religious organizations and operating receivables are presented net of an allowance for doubtful accounts. Loans to Parishes and other religious organizations bear interest at rates believed to be below prevailing commercial interest rates.

Related Parties—Related parties include Catholic Charities, Mercy Home for Boys and Girls, Maryville Academy ("Maryville"), Misericordia Home, Catholic Cemeteries, PRMAA, and Parishes.

Deposits—Deposits bear interest at rates that vary depending on the amount and availability of the deposit. During both 2015 and 2014, interest rates paid on deposits ranged from 0.7% to 1.7%.

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 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 2015 and 2014, the Pastoral Center settled several legal claims related to allegations of past professional misconduct by priests with settlements totaling $3,789 and $16,714, respectively. Subsequent to June 30, 2015, the Pastoral Center settled an additional $10,830 in settlement claims. The costs of these subsequent settlements are included in the insurance claims reserve at June 30, 2015.

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 affiliated agency expenses and related assessment revenues have been eliminated from the statements of activities:

	2015	2014
Food service	$ 2,185	$ 2,622
Publications	545	451
Seminaries	1,495	1,722

Unearned Rental Income—In May 2008, The Catholic Bishop of Chicago executed a land lease agreement for the site of the now former Pastoral Center operational headquarters building. The lease has a term of 99 years that commenced on 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 third-party organization.

Tax-Exempt Status—The Catholic Bishop of Chicago is tax-exempt under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code.

Accounting Standards Update (ASU) Adopted—In April 2013, the FASB issued ASU No. 2013-06, *Services Received from Personnel of an Affiliate*, to specify the guidance that not-for-profit entities apply for recognizing and measuring services received from personnel of an affiliate. The amendments in this update require a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either (1) the cost recognized by the affiliate for the personnel providing that service or (2) the fair value of that service. The new guidance is effective for reporting periods beginning after June 15, 2014. The adoption of this ASU did not have a material effect on the financial statements.

ASUs Issued Not Yet Adopted—In April 2014, the FASB issued ASU No. 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. ASU No. 2014-08 changes the requirements for reporting discontinued operations. A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when the component of an entity or group of components meets the criteria to be classified as held for sale, is disposed of by sale, or is disposed of other than by sale (for example, by abandonment or in a distribution to owners in a spin-off). ASU No. 2014-08 also requires an entity to present, for each comparative period, the assets and liabilities of a disposal group that includes a discontinued operation separately in the asset and liability sections, respectively, of the statement of financial position. ASU No. 2014-08 is effective for the Pastoral Center beginning on July 1, 2015. ASU No 2014-08 is not expected to have an impact on the financial statements as no disposals are contemplated.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. ASU No. 2014-09 creates Topic 606, *Revenue from Contracts with Customers*, and supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*. ASU No. 2014-09 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also specifies the accounting for some costs to obtain or fulfill a contract with a customer and indicates an entity should disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. ASU No. 2015-14 deferred the effective date of ASU No. 2014-09. ASU No. 2014-09 is now effective for the Pastoral Center beginning on July 1, 2018. The Pastoral Center has not yet determined the impact on its financial statements.

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. ASU No. 2015-03 simplifies the presentation of debt issuance costs by requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in ASU No 2015-03. ASU No. 2015-03 is effective for the Pastoral Center on July 1, 2016. ASU No. 2015-03 is not expected to have a material impact on the financial statements.

In May 2015, the FASB issued ASU No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. ASU No. 2015-07 addresses the diversity in practice related to how certain investments measured at net asset value with future redemption dates are categorized, the amendments in this ASU remove the requirement to categorize investments for which fair values are measured using the net asset value per share practical expedient. It also limits disclosures to investments for which the entity has elected to measure the fair value using the practical expedient. ASU No. 2015-07 is effective for the Pastoral Center beginning on July 1, 2017. The adoption of ASU No. 2015-07 is not expected to have a material impact on the financial statement disclosures.

3. INVESTMENTS

The Pastoral Center's investment portfolio, which includes the Pastoral Center's interest in a pooled investment fund, as of June 30, 2015 and 2014, consisted of the following:

	2015	2014
Invested cash	$ 29,134	$ 27,899
Common stock and equity mutual funds	18,323	19,800
Fixed-income mutual funds	88,688	36,287
Alternative investments:		
Marketable alternative equity	116,798	126,238
Fixed income	39,747	43,198
Marketable energy and commodities	4,470	4,870
Private equity	36,084	45,489
Total alternative investments	197,099	219,795
Total	$ 333,244	$ 303,781

Invested cash includes short-term investments and money market mutual funds.

