Archdiocesan Pastoral Center—Archdiocese of Chicago

Financial Statements as of and for the
Years Ended June 30, 2017 and 2016, and
Independent Auditors’ Report

ARCHDIOCESAN PASTORAL CENTER—ARCHDIOCESE OF CHICAGO

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INDEPENDENT AUDITORS' REPORT

His Eminence Cardinal 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, 2017 and 2016, 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, 2017 and 2016, and the changes in its net assets 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 18, 2017

ARCHDIOCESAN PASTORAL CENTER—ARCHDIOCESE OF CHICAGO

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND 2016
(Amounts in thousands)

ASSETS	2017	2016
CASH AND CASH EQUIVALENTS	$ 43,957	$ 24,126
RESTRICTED CASH	13,054	11,542
INVESTMENTS	368,421	339,713
RECEIVABLES:		
Loans to parishes and other religious organizations—net	20,320	23,236
Interest on loans to parishes and other religious organizations—net	307	383
Pledges—net	141,392	109,020
Other—net	15,147	20,443
Total receivables	177,166	153,082
OTHER ASSETS OF AFFILIATED AGENCIES	19,637	20,780
LAND, BUILDINGS, AND EQUIPMENT:		
Land	24,986	24,986
Buildings and equipment	183,056	173,904
Undeveloped real estate	7,404	9,838
Closed parish property	21,892	21,892
Total land, buildings, and equipment	237,338	230,620
Less accumulated depreciation	(126,603)	(121,141)
Land, buildings, and equipment—net	110,735	109,479
OTHER ASSETS	2,400	2,416
TOTAL	$ 735,370	$ 661,138

LIABILITIES AND NET ASSETS	2017	2016
DEPOSITS:		
Parishes	$ 224,803	$ 218,703
TTWCI for Parishes	144,545	93,856
Other religious organizations	3,529	2,836
Total deposits	372,877	315,395
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	37,478	37,012
BORROWINGS—Notes payable (less debt issuance costs of $2,037 and $1,698, respectively)	183,593	145,549
OTHER LIABILITIES OF AFFILIATED AGENCIES	7,116	7,769
PENSION LIABILITY	28,690	31,985
OTHER LIABILITIES:		
Insurance claims	133,710	167,108
Unearned rental income	16,167	16,371
Undistributed collections	1,855	1,540
Annuity obligations	1,213	2,437
Asset retirement obligations	2,137	2,015
Total other liabilities	155,082	189,471
Total liabilities	784,836	727,181
NET ASSETS (DEFICIT):		
Unrestricted—undesignated	(168,919)	(165,473)
Unrestricted—designated	52,621	47,793
Temporarily restricted	46,624	34,482
Permanently restricted	20,208	17,155
Total net assets (deficit)	(49,466)	(66,043)
TOTAL	$ 735,370	$ 661,138

See notes to financial statements.

ARCHDIOCESAN PASTORAL CENTER—ARCHDIOCESE OF CHICAGO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017 (WITH COMPARATIVE TOTALS FOR 2016)
(Amounts in thousands)

	2017				2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUES:					
Assessments:					
Parishes	$ 25,243	$ -	$ -	$ 25,243	$ 25,179
Cemeteries	5,000			5,000	5,000
Insurance	105,564			105,564	106,697
Parishes for PRMAA	7,362			7,362	7,429
Investment return designated for current operations	15,422			15,422	1,395
Interest income—parish and agency loans	7,762			7,762	8,465
Food service	45,810			45,810	47,159
Publications	6,697			6,697	7,018
Pastoral Center services	21,694			21,694	21,087
Seminaries	9,689	1,073	3,053	13,815	12,673
Annual Catholic Appeal	10,343			10,343	9,655
Capital Campaign—TTWCI	3,630	14,313		17,943	40,759
Contributions and bequests	1,569	2,196		3,765	1,734
Other	6,032			6,032	5,090
Total revenues	271,817	17,582	3,053	292,452	299,341
EXPENSES:					
Parish and agency grants:					
Operating	6,212			6,212	7,550
Capital	693			693	1,114
Contributions to PRMAA	7,362			7,362	7,429
Provision for uncollectible loans and operating receivables	15,331			15,331	17,601
Insurance and retirement benefits program	96,158			96,158	111,527
Deposit valuation	9,862			9,862	(3,311)
Interest expense:					
Deposits	1,803			1,803	1,597
Borrowings	8,274			8,274	8,110
Change in value of gift annuities	(405)			(405)	(128)
Food service	45,946			45,946	46,664
Publications	6,246			6,246	6,713
Pastoral Center services	56,406			56,406	53,968
Seminaries	12,632			12,632	12,707
Annual Catholic Appeal fundraising expenses	1,275			1,275	1,610
Capital Campaign expenses—TTWCI	15,479			15,479	11,180
Depreciation and accretion	5,584			5,584	5,625
Other	5,184			5,184	3,953
Total expenses	294,042	-	-	294,042	293,907
(LOSS) GAIN FROM OPERATIONS	(22,225)	17,582	3,053	(1,590)	5,434
NET ASSETS RELEASED FROM RESTRICTIONS	9,408	(9,408)			
PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION INCOME	(13,481)			(13,481)	(33,001)
INVESTMENT RETURN EXCLUDING RETURNS DESIGNATED FOR CURRENT OPERATIONS	4,289	3,968		8,257	(7,868)
NET PROPERTY (LOSSES) GAINS	(924)			(924)	357
INTERENTITY TRANSFERS	24,315			24,315	14,179
CHANGE IN NET ASSETS	1,382	12,142	3,053	16,577	(20,899)
NET ASSETS—Beginning of year	(117,680)	34,482	17,155	(66,043)	(45,144)
NET ASSETS—End of year	$(116,298)	$ 46,624	$ 20,208	$ (49,466)	$ (66,043)

