



Financial Statements
June 30, 2017 and 2016

Archdiocese of Oklahoma City Pastoral Office Funds

Archdiocese of Oklahoma City Pastoral Office Funds

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

Most Reverend Paul S. Coakley
Archbishop of the Archdiocese of Oklahoma City

Report on the Financial Statements

We have audited the accompanying financial statements of the Archdiocese of Oklahoma City Pastoral Office Funds (Pastoral Office), 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.

Auditor's 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 entity'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 entity'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 Archdiocese of Oklahoma City Pastoral Office Funds 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.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Tulsa, Oklahoma
January 15, 2018

Archdiocese of Oklahoma City Pastoral Office Funds
Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	\$ 2,348,589	\$ 3,913,033
Investments, including investments held for others	107,168,528	97,703,066
Accounts receivable, net	1,343,133	1,442,982
Contributions receivable, net	850,810	862,370
Notes receivable, net	13,643,465	15,265,690
Prepaid expenses and other assets	208,377	40,371
Property and equipment, net	35,340,105	34,006,265
Total assets	\$ 160,903,007	\$ 153,233,777
Liabilities and Net Assets		
Accounts payable	\$ 746,589	\$ 764,082
Contributions payable, net	945,455	1,583,122
Investments managed for related parties	50,750,219	48,530,860
Accrued insurance claims and settlements	2,407,426	1,816,646
Accrued pension benefit cost	12,110,905	12,792,845
Total liabilities	66,960,594	65,487,555
Net Assets		
Unrestricted		
Designated and operating	55,915,563	52,451,797
Accumulated pension related changes other than net periodic pension benefit costs	(4,165,510)	(5,338,479)
Invested in property and equipment, net of related debt	35,340,105	34,006,265
	87,090,158	81,119,583
Temporarily restricted	398,012	396,732
Permanently restricted	6,454,243	6,229,907
Total net assets	93,942,413	87,746,222
Total liabilities and net assets	\$ 160,903,007	\$ 153,233,777

Archdiocese of Oklahoma City Pastoral Office Funds
Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Support, and Gains				
Contributions and collections				
Archdiocesan Development Fund	\$ 3,327,677	\$ -	\$ -	\$ 3,327,677
Archdiocesan assessments	1,963,914	-	-	1,963,914
Fees of budgeted departments and offices	1,464,711	-	-	1,464,711
Priest medical collections	-	47,264	-	47,264
Property additions of Bishop McGuinness				
Catholic High School	1,416,622	-	-	1,416,622
Bequests and other	1,059,848	-	-	1,059,848
Insurance premiums, net	9,428,381	-	-	9,428,381
Oil, gas, and royalty income	820,885	-	-	820,885
Interest and dividend income:				
Investments	1,783,582	35,744	31,250	1,850,576
Notes receivable	300,124	-	-	300,124
Net gains (loss) on investments	5,727,932	193,100	193,086	6,114,118
Other income	140,392	-	-	140,392
Net assets released from restriction	274,828	(274,828)	-	-
	<u>27,708,896</u>	<u>1,280</u>	<u>224,336</u>	<u>27,934,512</u>
Expenses				
Budgeted departments and offices				
Pastoral Center	1,709,160	-	-	1,709,160
Business Office	1,192,503	-	-	1,192,503
Capital Campaign	139,668	-	-	139,668
Safe Environment	136,646	-	-	136,646
Archdiocesan Newspaper (Sooner Catholic)	516,269	-	-	516,269
Office of Christian Education	562,812	-	-	562,812
Youth Ministry	444,374	-	-	444,374
Office of Family Life	165,883	-	-	165,883
Hispanic Ministry	366,353	-	-	366,353
Our Lady Guadalupe	358,026	-	-	358,026
Office of Planning, Stewardship, and Development	615,478	-	-	615,478
Ministry to Priests, Permanent Deacons, and Clergy Education	367,398	-	-	367,398
Hospital Ministry	236,527	-	-	236,527
Tribunal	143,796	-	-	143,796
Office of Worship and Spiritual Life	213,082	-	-	213,082
United States Conference of Catholic Bishops	46,491	-	-	46,491
Priests' welfare, retirement, and disability	21,819	-	-	21,819
Property taxes and insurance	71,351	-	-	71,351
	<u>7,307,636</u>	<u>-</u>	<u>-</u>	<u>7,307,636</u>

See Notes to Financial Statements.