Investments, 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 investments, it is reasonably possible that changes in the fair values of investments 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, 2015 and 2014, are allocated as follows:

	2015	2014
Pastoral Center	$ 100,344	$ 105,118
Seminaries	76,804	73,503
Archdiocesan Bank	54,707	22,113
Parish-directed investments through Archdiocesan Bank	100,420	102,082
Other affiliated agencies	969	965
Total investments	$ 333,244	$ 303,781

Net investment return for the years ended June 30, 2015 and 2014, is as follows:

	2015	2014
Interest and dividends	$ 4,764	$ 1,565
Realized gains on investments—net	7,854	10,502
Change in unrealized gains/losses on investments—net	(11,064)	18,311
Net investment return	$ 1,554	$ 30,378

4. LOANS AND OTHER RECEIVABLES

The Pastoral Center has a parish loan program, which lends at rates generally believed to be below the prevailing commercial interest rate. This program is mainly funded by deposits of surplus funds from Parishes and other religious organizations. At June 30, 2015 and 2014, there were loans outstanding to Parishes, net of allowance for doubtful accounts, aggregating $30,710 and $44,885, respectively, and loans outstanding to other religious organizations, net of allowance for doubtful accounts, of $1,468 and $246, respectively.

A rollforward schedule of the allowance for doubtful accounts related to loans receivable for the year ended June 30, 2015, on a portfolio segment basis, is as follows:

	Parishes		Other Religious Organizations		
	Capital	Operating	Capital	Operating	Total
Allowance for doubtful accounts:					
Beginning of year	$ (60,118)	$ (66,633)	$ (1,264)	$ (136)	$ (128,151)
Provision (expense) benefit	3,018	(1,273)			1,745
Write-offs—net of recoveries	174	1,109			1,283
End of year	$ (56,926)	$ (66,797)	$ (1,264)	$ (136)	$ (125,123)
Loan receivables—ending balance	$ 86,167	$ 68,134	$ 1,264	$ 1,604	$ 157,169

A rollforward schedule of the allowance for doubtful accounts related to loans receivable for the year ended June 30, 2014, on a portfolio segment basis, is as follows:

	Parishes		Other Religious Organizations		
	Capital	Operating	Capital	Operating	Total
Allowance for doubtful accounts:					
Beginning of year	$ (58,568)	$ (72,508)	$ (1,309)	$(136)	$ (132,521)
Provision (expense) benefit	(2,501)	2,883			382
Write-offs—net of recoveries	951	2,992	45		3,988
End of year	$ (60,118)	$ (66,633)	$ (1,264)	$(136)	$ (128,151)
Loan receivables—ending balance	$ 102,652	$ 68,983	$ 1,264	$ 382	$ 173,281

The ending balance of each financing receivable is evaluated individually, as opposed to collectively, for impairment.

The Pastoral Center determines the allowance for doubtful accounts related to loans based on the creditworthiness of the individual parish or religious organization. The Pastoral Center uses four categories to calculate the allowance. Category 1 indicates that the parish or other religious organization is deemed financially sound. Category 4 indicates that there is substantial doubt that the parish or religious organization will be able to repay the loan. Categories 2 and 3 indicate that there is some level of doubt that the parish or religious organization will be able to repay the loan.

The gross loan balance by creditworthiness category as of June 30, 2015, is as follows:

	Parishes		Other Religious Organizations		
	Capital	Operating	Capital	Operating	Total
Creditworthiness category:					
1	$ 27,336	$ 1,367	$ -	$ 1,468	$ 30,171
2	400				400
3	3,119	52			3,171
4	55,312	66,715	1,264	136	123,427
	$ 86,167	$ 68,134	$ 1,264	$ 1,604	$ 157,169

The gross loan balance by creditworthiness category as of June 30, 2014, is as follows:

	Parishes		Other Religious Organizations		
	Capital	Operating	Capital	Operating	Total
Creditworthiness category:					
1	$ 36,359	$ 1,542	$ -	$ 112	$ 38,013
2	4,259				4,259
3	3,410	53			3,463
4	58,624	67,388	1,264	270	127,546
	$ 102,652	$ 68,983	$ 1,264	$ 382	$ 173,281

The activity for the allowance for doubtful accounts for the net other receivables (interest on loans to parishes and other religious organizations, pledges, and other) as of June 30, 2015 and 2014, is as follows:

	2015		
	Interest on Loans	Pledges	Other
Allowance for doubtful accounts—beginning of year	$ (26,955)	$ (4,139)	$ (21,239)
Current-year activity:			
Provision	(5,183)		(12,735)
Appeal provision (reduction of revenue)		(1,153)	
Capital campaign provision		(1,194)	
Write-offs—net of recoveries	65	1,079	314
Allowance for doubtful accounts—end of year	$ (32,074)	$ (5,407)	$ (33,660)

	2014		
	Interest on Loans	Pledges	Other
Allowance for doubtful accounts—beginning of year	$ (21,964)	$ (1,477)	$ (7,792)
Current-year activity:			
Provision	(5,266)		(13,537)
Appeal provision (reduction of revenue)		(1,231)	
Capital campaign provision		(2,730)	
Write-offs—net of recoveries	276	1,299	90
Allowance for doubtful accounts—end of year	$ (26,954)	$ (4,139)	$ (21,239)

5. BORROWINGS

A summary of borrowings as of June 30, 2015 and 2014, is as follows:

	2015	2014
$100,000 notes payable, due April 25, 2032, interest rate is fixed at 5.14%	$ 90,683	$ 93,949
$60,000 notes payable, due October 2, 2024, interest rate is fixed at 5.85%	60,000	60,000
	$ 150,683	$ 153,949

On September 26, 2013, the Pastoral Center executed a note purchase agreement in the amount of $60,000. The notes have an interest rate of 5.85% with principal maturity dates from April 2, 2022, through October 2, 2024.

Total principal payments are due as follows:

Years Ending June 30	Amount
2016	$ 3,437
2017	3,617
2018	3,806
2019	4,006
2020	4,215
Thereafter	131,602
Total borrowings	$ 150,683

Certain debt agreements require that the Pastoral Center, along with Catholic Cemeteries, meet certain debt covenants related to minimum liquidity levels and investment to debt ratios. The Pastoral Center, along with Catholic Cemeteries, was in compliance with all financial debt covenants at June 30, 2015 and 2014.

Expenses related to the procurement and underwriting of notes payable have been deferred and are being amortized on a straight-line basis over the life of the notes. These costs, net of accumulated amortization, are $1,842 and $1,985 at June 30, 2015 and 2014, respectively.

6. CAPITAL CAMPAIGN (TTWCI)

The To Teach Who Christ Is (TTWCI) capital fundraising campaign is an effort to raise $350,000 in funds to support parishes, Catholic education, and faith formation initiatives over a five-year period. The campaign is being managed in two distinct areas: a major gift portion with a fundraising goal of $100,000 and a parish phase seeking $250,000. Within the parish phase, 60% of the goal amount ($150,000) will be retained at parishes for parish-specific needs and 40% ($100,000) will be allocated to Archdiocese-level needs. Overall, the campaign is expected to provide $150,000 for parishes, $150,000 for a scholarship endowment, $30,000 for urgent capital repairs, $12,000 for religious education programs, and $8,000 for academic excellence in Catholic schools. An independent trust, Catholic Education Scholarship Trust (CEST), has been established to oversee and manage the scholarship endowment.

Campaign activity for the years ended June 30, 2015 and 2014, is as follows:

	2015	2014
Contributions	$ 32,436	$ 49,322
Parish allocation	(21,867)	(24,456)
Uncollectible pledge provision (expense) benefit	86	(1,280)
Net contributions from TTWCI Campaign	$ 10,655	$ 23,586
CARITAS religious education program	$ 2,602	$ 1,152
Fundraising expenses	5,505	5,378
Specific distribution to CEST	2,488	
Total distributions	$ 10,595	$ 6,530

7. ANNUAL CATHOLIC APPEAL

The Annual Catholic Appeal (the "Appeal") supports the work of the schools, programs, agencies, and ministries of the Archdiocese that serve the educational, physical, and spiritual needs of its people. Through Catholic Relief Services, the Appeal also serves those overseas devastated by natural disasters, illness, wars, and famine. Parish goals for the Appeal are set at 6% of their offertory income. Donations received by a parish in excess of its goal are returned to the parish as a rebate.

Appeal activity for the years ended June 30, 2015 and 2014, is as follows:

	2015	2014
Contributions	$ 18,379	$ 14,950
Parish rebates and debt relief	(5,889)	(4,363)
Uncollectible pledge provision expense	(1,153)	(1,231)
Net contributions from Annual Catholic Appeal	$ 11,337	$ 9,356
Pastoral Center program and grant support	$ 9,103	$ 6,964
Fundraising expenses	1,594	1,752
Specific distribution to Catholic Relief Services	640	640
Total distributions	$ 11,337	$ 9,356

8. RETIREMENT BENEFITS

Defined Benefit Plan—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 the amount of salary or term of service before normal retirement age. For employment years prior to 1997, the salary was computed using 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.