See notes to financial statements.

ARCHDIOCESAN PASTORAL CENTER—ARCHDIOCESE OF CHICAGO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(Amounts in thousands)

	2016			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
REVENUES:				
Assessments:				
Parishes	$ 25,179	$ -	$ -	$ 25,179
Cemeteries	5,000			5,000
Insurance	106,697			106,697
Parishes for PRMAA	7,429			7,429
Investment return designated for current operations	1,395			1,395
Interest income—parish and agency loans	8,465			8,465
Food service	47,159			47,159
Publications	7,018			7,018
Pastoral Center services	21,087			21,087
Seminaries	12,171	376	126	12,673
Annual Catholic Appeal	9,655			9,655
Capital Campaign—TTWCI	40,759			40,759
Contributions and bequests	1,734			1,734
Other	5,090			5,090
Total revenues	298,839	376	126	299,341
EXPENSES:				
Parish and agency grants:				
Operating	7,550			7,550
Capital	1,114			1,114
Contributions to PRMAA	7,429			7,429
Provision for uncollectible loans and operating receivables	17,601			17,601
Insurance and retirement benefits program	111,527			111,527
Deposit valuation	(3,311)			(3,311)
Interest expense:				
Deposits	1,597			1,597
Borrowings	8,110			8,110
Change in value of gift annuities	(128)			(128)
Food service	46,664			46,664
Publications	6,713			6,713
Pastoral Center services	53,968			53,968
Seminaries	12,707			12,707
Annual Catholic Appeal fundraising expenses	1,610			1,610
Capital Campaign expenses—TTWCI	11,180			11,180
Depreciation and accretion	5,625			5,625
Other	3,953			3,953
Total expenses	293,907	-	-	293,907
GAIN (LOSS) FROM OPERATIONS	4,932	376	126	5,434
NET ASSETS RELEASED FROM RESTRICTIONS	1,879	(1,879)		
PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION INCOME	(33,001)			(33,001)
INVESTMENT RETURN EXCLUDING RETURNS DESIGNATED FOR CURRENT OPERATIONS	(5,313)	(2,555)		(7,868)
NET PROPERTY GAINS	357			357
INTERENTITY TRANSFERS	14,179			14,179
CHANGE IN NET ASSETS	(16,967)	(4,058)	126	(20,899)
NET ASSETS—Beginning of year	(100,713)	38,540	17,029	(45,144)
NET ASSETS—End of year	$(117,680)	$ 34,482	$ 17,155	$ (66,043)

See notes to financial statements.