Archdiocese of Oklahoma City Pastoral Office Funds
Statement of Activities
Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Expenses				
Sponsored programs and other subsidies:				
Insurance claims and settlements	8,864,419	-	-	8,864,419
Administrative self-insurance costs	1,424,016	-	-	1,424,016
Pilgrimage	24,700	-	-	24,700
Campus Ministry	115,588	-	-	115,588
Ecumenical and Interreligious	15,600	-	-	15,600
Contributions made to others	712,265	-	-	712,265
Seminarian programs	799,019	-	-	799,019
Net periodic pension benefit cost	1,078,256	-	-	1,078,256
PDLF investment pool interest expense	559,192	-	-	559,192
Depreciation	1,187,058	-	-	1,187,058
Other	823,541	-	-	823,541
Total sponsored programs and other subsidies	<u>15,603,654</u>	<u>-</u>	<u>-</u>	<u>15,603,654</u>
Change in Net Assets from Operations	4,797,606	1,280	224,336	5,023,222
Gain associated with pension benefits that are not recognized immediately as a component of net periodic benefit cost	<u>1,172,969</u>	<u>-</u>	<u>-</u>	<u>1,172,969</u>
Change in Net Assets	5,970,575	1,280	224,336	6,196,191
Net Assets, Beginning of Year	<u>81,119,583</u>	<u>396,732</u>	<u>6,229,907</u>	<u>87,746,222</u>
Net Assets, End of Year	<u>\$ 87,090,158</u>	<u>\$ 398,012</u>	<u>\$ 6,454,243</u>	<u>\$ 93,942,413</u>

Archdiocese of Oklahoma City Pastoral Office Funds
Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Support, and Gains				
Contributions and collections				
Archdiocesan Development Fund	\$ 2,942,430	\$ -	\$ -	\$ 2,942,430
Archdiocesan assessments	1,950,697	-	-	1,950,697
Fees of budgeted departments and offices	1,471,495	-	-	1,471,495
Priest medical collections	-	101,472	-	101,472
Property additions of Bishop McGuinness				
Catholic High School	654,791	-	-	654,791
Bequests and other	1,368,136	-	-	1,368,136
Insurance premiums, net	8,945,976	-	-	8,945,976
Oil, gas, and royalty income	775,977	-	-	775,977
Interest and dividend income:				
Investments	2,257,059	27,326	35,343	2,319,728
Notes receivable	307,548	-	-	307,548
Net gains (loss) on investments	(1,344,662)	(12,213)	(80,856)	(1,437,731)
Other income	196,225	-	-	196,225
Net assets released from restriction	166,576	(166,576)	-	-
Total revenue, support, and gains	19,692,248	(49,991)	(45,513)	19,596,744
Expenses				
Budgeted departments and offices				
Pastoral Center	1,476,158	-	-	1,476,158
Business Office	1,488,615	-	-	1,488,615
Safe Environment	137,711	-	-	137,711
Archdiocesan Newspaper (Sooner Catholic)	491,889	-	-	491,889
Office of Christian Education	587,470	-	-	587,470
Youth Ministry	463,324	-	-	463,324
Office of Family Life	210,619	-	-	210,619
Hispanic Ministry	391,604	-	-	391,604
Our Lady Guadalupe	344,221	-	-	344,221
Office of Planning, Stewardship, and Development	181,635	-	-	181,635
Ministry to Priests, Permanent Deacons, and Clergy Education	427,946	-	-	427,946
Hospital Ministry	244,687	-	-	244,687
Tribunal	145,906	-	-	145,906
Office of Worship and Spiritual Life	199,749	-	-	199,749
United States Conference of Catholic Bishops	44,067	-	-	44,067
Priests' welfare, retirement, and disability	21,026	-	-	21,026
Property taxes and insurance	88,205	-	-	88,205
Total budgeted departments and offices	6,944,832	-	-	6,944,832

See Notes to Financial Statements.