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 not 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 the Plan.

Summary information for the Plan as of June 30, 2015 and 2014, is as follows:

	2015	2014
Change in benefit obligation:		
Projected benefit obligation—beginning of year	$ 720,635	$ 680,995
Interest cost	30,238	32,550
Actuarial losses	50,219	37,403
Benefits paid	(33,506)	(31,008)
Special termination benefits	4,212	695
Projected benefit obligation—end of year	$ 771,798	$ 720,635
Change in Plan assets:		
Fair value of Plan assets—beginning of year	$ 782,426	$ 739,624
Actual return on Plan assets	13,434	73,810
Benefits paid	(33,506)	(31,008)
Fair value of Plan assets—end of year	$ 762,354	$ 782,426
Funded status—end of year	$ (9,444)	$ 61,791
Amounts recognized in the statements of financial position—(pension liability) prepaid pension asset	$ (9,444)	$ 61,791

The components of net periodic benefit income for the years ended June 30, 2015 and 2014, are as follows:

	2015	2014
Components of net periodic benefit income:		
Interest cost	$ 30,238	$ 32,550
Expected return on Plan assets	(45,127)	(42,642)
Expected administrative expenses	200	200
Special termination benefits	4,212	695
Net periodic benefit income	$ (10,477)	$ (9,197)

Pension-related changes, other than net periodic pension expense, that have been included as a separate charge to unrestricted net assets during the years ended June 30, 2015 and 2014, consist of actuarial losses arising during the period of $81,711 and $6,035, respectively.

The Plan's accumulated net actuarial gains (losses) not yet recognized as a component of periodic pension expense but accumulated in unrestricted net assets as of June 30, 2015 and 2014, are $(47,632) and $34,079, respectively. The Pastoral Center estimates that there will be no amortization of the net actuarial loss included as a component of periodic pension expense in 2016.

Actuarial assumptions for the Plan as of June 30, 2015 and 2014, are as follows:

	2015	2014
Weighted-average assumptions:		
Discount rate—benefit obligation	4.50 %	4.30 %
Discount rate—benefit cost	4.30	4.90
Expected return on Plan assets—benefit cost	6.00	5.90
Rate of compensation increase	N/A	N/A

The Pastoral Center does not expect to contribute to the Plan in 2016.

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

Years Ending June 30	Amount
2016	$ 37,741
2017	39,383
2018	40,975
2019	42,473
2020	43,775
2021–2025	230,889

Plan Assets—The primary return objectives of the Plan are a) the preservation of principal, b) to earn a competitive total return consistent with prudent levels of risk, and c) to create a stream of investment returns to insure the systematic and adequate funding of actuarially determined benefits through contributions from the Pastoral Center and professional management of the Plan assets.

This is accomplished through diversification of assets in accordance with the investment policy. The pension plan assets are primarily investments in fixed-income securities. The current investment benchmark is a blend of Barclays Capital U.S. Long and Intermediate Credit and U.S. Long and Intermediate Government indices. The Plan assets also include invested cash, marketable alternative equity investments, marketable alternative energy and commodities investments, and fixed-income alternative investments.

Invested cash includes money market mutual funds and are generally categorized in Level 1 of the fair value hierarchy.

Mutual funds are valued based on the net asset value (NAV) as computed once per day, based on the quoted market prices of the securities in the fund's portfolio and are generally categorized in Level 1 of the fair value hierarchy.

Fixed-income securities are composed of U.S. government securities, U.S. government agency securities, foreign government agency securities, foreign government securities, municipal bonds, and corporate bonds. The fair value of U.S. government securities, U.S. government agency securities, foreign government agency securities, foreign government securities, municipal bonds, and corporate bonds is estimated using recently executed transactions, market price quotations (where observable), or bond spreads. If the spread data does not reference the issuer, then the data that reference a comparable issuer is used. These fixed-income securities are generally categorized in Level 2 of the fair value hierarchy.

Marketable alternative equity investments are composed of investments in fund of funds and hedge funds that invest primarily in marketable equity securities and equity-related underlying securities. Marketable alternative equity investments that cannot be fully redeemed at the NAV per unit in the "near term" are investments that cannot be redeemed at their NAV within 90 days after the statement of financial position date. The marketable alternative equity investments that can be redeemed at their NAV within the "near term" are categorized in Level 2 of the fair value hierarchy. The marketable alternative equity investments that cannot be redeemed within the "near term" at their NAV are categorized in Level 3 of the fair value hierarchy. These investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management.