ARCHDIOCESAN PASTORAL CENTER—ARCHDIOCESE OF CHICAGO

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016
(Amounts in thousands)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 16,577	$ (20,899)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Change in unrealized gains/losses and realized (gains) losses on investments—net	(21,045)	10,437
Property losses (gains)–net	924	(357)
Provision for uncollectible receivables	15,331	17,601
Depreciation and accretion	5,584	5,625
Permanently restricted contributions	(3,053)	(126)
Noncash charge for changes in defined benefit pension plan other than periodic pension expense	13,481	33,001
Noncash property addition		(99)
Changes in assets and liabilities:		
Receivables	(42,168)	(91,850)
Pension liability	(16,776)	(10,460)
Assets of affiliated agencies	1,143	(2,300)
Accounts payable	466	9,027
Liabilities of affiliated agencies	(653)	1,503
Other assets	(323)	(856)
Deposits	45,127	42,883
Annuity obligations	(1,224)	(264)
Other liabilities	(33,287)	(2,224)
Net cash used in operating activities	(19,896)	(9,358)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	162,970	86,085
Purchases of investments	(170,633)	(102,827)
Proceeds from sales of land, buildings, and equipment	1,507	390
Purchases of land, buildings, and equipment	(9,149)	(2,517)
Deposits to restricted cash accounts	(1,512)	
Principal collected on loans to parishes and religious orders	3,656	10,111
Loans to parishes and religious orders	(903)	(635)
Net cash used in investing activities	(14,064)	(9,392)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Savings deposits	92,267	74,063
Savings withdrawals	(79,912)	(53,588)
Bank borrowings	42,000	
Borrowing repayments	(3,617)	(3,436)
Permanently restricted contributions	3,053	126
Net cash provided by financing activities	53,791	17,165

(Continued)

ARCHDIOCESAN PASTORAL CENTER—ARCHDIOCESE OF CHICAGO

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016
(Amounts in thousands)

	2017	2016
CHANGE IN CASH AND CASH EQUIVALENTS	$ 19,831	$ (1,585)
CASH AND CASH EQUIVALENTS—Beginning of year	24,126	25,711
CASH AND CASH EQUIVALENTS—End of year	$ 43,957	$ 24,126
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION—		
Cash paid during the year for interest:		
Deposits	$ 1,399	$ 1,469
Borrowings	$ 8,241	$ 8,073

See notes to financial statements. (Concluded)

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 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 or entities 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, Ceres Food Group, Inc., Food Service Professionals, the Sheil Center, John Paul II Newman Center, Calvert House, and Saint Benedict Technology Consortium. All 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 18, 2017, the date the financial statements were available for issuance and determined that there are no events that require adjustment to, or disclosure in, these financial statements.

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 accounts for the benefit of lenders for debt service or for other restricted purposes in accordance with the debt agreements.

Pledges receivable—Unconditional promises to give are included in the financial statements as pledges receivable and contribution, annual appeal, or capital campaign revenue. The Pastoral Center determines an allowance for doubtful pledges based on the expected collectability of the pledges.

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 (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.

Investments also include interest receivable on investments of $227 and $219 as of June 30, 2017 and 2016, respectively.

Up to 5% of investment return for certain funds are used for operations and are reported as investment return designated for current operations in the statements of activities.

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.

In May 2017, the Pastoral Center entered into a contract with a prospective purchaser of multiple parcels of property known as "One Chicago Square". When completed, the development will include more parking for Holy Name Cathedral ("Cathedral") and the Archdiocese, an open green space/park area directly across from the Cathedral, and many amenities that will improve the vibrancy of the neighborhood. While the ultimate sale is uncertain and is dependent on several factors (some of which are outside of the control of the Pastoral Center), the anticipated closing date is within calendar year 2018.

Undeveloped Real Estate—Undeveloped real estate represents land 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 $2,137 and $2,015 as of June 30, 2017 and 2016, 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 2017 or 2016.

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, 2017 and 2016, are available for the following purposes:

	2017	**2016**
Seminary programs	$31,436	$24,360
School programs	12,882	7,632
Ministry programs	2,306	2,490
	$46,624	$34,482

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. Fair value from unconditional promises to give is measured at net realizable value for pledges due within one year and at net present value for pledges to be collected in future years. 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, pledges, 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, Cemeteries, PRMAA, and Parishes.

Deposits—Deposits include funds on deposit by parishes and other religious organizations with the Pastoral Center. Deposits bear interest at rates that vary depending on the amount and availability of the deposit. During both 2017 and 2016, interest rates paid on deposits ranged from 0.7% to 1.7%. Deposits also include pledges that have not yet been collected by the Pastoral Center that are payable to parishes of $97,919 and $65,898 as of June 30, 2017 and 2016, respectively.

Insurance—Insurance claims accruals 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 2017 and 2016, the Pastoral Center settled several legal claims related to allegations of past professional misconduct by priests with settlements totaling $40,973 and $15,136, respectively. Subsequent to June 30, 2017, the Pastoral Center settled an additional $9,854 in settlement claims. The costs of these subsequent settlements are included in the insurance claims accrual at June 30, 2017.