Archdiocese of Oklahoma City Pastoral Office Funds
Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses				
Sponsored programs and other subsidies:				
Insurance claims and settlements	8,627,519	-	-	8,627,519
Administrative self-insurance costs	1,407,482	-	-	1,407,482
Pilgrimage	29,697	-	-	29,697
Campus Ministry	114,750	-	-	114,750
Ecumenical and Interreligious	16,900	-	-	16,900
Contributions made to others	1,045,324	-	-	1,045,324
Seminarian programs	775,005	-	-	775,005
Net periodic pension benefit cost	1,031,095	-	-	1,031,095
PDLF investment pool interest expense	471,565	-	-	471,565
Depreciation	1,126,251	-	-	1,126,251
Other	529,753	-	-	529,753
Total sponsored programs and other subsidies	15,175,341	-	-	15,175,341
Change in Net Assets from Operations	(2,427,925)	(49,991)	(45,513)	(2,523,429)
Loss associated with pension benefits that are not recognized immediately as a component of net periodic benefit cost	(785,188)	-	-	(785,188)
Change in Net Assets	(3,213,113)	(49,991)	(45,513)	(3,308,617)
Net Assets, Beginning of Year	84,332,696	446,723	6,275,420	91,054,839
Net Assets, End of Year	\$ 81,119,583	\$ 396,732	\$ 6,229,907	\$ 87,746,222

Archdiocese of Oklahoma City Pastoral Office Funds

Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	\$ 6,196,191	\$ (3,308,617)
Adjustments to reconcile change in net assets to net cash from operating activities		
Provision for doubtful accounts - PDLF	50,000	-
Depreciation	1,187,058	1,126,251
Realized and unrealized (gains) losses on investments	(6,114,118)	1,437,731
Contributions of property from		
Bishop McGuinness High School	(1,416,622)	(654,791)
Net periodic pension cost	1,078,256	1,031,095
Pension related changes other than net periodic pension benefit cost	(1,172,969)	785,188
Changes in operating assets and liabilities		
Accounts receivable, net	99,849	65,149
Contributions receivable, net	11,560	45,108
Prepaid expenses and other assets	(168,006)	(4,379)
Accounts payable	(17,493)	165,248
Contributions payable, net	(637,667)	53,000
Accrued insurance claims	590,780	151,498
Accrued pension benefit cost	(587,227)	(535,550)
Net Cash (used for) from Operating Activities	(900,408)	356,931
Cash Flows from Investing Activities		
Advances on notes receivable	(1,222,645)	(2,624,617)
Collections on notes receivables	2,794,870	2,477,765
Purchases of investments	(1,866,329)	(1,890,827)
Proceeds from sale of investments	734,344	5,341,657
Purchases property, plant, and equipment	(1,104,276)	(1,571,677)
Net Cash (used for) from Investing Activities	(664,036)	1,732,301
Net Change in Cash and Cash Equivalents	(1,564,444)	2,089,232
Cash and Cash Equivalents, Beginning of Year	3,913,033	1,823,801
Cash and Cash Equivalents, End of Year	\$ 2,348,589	\$ 3,913,033
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for		
Interest	\$ 559,192	\$ 471,565

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Archdiocese of Oklahoma City (the Archdiocese) is a nonprofit organization that serves the parishes and parishioners of the Roman Catholic Archdiocese of Oklahoma City. The Pastoral Office has the accounting and reporting responsibilities of certain budgeted departments and offices of the Archdiocese. The Archdiocese includes 46 counties and over 100 parishes and missions located throughout central and western Oklahoma. The Archdiocese charges each parish an annual assessment and conducts annual development fund drives through the parishes in order to fund operations. Services provided by the Archdiocese include various social services, Catholic communications, priests' support, and information about the Catholic faith.

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America, and include the accounts and funds of the Pastoral Office of the Archdiocese and certain budgeted department and offices over which the Pastoral Office has accounting and reporting responsibility (collectively, the Pastoral Office). The Archdiocese has certain other Archdiocesan agencies, parishes, and organizations which operate within the Archdiocese; however, these organizations do not operate within the Pastoral Office. Accordingly, the accounts of these other agencies, parishes, and organizations have not been included with the Pastoral Office. As a result, the accompanying financial statements are not intended to present the financial position and changes in net assets of the Archdiocese as a whole.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to projects, endowment, or other long-term purposes are excluded from this definition.