Marketable energy and commodities investments are investments in marketable alternative equity fund of funds and hedge funds, which primarily invest in securities in the energy and commodities sectors. Marketable energy and commodities investments that cannot be fully redeemed at the NAV in the "near term" are investments that cannot be redeemed at their NAV within 90 days after the statement of financial position date. The marketable energy and commodities investments that can be redeemed at their NAV within the "near term" are categorized in Level 2 of the fair value hierarchy. The marketable energy and commodities investments that cannot be redeemed within the "near term" at their NAV are categorized in Level 3 of the fair value hierarchy. These investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management.

Fixed-income alternative investments are composed of hedge fund investments. Fixed-income alternative investments that cannot be fully redeemed at the NAV in the "near term" are investments that cannot be redeemed at their NAV within 90 days after the statement of financial position date. The fixed-income alternative investments that can be redeemed at their NAV within the "near term" are categorized in Level 2 of the fair value hierarchy. The fixed-income alternative investments that cannot be redeemed within the "near term" at their NAV are categorized in Level 3 of the fair value hierarchy. These investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management.

The Pastoral Center's Plan assets measured at fair value as of June 30, 2015 and 2014, are as follows:

2015	Level 1	Level 2	Level 3	Total
Invested cash	$ 12,432	$ -	$ -	$ 12,432
Mutual funds	111,991			111,991
Fixed income:				
Corporate bonds		305,757		305,757
Municipal bonds		14,902		14,902
U.S. government agency		119,684		119,684
U.S. government		195,574		195,574
Total fixed income	-	635,917	-	635,917
Alternative investments:				
Marketable alternative equity			450	450
Marketable energy and commodities			407	407
Fixed income		1,157		1,157
Total alternative investments	-	1,157	857	2,014
Total	$ 124,423	$ 637,074	$ 857	$ 762,354

2014	Level 1	Level 2	Level 3	Total
Invested cash	$ 20,145	$ -	$ -	$ 20,145
Fixed income:				
Corporate bonds		329,180		329,180
Municipal bonds		26,856		26,856
U.S. government agency		116,926		116,926
U.S. government		167,202		167,202
Foreign government agency		1,878		1,878
Foreign government		5,981		5,981
Total fixed income	-	648,023	-	648,023
Alternative investments:				
Marketable alternative equity			671	671
Marketable energy and commodities			538	538
Fixed income		113,049		113,049
Total alternative investments	-	113,049	1,209	114,258
Total	$ 20,145	$ 761,072	$ 1,209	$ 782,426

The table below presents the reconciliation of all Plan assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) and presents changes in unrealized gains or losses included within pension-related changes other than net periodic pension expense, a component of the change in net assets for the years ended June 30, 2015 and 2014, for Level 3 assets and liabilities.

	2015	2014
Balance as of July 1	$ 1,209	$ 1,200
Purchases		
Sales	(313)	(147)
Realized and change in unrealized gains (losses)—net	(39)	156
Balance as of June 30	$ 857	$ 1,209
The amount of total gains or losses for the year included in pension-related changes other than net periodic pension expense attributable to the change in unrealized gains or losses relating to assets still held at June 30	$ (35)	$ 177

Defined Contribution Plans—The Archdiocese also has a defined contribution plan, which includes an employer matching contribution. The matching contribution is available to all lay benefit-eligible employees of the Pastoral Center, Parishes, and certain other affiliated entities. The employer match is 50% of an employee's contributions up to a maximum of 2% of gross salary. Vesting in the matching contribution occurs at 25% per year. Employees with four or more years of service are fully vested in their match. The Pastoral Center contributed and incurred expense of $4,096 and $4,206 for the plan in 2015 and 2014, respectively.

Effective July 1, 2007, the Archdiocese implemented a share plan to replace the defined benefit pension plan for full-time and benefit-eligible part-time employees. Under the share plan, the Pastoral Center 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, are based on a flat percentage of gross earnings, regardless of age. The flat contribution can range from 1.25% to 5% as determined annually by the Archdiocese. The Share Plan has the same five-year cliff vesting as the defined benefit pension plan. The Pastoral Center contributed to the Share Plan and incurred expense of $12,444 and $12,304 in 2015 and 2014, respectively.

9. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy is used in selecting inputs, with the highest priority given to Level 1, as these are the most transparent or reliable:

Level 1—Quoted prices for identical instruments in active markets.

Level 2—Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs are observable in active markets.

Level 3—Valuations derived from valuation techniques in which one or more significant inputs are not observable.