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:

	2017	**2016**
Food service	$1,592	$1,281
Publications	489	420
Seminaries	1,553	1,583

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 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 statement of financial position 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. During fiscal year 2017, the Pastoral Center adopted the provisions of ASU No. 2015-03 and retrospectively applied the provisions to the fiscal year 2016 financial statements. See Note 14 for the impact of retrospectively applying the provisions of ASU No. 2015-03 to the fiscal year 2016 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 fiscal years beginning after December 15, 2016 with early adoption permitted. The Pastoral Center has early adopted ASU No. 2015-07 effective for the year ended June 30, 2017. Fiscal year 2016 disclosures have been restated to reflect the implementation of the new guidance retrospectively, as required by the ASU. See Notes 8 and 9 for further detail. The new guidance amended disclosure requirements and did not have any impact on the Pastoral Center's statements of financial position, statements of activities, or statements of cash flows for the years presented.

ASUs Issued Not Yet Adopted—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, 2019. The Pastoral Center has not yet determined the impact adopting this new guidance will have on its financial statements and disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). ASU 2016-02 requires a lessee to recognize a liability to make lease payments and an asset representing its right to use the underlying asset for the lease term in the statement of financial position for both operating and capital leases. ASU No. 2016-02 is effective for the

Pastoral Center beginning on July 1, 2020. The Pastoral Center has not yet determined the impact adopting this new guidance will have on its financial statements and disclosures.

In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 changes the impairment model for most financial assets and certain other instruments, including trade and other receivables, held-to-maturity debt securities and loans, and requires entities to use a new forward-looking expected loss model that will result in the earlier recognition of allowance for losses. ASU No 2016-13 is effective for the Pastoral Center beginning on July 1, 2021. The Pastoral Center has not yet determined the impact adopting this new guidance will have on its financial statements and disclosures.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not for Profit Entities*. ASU No. 2016-14 reexamines existing standards for financial statement presentation by not for profit entities (NFP), focusing on improving net asset classification requirements and information provided in financial statements and notes about liquidity, financial performance, and cash flows. The main provisions of this ASU include presenting on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. That is, an NFP will report amounts for net assets with donor restrictions and net assets without donor restrictions. Additionally, an NFP shall continue to present on the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting, but is no longer required to present or disclose the indirect method (reconciliation) if using the direct method. Furthermore, an NFP shall enhance disclosures about governing board imposed restrictions and liquidity. ASU No. 2016-14 is effective for the Pastoral Center beginning on July 1, 2018. The Pastoral Center has not yet determined the impact on its financial statements and disclosures.

In March 2017, the FASB issued ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU No. 2017-07 requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the statement of activities separately from the service cost component and outside a subtotal of income from operations, if one is presented. ASU No. 2017-07 is effective for the Pastoral Center beginning on July 1, 2019. The Pastoral Center has not yet determined the impact adopting this new guidance will have on its financial statements and 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, 2017 and 2016, consisted of the following:

	2017	**2016**
Invested cash	$137,802	$ 40,953
Common stock and equity mutual funds	26,257	19,586
Fixed-income mutual funds	50,952	97,608
Alternative investments:		
Marketable alternative equity	127,013	109,190
Fixed income	947	44,711
Marketable energy and commodities	5,189	5,117
Private equity	20,034	22,329
Total alternative investments	153,183	181,347
Total	$368,194	$339,494

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, 2017 and 2016, are allocated as follows:

	2017	**2016**
Pastoral Center	$ 91,521	$ 81,101
Seminaries	72,917	69,423
Archdiocesan Bank	98,300	90,380
Parish-directed investments through Archdiocesan Bank	104,424	97,662
Other affiliated agencies	1,032	928
Total investments	$368,194	$339,494

Net investment return for the years ended June 30, 2017 and 2016, is as follows:

	2017	**2016**
Interest and dividends	$ 2,634	$ 3,963
Realized gains on investments—net	12,665	12,336
Change in unrealized gains/losses on investments—net	8,380	(22,772)
Net investment return	$23,679	$ (6,473)

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, 2017 and 2016, there were loans outstanding to Parishes, net of allowance for doubtful accounts, aggregating $18,906 and $21,818, respectively, and loans outstanding to other religious organizations, net of allowance for doubtful accounts, of $1,414 and $1,418, respectively.