Receivables

Accounts receivable consist primarily of Diocesan assessment due from various Catholic organizations and insurance premiums receivable. Notes receivable consist primarily of notes due from member parishes in connection with the PDLF program discussed in Note 13. Notes receivable are carried at unpaid principal balances, less an allowance for losses.

Management's periodic evaluation of the adequacy of the allowances for uncollectible accounts and notes receivable are based on historical loss experience, a review of subsequent collections, specific impaired notes, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current economic conditions. Past due status is based on the contractual terms of the note. Notes are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. Receivables are written off when deemed uncollectible.

Interest on notes is recognized over the term of the note and is calculated using the simple-interest method on principal amounts outstanding. Notes are placed on nonaccrual when management believes, after considering economic conditions and collection efforts, that the notes are impaired or collection of interest is doubtful. Interest income on nonaccrual loans is recognized only to the extent cash payments are received.

Contributions Receivable

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. All contributions receivable at June 30, 2017 and 2016, net of estimated uncollectible balances, are expected to be collected within one year. The allowance for uncollectible contributions receivable is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectible.

Property and Equipment

Property and equipment additions are recorded at cost, or if donated, at fair value on the date of donation. The gross costs of the Pastoral Center and Bishop McGuinness Catholic High School reflect replacement values as determined as of December 31, 1967 plus the historical cost of additions to the buildings subsequent to 1967.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from five to fifty years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Pastoral Office reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2017 and 2016.

Self-Insurance Plan

The Pastoral Office has a self-insured plan to serve the property and casualty and health and accident insurance needs of the Archdiocese and its parishes and organizations. Premiums received by the Pastoral Office from the insured organizations are recognized evenly over the contract period and are shown net of premiums paid to third parties for reinsurance coverage. Unearned insurance premiums representing the portion of the premiums applicable to the unexpired period of the contract are included with liabilities in the accompanying statement of financial position. A plan administrator has been retained to oversee the administration of the Plan based upon guidelines established by the Pastoral Office.

Contributions Payable

Contributions payable consist of unconditional promises to give to recipients. Amounts expected to be paid within one year are recorded at net realizable value. Unconditional promises to give to be paid over more than one year are recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. In subsequent years, amortization of the discount is included in contribution expenses in the statement of activities.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted board-designated net assets consist of net assets designated by the Finance Council for operating reserve and board-designated endowment.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Organization and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Finance Council.

Contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Pastoral Office. The restrictions stipulate that resources be maintained permanently but permit the Pastoral Office to expend the income generated in accordance with the provisions of the agreements.

Revenue and Revenue Recognition

Contributions, including unconditional promises to give, are recognized as support in the period received. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets based on donor imposed restrictions, if any. Assessment and fee income is recognized ratably over the period for which the related assessments and fees relate, which generally corresponds with the Pastoral Office's fiscal year. Insurance premiums received from the insured parishes and organizations are recognized evenly over the contract period and are shown net of premiums paid to third parties for reinsurance coverage.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received.

Income Taxes

The Archdiocese is organized as an Oklahoma nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3). Accordingly, no provision for income taxes has been included in the accompanying financial statements.

The Archdiocese is not required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. Furthermore, Congress has imposed special limitations on how and when the Internal Revenue Service (IRS) may conduct civil tax inquiries and examinations of religious entities. The IRS may only initiate a tax inquiry if the Director of Exempt Organizations Examinations reasonably believes based on written statements of the facts and circumstances that the Organization may not qualify for the exemption or may not be paying tax on unrelated business income or other taxable activity.

The Archdiocese believes that it has not engaged in activities that are not related to the purposes for which the Archdiocese was created, and as such, does not have any uncertain tax positions that are material to the financial statements. The Archdiocese would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Note 11 presents total expenses by function.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Archdiocese to make estimates and assumptions that affect the reported amounts of 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 and those differences could be material.