The Pastoral Center attempts to establish fair value as an exit price in an orderly transaction consistent with normal settlement market conventions. The Pastoral Center is responsible for the valuation process and seeks to obtain quoted market prices for all securities. When quoted market prices in active markets are not available, the Pastoral Center uses independent pricing services to establish fair value.

Assets Measured at Fair Value—Assets measured at fair value on a recurring basis as of June 30, 2015 and 2014, are as follows:

2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Invested cash	$ 29,134	$ -	$ -	$ 29,134
Common stock and equity mutual funds	18,323			18,323
Fixed income mutual funds	88,688			88,688
Alternative investments:				
Marketable alternative equity		47,012	69,786	116,798
Fixed income		27,771	11,976	39,747
Marketable energy and commodities		1,981	2,489	4,470
Private equity			36,084	36,084
Total alternative investments	-	76,764	120,335	197,099
Total	$ 136,145	$ 76,764	$ 120,335	$ 333,244

2014	Level 1	Level 2	Level 3	Total
Invested cash	$ 27,899	$ -	$ -	$ 27,899
Common stock and equity mutual funds	19,800			19,800
Fixed income mutual funds	36,287			36,287
Alternative investments:				
Marketable alternative equity		60,955	65,283	126,238
Fixed income		25,671	17,527	43,198
Marketable energy and commodities		2,750	2,120	4,870
Private equity			45,489	45,489
Total alternative investments	-	89,376	130,419	219,795
Total	$ 83,986	$ 89,376	$ 130,419	$ 303,781

The Pastoral Center's investment balance includes $120,335 and $130,419 of Level 3 investments through participation in the Archdiocese pooled investment fund as of June 30, 2015 and 2014, respectively. The table below presents a reconciliation for total Archdiocese pooled investment fund assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) and presents changes in unrealized gains or losses for the entire pooled investment fund for the years ended June 30, 2015 and 2014, for Level 3 assets.

	2015	2014
Balance as of July 1	$ 465,939	$ 419,529
Purchases	43,900	49,822
Sales	(61,682)	(67,124)
Realized and change in unrealized gains—net	17,402	63,712
Balance as of June 30	$ 465,560	$ 465,939
The amount of total net gains (losses) for the year attributable to the change in unrealized gains or losses relating to assets still held at June 30	$ 14,093	$ 20,585

Investments that the Pastoral Center is able to fully redeem at the NAV in the "near term" have been classified as Level 2 investments. Investments that cannot be fully redeemed at the NAV in the "near term" have been classified as Level 3. The Pastoral Center has determined that investments that are not able to be redeemed at the NAV in the "near term" are investments that generally have one or more of the following characteristics: gated redemptions, all or a portion of the investment is side-pocketed, or lock-up periods greater than 90 days. Certain investments may be split between Level 2 and Level 3 if different share classes have different redemption or liquidity characteristics. As of June 30, 2015 and 2014, the Pastoral Center did not have any investments split between Level 2 and Level 3 in the fair value hierarchy.

A summary of the nature and risk of the Pastoral Center's alternative investments by major category as of June 30, 2015 and 2014, is as follows:

2015	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Side Pocket Investments [e]	Lockups/ Gates
Marketable alternative equity [a]	$116,798	$ -	1 day–36 months	1–120 days	$255	1/3 annually rolling, 2-year lock-up
Fixed income [b]	39,747		1–12 months	10–65 days		1/3 annually rolling
Marketable energy and commodities [c]	4,470		1–12 months	22–90 days		1/3 annually rolling
Private equity [d]	36,084	9,297	N/A	N/A		N/A
Total	$197,099	$9,297			$255	

2014	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Side Pocket Investments [e]	Lockups/ Gates
Marketable alternative equity [a]	$126,238	$ -	1 day–36 months	1–120 days	$476	1/3 annually rolling, 2-year lock-up
Fixed income [b]	43,198		1–12 months	10–65 days		1/3 annually rolling
Marketable energy and commodities [c]	4,870		1–12 months	22–90 days		1/3 annually rolling
Private equity [d]	45,489	12,265	N/A	N/A		N/A
Total	$219,795	$12,265			$476	

(a) Marketable alternative equity investments are composed of investments in fund of funds and hedge funds, which invest primarily in marketable equity securities and equity-related underlying securities.

(b) Fixed-income alternative investments are composed of hedge fund investments, which invest primarily in fixed-income securities and fixed-income-related underlying securities.

(c) Marketable energy and commodities investments are composed of limited partnerships and hedge funds, which invest in marketable securities of the energy and commodity sectors.