A rollforward schedule of the allowance for doubtful accounts related to loans receivable for the year ended June 30, 2017, on a portfolio segment basis, is as follows:

	Parishes		**Other Religious Organizations**		
	Capital	**Operating**	**Capital**	**Operating**	**Total**
Allowance for doubtful accounts:					
Beginning of year	$(56,199)	$(66,266)	$(1,264)	$ (136)	$(123,866)
Provision (expense) benefit	(288)	208			(80)
Write-offs—net of recoveries	11,282				11,282
End of year	$(45,205)	$(66,058)	$(1,264)	$ (136)	$(112,664)
Loan receivables—ending balance	$ 64,108	$ 66,061	$ 1,264	$ 1,550	$ 132,984

A rollforward schedule of the allowance for doubtful accounts related to loans receivable for the year ended June 30, 2016, on a portfolio segment basis, is as follows:

	Parishes		**Other Religious Organizations**		
	Capital	**Operating**	**Capital**	**Operating**	**Total**
Allowance for doubtful accounts:					
Beginning of year	$(56,926)	$(66,797)	$(1,264)	$ (136)	$(125,123)
Provision (expense) benefit	(230)	119			(111)
Write-offs—net of recoveries	957	412			1,369
End of year	$(56,199)	$(66,266)	$(1,264)	$ (136)	$(123,866)
Loan receivables—ending balance	$ 77,463	$ 66,821	$ 1,264	$ 1,554	$ 147,102

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, 2017, is as follows:

	Parishes		**Other Religious Organizations**		
	Capital	**Operating**	**Capital**	**Operating**	**Total**
Creditworthiness category:					
1	$16,460	$ 1,070	$ -	$1,414	$ 18,944
2	244	49			293
3	2,307	4			2,311
4	45,097	64,938	1,264	136	111,435
	$64,108	$66,061	$1,264	$1,550	$132,984

The gross loan balance by creditworthiness category as of June 30, 2016, is as follows:

	Parishes		**Other Religious Organizations**		
	Capital	**Operating**	**Capital**	**Operating**	**Total**
Creditworthiness category:					
1	$18,783	$ 1,219	$ -	$1,418	$ 21,420
2	296				296
3	3,166	22			3,188
4	55,218	65,580	1,264	136	122,198
	$77,463	$66,821	$1,264	$1,554	$147,102

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, 2017 and 2016, is as follows:

	2017		
	Interest on Loans	**Pledges**	**Other**
Allowance for doubtful accounts—beginning of year	$(37,130)	$(10,192)	$(46,224)
Current-year activity:			
Provision	(4,623)		(10,808)
Appeal provision (reduction of revenue)		(43)	
Capital campaign provision and discount		(3,055)	
Write-offs—net of recoveries	127		573
Allowance for doubtful accounts—end of year	$(41,626)	$(13,289)	$(56,459)

	2016		
	Interest on Loans	**Pledges**	**Other**
Allowance for doubtful accounts—beginning of year	$(32,074)	$ (5,407)	$(33,660)
Current-year activity:			
Provision	(5,371)		(12,791)
Appeal provision (reduction of revenue)		(734)	
Capital campaign provision and discount		(5,962)	
Write-offs—net of recoveries	314	1,911	227
Allowance for doubtful accounts—end of year	$(37,130)	$(10,192)	$(46,224)

5. BORROWINGS

A summary of borrowings as of June 30, 2017 and 2016, is as follows:

	2017	**2016**
$100,000 notes payable, due April 25, 2032, interest rate is fixed at 5.14%	$ 83,630	$ 87,247
$60,000 notes payable, due October 2, 2024, interest rate is fixed at 5.85%	60,000	60,000
$75,000 term loan, due January 18, 2022, interest rate is LIBOR plus 165bps (2.71% at June 30, 2017)	42,000	
	$185,630	$147,247

On January 18, 2017, the Pastoral Center entered into a term loan agreement involving two lenders. The new credit agreement consists of a $75,000 term loan facility with an interest rate of 1-month London Interbank Offered Rate (LIBOR) plus 165 basis points and final maturity date of January 31, 2021. In fiscal 2017, the Pastoral Center drew $42,000 of the available $75,000.

Total principal payments are due as follows:

Years Ending June 30	Amount
2018	$ 3,806
2019	4,006
2020	4,215
2021	10,061
2022	51,044
Thereafter	112,498
Total borrowings	$185,630

Certain debt agreements require that the Pastoral Center, along with Cemeteries, meet certain debt covenants related to minimum liquidity levels and investment to debt ratios. The Pastoral Center, along with Cemeteries, was in compliance with all financial debt covenants at June 30, 2017 and 2016.

Expenses related to the procurement and underwriting of the notes payable and term loan have been deferred and are being amortized on a straight-line basis over the life of the agreements. These costs, net of accumulated amortization, are $2,037 and $1,698 at June 30, 2017 and 2016, respectively, and are recorded as a reduction of borrowings on the statements of financial position. Amortization expense was $191 and $144 for the years ended June 30, 2017 and 2016, 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. CEST receives some contributions directly from donors.

Campaign activity for the years ended June 30, 2017 and 2016, is as follows:

	2017	2016
Contributions	$ 88,973	$117,639
Parish allocation	(70,713)	(74,670)
Uncollectible pledge provision (expense) benefit	(317)	(2,210)
Net contributions from TTWCI Campaign	$ 17,943	$ 40,759
CARITAS religious education program	$ 3,113	$ 1,943
Fundraising expenses	5,190	7,341
Catholic school support	1,200	1,869
Specific distribution to CEST	5,976	27
Expenses and distributions from TTWCI Campaign	$ 15,479	$ 11,180

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, 2017 and 2016, is as follows:

	2017	2016
Contributions	$17,110	$16,507
Parish rebates and debt relief	(5,776)	(6,118)
Uncollectible pledge provision expense	(991)	(734)
Net contributions from Annual Catholic Appeal	$10,343	$ 9,655
Pastoral Center program and grant support	$ 8,428	$ 7,405
Fundraising expenses	1,275	1,610
Specific distribution to Catholic Relief Services	640	640
Total distributions	$10,343	$ 9,655

8. 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.

Investments Using Net Asset Value—As discussed in Note 2, the Pastoral Center adopted the provisions of ASU No. 2015-07 in fiscal year 2017 with retrospective application to fiscal year 2016 disclosures. In presenting the investments fair value hierarchy tables as of June 30, 2016 to comply with the adoption of ASU No. 2015-07, the investment holdings in alternative investments of $181,347 was removed from Level 2 and Level 3 within the fair value hierarchy to being reported under assets measured at net asset value, or its equivalent, ("NAV") as the practical expedient.

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, 2017 and 2016, are as follows:

2017	Level 1	Level 2	Level 3	Assets Measured at NAV	Total
Invested cash	$ 137,802	$ -	$ -	$ -	$ 137,802
Common stock and equity mutual funds	26,257				26,257
Fixed income mutual funds	50,952				50,952
Alternative investments:					
Marketable alternative equity				127,013	127,013
Fixed income				947	947
Marketable energy and commodities				5,189	5,189
Private equity				20,034	20,034
Total alternative investments	-	-	-	153,183	153,183
Total	$ 215,011	$ -	$ -	$ 153,183	$ 368,194

2016	Level 1	Level 2	Level 3	Assets Measured at NAV	Total
Invested cash	$ 40,953	$ -	$ -	$ -	$ 40,953
Common stock and equity mutual funds	19,586				19,586
Fixed income mutual funds	97,608				97,608
Alternative investments:					
Marketable alternative equity				109,190	109,190
Fixed income				44,711	44,711
Marketable energy and commodities				5,117	5,117
Private equity				22,329	22,329
Total alternative investments	-	-	-	181,347	181,347
Total	$158,147	$ -	$ -	$181,347	$339,494

A summary of the nature and risk of the Pastoral Center's alternative investments by major category as of June 30, 2017 and 2016, is as follows:

2017	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Side Pocket Investments [e]	Lockups/ Gates
Marketable alternative equity [a]	$127,013	$ -	1 day–36 months	1–120 days	$537	1/3 annually rolling, 1-2-year lock-up
Fixed income [b]	947		1–12 months	10–65 days		1/3 annually rolling
Marketable energy and commodities [c]	5,189		1–12 months	22–90 days		1/3 annually rolling
Private equity [d]	20,034	11,234	N/A	N/A		N/A
Total	$153,183	$11,234			$537	

2016	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Side Pocket Investments [e]	Lockups/ Gates
Marketable alternative equity [a]	$109,190	$ -	1 day–36 months	1–120 days	$156	1/3 annually rolling, 2-year lock-up
Fixed income [b]	44,711		1–12 months	10–65 days		1/3 annually rolling
Marketable energy and commodities [c]	5,117		1–12 months	22–90 days		1/3 annually rolling
Private equity [d]	22,329	9,367	N/A	N/A		N/A
Total	$181,347	$9,367			$156	

[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. The marketable alternative equity investments that can be redeemed at NAV are categorized in "Assets Measured at NAV" 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. The fixed-income alternative investments that cannot be redeemed at the NAV are categorized in "Assets Measured at NAV" 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. The marketable energy and commodities investments that can be redeemed at NAV are categorized in "Assets Measured at NAV" 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 not redeemable and distributions are received through liquidation of the underlying assets of the funds. It is estimated that the underlying assets will be liquidated over the next ten years. Private equity investments that can be redeemed at NAV or its equivalent are categorized in "Assets Measured at NAV" 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.