(d) Private equity includes investments in limited partnerships and private equity funds primarily invested in the oil and gas, natural gas, and real estate sectors. These investments are not redeemable periodically at the discretion of the investor. Instead, the nature of the investments in this category is that distributions are received through the general partner's liquidation of the underlying assets of the fund. It is estimated that the underlying assets of these funds will be liquidated in seven to 15 years.

(e) The Pastoral Center may participate in side pocket investments, either at the Pastoral Center's discretion or that of the investment adviser who manages the investment fund in which the Pastoral Center invests. A side pocket investment is generally less liquid than others in an investment fund and will be subject to different terms and conditions, including more significant restrictions on redemptions.

The following section describes the valuation methodologies used to measure different assets at fair value, including an indication of the level in the fair value hierarchy in which the asset is generally classified. The Pastoral Center uses prices and inputs that are current as of the measurement date, obtained through a third-party custodian from independent pricing services or the underlying investment managers.

Invested cash includes money market mutual funds and are generally categorized in Level 1 of the fair value hierarchy.

Common stock is valued based on quoted prices from an exchange. To the extent these securities are actively traded, valuation adjustments are not applied and they are generally categorized in Level 1 of the fair value hierarchy.

Equity mutual funds and fixed-income mutual funds are valued based on the NAV as computed once per day based on the quoted market prices of the securities in the fund's portfolio and are generally categorized in Level 1 of the fair value hierarchy.

Marketable alternative equity investments are composed of investments in fund of funds and hedge funds. Marketable alternative equity investments that cannot be fully redeemed at the NAV in the "near term" are investments that cannot be redeemed at their NAV within 90 days after the statement of financial position date. The marketable alternative equity investments that can be redeemed within the "near term" are categorized in Level 2 of the fair value hierarchy. The marketable alternative equity investments that cannot be redeemed within the "near term" are categorized in Level 3 of the fair value hierarchy. These investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management.

Fixed-income alternative investments are composed of hedge fund investments. Fixed-income alternative investments that cannot be fully redeemed at the NAV in the "near term" are investments that cannot be redeemed at their NAV within 90 days after the statement of financial position date. The fixed-income alternative investments that can be redeemed within the "near term" are categorized in Level 2 of the fair value hierarchy. The fixed-income alternative investments that cannot be redeemed within the "near term" are categorized in Level 3 of the fair value hierarchy. These investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management.

Marketable energy and commodities investments are investments in marketable alternative equity fund of funds and hedge funds. Marketable energy and commodities investments that cannot be fully redeemed at the NAV in the "near term" are investments that cannot be redeemed at their NAV within 90 days after the statement of financial position date. The marketable energy and commodities investments that can be redeemed within the "near term" are categorized in Level 2 of the fair value hierarchy. The marketable energy and commodities investments that cannot be redeemed within the "near term" are categorized in Level 3 of the fair value hierarchy. These investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management.

Private equity investments include investments in limited partnerships and private equity funds. These investments are valued using estimates developed by external investment managers and are accepted or adjusted through a valuation review performed by management. Private equity investments are generally categorized in Level 3 of the fair value hierarchy.

10. ENDOWMENTS

The Pastoral Center endowments as of June 30, 2015 and 2014, include 21 individual funds, for both years, established for a variety of purposes and include both donor-restricted endowment funds and designated funds designated to function as endowments. Net assets associated with permanently restricted funds, including designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Pastoral Center has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date of the donor permanently restricted funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Pastoral Center classifies as permanently restricted net assets (a) the original value of gifts, (b) the original value of subsequent gifts, and (c) accumulations made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

1 The duration and preservation of the fund
2 The purposes of the organization and the donor-restricted fund
3 General economic conditions
4 The possible effect of inflation and deflation
5 The expected total return from income and the appreciation of investments
6 Other resources of the organization
7 The investment policies of the organization

Endowment net asset composition by type of fund as of June 30, 2015, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ -	$ 14,013	$ 17,029	$ 31,042
Designated funds	27,450			27,450
Total funds	$ 27,450	$ 14,013	$ 17,029	$ 58,492

Endowment net asset composition by type of fund as of June 30, 2014, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ -	$ 14,339	$ 16,512	$ 30,851
Designated funds	29,000			29,000
Total funds	$ 29,000	$ 14,339	$ 16,512	$ 59,851

Changes in endowment net assets for the year ended June 30, 2015, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets—beginning of year	$ 29,000	$ 14,339	$ 16,512	$ 59,851
Investment return:				
Dividend and interest income	319	339		659
Realized gains and change in unrealized gains/losses on investments—net	289	317		607
Total investment return	609	657	-	1,266
Contributions and additional designations	523	269	517	1,309
Appropriation of endowment assets for expenditures	(2,682)	(1,252)		(3,934)
Endowment net assets—end of year	$ 27,450	$ 14,013	$ 17,029	$ 58,492