9. 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 liability 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, 2017 and 2016, is as follows:

	2017	**2016**
Change in benefit obligation:		
Projected benefit obligation—beginning of year	$841,322	$771,798
Interest cost	30,404	33,701
Actuarial losses	(27,161)	78,703
Benefits paid	(35,456)	(42,880)
Projected benefit obligation—end of year	$809,109	$841,322
Change in Plan assets:		
Fair value of Plan assets—beginning of year	$809,337	$762,354
Actual return on Plan assets	6,538	89,863
Benefits paid	(35,456)	(42,880)
Fair value of Plan assets—end of year	$780,419	$809,337
Funded status—end of year	$ (28,690)	$ (31,985)
Amounts recognized in the statements of financial position—pension liability	$ (28,690)	$ (31,985)

The components of net periodic benefit income for the years ended June 30, 2017 and 2016, are as follows:

	2017	2016
Components of net periodic benefit income:		
Interest cost	$ 30,404	$ 33,701
Expected return on Plan assets	(47,379)	(44,361)
Expected administrative expenses	200	200
Net periodic benefit income	$(16,775)	$(10,460)

Pension-related changes, other than net periodic pension income, that have been included as a separate charge to unrestricted net assets during the years ended June 30, 2017 and 2016, consist of actuarial losses arising during the period of $13,481 and $33,001, respectively.

The Plan's accumulated net actuarial losses not yet recognized as a component of periodic pension income but accumulated in unrestricted net assets as of June 30, 2017 and 2016, are $94,114 and $80,633, 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 fiscal 2018.

Actuarial assumptions for the Plan as of June 30, 2017 and 2016, are as follows:

	2017	2016
Weighted-average assumptions:		
Discount rate—benefit obligation	3.85 %	3.70 %
Discount rate—benefit cost	3.70	4.50
Expected return on Plan assets—benefit cost	6.00	6.00
Rate of compensation increase	N/A	N/A

The Pastoral Center does not expect to contribute to the Plan in 2018.

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

Years Ending June 30	Amount
2018	$ 41,189
2019	42,775
2020	44,109
2021	45,232
2022	46,094
2023–2027	236,148

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, mutual funds, marketable alternative equity investments, and marketable alternative energy and commodities 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 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 if they have a published NAV and Level 2 of the fair value hierarchy if they don't have a published NAV.

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. The marketable alternative equity investments that can be redeemed at their NAV are categorized in "Assets Measured at NAV" 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. The marketable energy and commodities investments that can be redeemed at their NAV within the "near term" are categorized in "Assets measured at-NAV" 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.

Repurchase agreements are short term borrowings that mature in three months or less, and as a result of this short-term nature, the estimated fair value equals the carrying value and have been categorized as a Level 2 fair value measurement. The Plan pledges securities owned to collateralize these repurchase agreements.

As discussed in Note 2, the Pastoral Center adopted the provisions of ASU No. 2015-07 in fiscal year 2017 with retrospective application to fiscal year 2016 disclosures. In presenting the Plan asset fair value hierarchy tables as of June 30, 2016 to comply with the adoption of ASU No. 2015-07, the investment holdings in alternative investments of $606 were removed from Level 2 and Level 3 within the fair value hierarchy to being reported under assets measured at NAV.

The Plan assets and liabilities measured at fair value as of June 30, 2017 and 2016, are as follows:

2017	**Level 1**	**Level 2**	**Level 3**	**Assets measured at NAV**	**Total**
Assets:					
Invested cash	$ 28,360	$ -	$ -	$ -	$ 28,360
Mutual funds		144,626			144,626
Fixed income:					
Corporate bonds		372,426			372,426
Municipal bonds		11,993			11,993
U.S. government agency		99,258			99,258
U.S. government		206,057			206,057
Total fixed income	-	689,734	-	-	689,734
Alternative investments:					
Marketable alternative equity				195	195
Marketable energy and commodities				128	128
Total alternative investments	-	-	-	323	323
Total assets	$ 28,360	$ 834,360	$ -	$ 323	863,043
Payable for investment purchase					(82,624)
Total net assets					$ 780,419

2016	Level 1	Level 2	Level 3	Assets Measured at NAV	Total
Assets:					
Invested cash	$4,157	$ -	$ -	$ -	$ 4,157
Mutual funds		138,452			138,452
Fixed income:					
Corporate bonds		334,481			334,481
Municipal bonds		16,437			16,437
U.S. government agency		139,689			139,689
U.S. government		207,430			207,430
Total fixed income	-	698,037	-	-	698,037
Alternative investments:					
Marketable alternative equity				311	311
Marketable energy and commodities				295	295
Total alternative investments	-	-	-	606	606
Total assets	$4,157	$836,489	$ -	$606	$841,252
Liabilities—repurchase agreements	$ -	$ (20,872)	$ -	$ -	(20,872)
					820,380
Payable for investment purchase					(11,043)
Total net assets					$809,337

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 $4,447 and $4,025 for the plan in 2017 and 2016, 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 (the "Share Plan"). 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 $11,814 and $12,470 in 2017 and 2016, respectively.

10. ENDOWMENTS

The Pastoral Center endowments as of June 30, 2017 and 2016, include 22 and 21 individual funds, respectively, 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, 2017, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	-	$11,142	$20,208	$ 31,350
Designated funds	27,795			27,795
Total funds	$27,795	$11,142	$20,208	$ 59,145

Endowment net asset composition by type of fund as of June 30, 2016, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ -	$12,162	$17,155	$ 29,317
Designated funds	24,890			24,890
Total funds	$24,890	$12,162	$17,155	$ 54,207

Changes in endowment net assets for the year ended June 30, 2017, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets—beginning of year	$ 24,890	$ 12,162	$ 17,155	$ 54,207
Investment return:				
Dividend and interest income	160	169		329
Realized gains and change in unrealized gains/losses on investments—net	3,004	1,065		4,069
Total investment return	3,164	1,234		4,398
Contributions and additional designations	1,152	250	3,053	4,455
Appropriation of endowment assets for expenditures	(1,411)	(2,504)		(3,915)
Endowment net assets—end of year	$ 27,795	$ 11,142	$ 20,208	$ 59,145

Changes in endowment net assets for the year ended June 30, 2016, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets—beginning of year	$ 27,450	$ 14,013	$ 17,029	$ 58,492
Investment return:				
Dividend and interest income	224	302		526
Realized gains and change in unrealized gains/losses on investments—net	(1,400)	(1,377)		(2,777)
Total investment return	(1,176)	(1,075)	-	(2,251)
Contributions and additional designations	37	252	126	415
Appropriation of endowment assets for expenditures	(1,421)	(1,028)		(2,449)
Endowment net assets—end of year	$ 24,890	$ 12,162	$ 17,155	$ 54,207

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, 2017 and 2016.

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 Pastoral Center'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

Cemeteries transferred cash of $24,315 and $14,184 to the Pastoral Center during 2017 and 2016, 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, 2017 and 2016. In addition, as of June 30, 2017 and 2016, the Pastoral Center had other receivables from Maryville of $177.

The Pastoral Center received funding from Maryville for Office of Catechesis activities totaling $236 for 2017 and 2016.

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, Cemeteries, PRMAA, 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, 2017 and 2016, is $47,172 and $39,634, respectively. The Pastoral Center's allocation of the open commitments as of June 30, 2017 and 2016, is $11,234 and $9,366, 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, 2017 and 2016, are $15 and $153, respectively.

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 accrual (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 accrual 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, 2017 and 2016. Certain expenses in the summary include the allocation of depreciation expense.

	2017	2016
Program activities:		
Insurance and retirement benefits program	$ 96,158	$111,527
Food service	45,946	46,664
Ministerial services	16,634	16,993
Seminaries	12,632	12,707
Publications	6,246	6,713
Total program activities	177,616	194,604
Management and general expense (including depreciation)	50,540	46,551
Fundraising and development expense	16,114	12,150
Total functional expenses	244,270	253,305
Deposit valuation	9,862	(3,311)
Contributions to PRMAA	7,362	7,429
Parish and agency grants	6,905	8,664
Interest expense for deposits, borrowings, and change in value of gift annuities	9,672	9,579
Provision for uncollectible loans and operating receivables	15,331	17,601
Annual appeal distributions	640	640
Total expenses	$294,042	$293,907

14. RETROSPECTIVE APPLICATION OF NEW ACCOUNTING STANDARD

As a result of adopting ASU No. 2015-03, the statement of financial position as of June 30, 2016 was restated. The June 30, 2016 amounts that have been restated as a result of the adoption of ASU No. 2015-03 are as follows:

	As Originally Reported	Adjustment	As Restated After ASU 2015-03 Impact
Statement of financial position:			
Other assets	$ 4,114	$(1,698)	$ 2,416
Total assets	662,836	(1,698)	661,138
Borrowings–Notes payable	147,247	(1,698)	145,549
Total liabilities	728,879	(1,698)	727,181
Total liabilities and net assets	662,836	(1,698)	661,138

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