Changes in endowment net assets for the year ended June 30, 2014, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets—beginning of year	$ 26,079	$ 10,733	$ 16,146	$ 52,958
Investment return:				
Dividend and interest income	233	237		470
Realized gains and change in unrealized gains/losses on investments—net	3,742	2,857		6,599
Total investment return	3,975	3,094	-	7,069
Contributions and additional designations		1,120	366	1,486
Appropriation of endowment assets for expenditures	(1,054)	(608)		(1,662)
Endowment net assets—end of year	$ 29,000	$ 14,339	$ 16,512	$ 59,851

Funds with Deficiencies—From time to time, the fair value of assets associated with individual donor permanently restricted funds may fall below the level that the donor or UPMIFA requires the Pastoral Center to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies of this nature as of June 30, 2015 and 2014.

Return Objectives and Risk Parameters—The Pastoral Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Pastoral Center must hold in perpetuity or for a donor-specified period(s) as well as designated funds. The Pastoral Center expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives—To satisfy its long-term rate of return objectives, the Pastoral Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy—The Pastoral Center has a policy of appropriating for distribution each year 5% of its designated endowment fund's average fair value over the prior four quarters through March 31 preceding the fiscal year in which the distribution is planned. In establishing this policy, the Pastoral Center considered the long-term expected return on its designated endowment. Accordingly, over the long term, the Pastoral Center expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

11. RELATED PARTIES

Catholic Cemeteries transferred cash of $19,822 and $23,000 to the Pastoral Center during 2015 and 2014, respectively. The cash transfers were recorded as interentity transfers in the statements of activities.

The Pastoral Center has a receivable from Maryville for residual liabilities relating to five historical claims based on Maryville's withdrawal from the Archdiocese's self-insurance program. The receivable amount for these claims totaled $376 as of June 30, 2015 and 2014. In addition, as of June 30, 2015 and 2014, the Pastoral Center had other receivables from Maryville of $177.

The Pastoral Center received funding from Maryville for Office of Catechesis activities totaling $231 and $187 for 2015 and 2014, respectively.

12. COMMITMENTS AND CONTINGENCIES

The Archdiocesan Finance Council and its investment committee oversee a pooled investment fund for various entities in the Archdiocese, including the Pastoral Center, Parishes, 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 pooled investment fund 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, 2015 and 2014, is $38,374 and $47,023, respectively. The Pastoral Center's allocation of the open commitments as of June 30, 2015 and 2014, is $9,297 and $12,265, 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 individual 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, 2015 and 2014, are $153 and $153, respectively.

Effective July 1, 2009, the Pastoral Center executed a guaranty agreement related to a letter of credit supporting the Series 1993A and Series 1993B adjustable demand revenue bonds issued by the Illinois Development Finance Authority to provide interim financing to Catholic Charities. The letter of credit, in the amount of $10,164, originally expired on July 1, 2011, and was renewed and the renewal expired on July 1, 2014.

PRMAA administers retirement, disability, health, and other benefits for the priests of the Archdiocese. Operating support is derived primarily from Parishes assessments and contributions from priests. The Pastoral Center has committed to provide additional funding to PRMAA to the extent that Parishes assessments and contributions from priests do not meet PRMAA's operating cash flow needs.

Other various legal actions and governmental proceedings involve The Catholic Bishop of Chicago or separately incorporated religious organizations under its 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 ultimate outcome of these matters is not presently known, 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.

13. FUNCTIONAL EXPENSES

The following is a summary of expenses by functional classification and reconciliation to total expenses for the years ended June 30, 2015 and 2014. Certain expenses in the summary include the allocation of depreciation expense.

	2015	2014
Program activities:		
Insurance and retirement benefits program	$ 147,828	$ 147,036
Food service	45,222	44,549
Ministerial services	16,864	16,089
Seminaries	12,353	13,811
Publications	7,260	7,111
Total program activities	229,527	228,596
Management and general expense (including depreciation)	51,372	50,270
Fundraising and development expense	11,549	6,297
Total functional expenses	292,448	285,163
Deposit valuation	31	11,233
Contributions to PRMAA	7,479	7,354
Parish and agency grants	9,496	9,911
Interest expense for deposits, borrowings, and change in value of gift annuities	9,718	9,254
Provision for uncollectible loans and operating receivables	15,240	18,475
Annual appeal distributions	640	640
Total expenses	$ 335,052	$ 342,030

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