Financial Instruments and Credit Risk

The Pastoral Office manages deposit concentration risk by placing cash, money market accounts, and certificates of deposits with financial institutions they believe to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the losses in any of these accounts has not been experienced. Credit risk associated with accounts and contributions receivable is considered to be limited due to high historical collection rates. Investments are made by diversified investment managers whose performance is monitored by the Finance Council. Although fair values of investments are subject to fluctuation on a year-to-year basis, the Archdiocese and the Finance Council believe that the investment policies and guidelines are prudent for the long-term welfare of the Pastoral Office.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

Subsequent events have been evaluated through January 15, 2018, the date the financial statements were available to be issued.

Note 2 - Fair Value Measurements and Disclosures

The Pastoral Office reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset or liability within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk or liquidity profile of the asset or liability.

Generally, quoted market prices are available for cash equivalents, common and preferred stocks, and open-end mutual funds with readily determinable fair values based on daily redemption values, and as such are classified as Level 1 in the fair value hierarchy. The Pastoral Office also invests in corporate bonds and notes, mortgage backed securities, and certificates of deposit traded in the financial markets; these are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified as Level 2.

Archdiocese of Oklahoma City Pastoral Office Funds

Notes to Financial Statements

June 30, 2017 and 2016

The Pastoral Office uses (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, to estimate the fair values of certain private equity funds, pooled investment funds, funds of funds, and limited partnerships which do not have readily determinable fair values. Investments valued at NAV are classified within Level 2 if the Organization has the ability to redeem the investment at NAV per share at the measurement date or within the near term; otherwise, the investment is classified within Level 3.

The fair value of the liability for funds held for parishes and other Catholic organizations is derived in the same manner as investments. The related investments managed for these entities are comprised of Level 1 and Level 2 investments. As these funds effectively represent pooled investments with no withdrawal restrictions, they are classified as Level 2 within the fair value hierarchy.

The following table presents assets and liabilities measured at fair value on a recurring basis, at June 30, 2017:

	Fair Value Measurements Using			
	Total	(Level 1)	(Level 2)	(Level 3)
Assets				
Investments				
Money market funds	\$ 4,308,102	\$ 4,308,102	\$ -	\$ -
Corporate bonds and notes	23,681,908	-	23,681,908	-
Certificates of deposit	4,580,747	-	4,580,747	-
Government debt securities	17,375,214	-	17,375,214	-
Equity securities	44,381,907	34,382,451	9,999,456	-
Mortgage backed securities	24,072	-	24,072	-
Pooled investment funds	12,816,578	-	12,816,578	-
	\$107,168,528	\$ 38,690,553	\$ 68,477,975	\$ -
Liabilities				
Investments managed for related parties	\$ 50,750,219	\$ -	\$ 50,750,219	\$ -
	\$ 50,750,219	\$ -	\$ 50,750,219	\$ -

Archdiocese of Oklahoma City Pastoral Office Funds
Notes to Financial Statements
June 30, 2017 and 2016

The following table presents assets and liabilities measured at fair value on a recurring basis, at June 30, 2016:

	Fair Value Measurements Using			
	Total	(Level 1)	(Level 2)	(Level 3)
Assets				
Investments				
Money market funds	\$ 3,879,757	\$ 3,879,757	\$ -	\$ -
Corporate bonds and notes	17,958,539	-	17,958,539	-
Certificates of deposit	6,099,498	-	6,099,498	-
Government debt securities	18,582,793	-	18,582,793	-
Equity securities	39,094,206	29,905,256	9,188,950	-
Mortgage backed securities	35,030	-	35,030	-
Pooled investment funds	12,053,243	-	12,053,243	-
	<u>\$ 97,703,066</u>	<u>\$ 33,785,013</u>	<u>\$ 63,918,053</u>	<u>\$ -</u>
Total assets				
Liabilities				
Investments managed for related parties	\$ 48,530,860	\$ -	\$ 48,530,860	\$ -
	<u>\$ 48,530,860</u>	<u>\$ -</u>	<u>\$ 48,530,860</u>	<u>\$ -</u>

Archdiocese of Oklahoma City Pastoral Office Funds
Notes to Financial Statements
June 30, 2017 and 2016

Investments in certain entities that calculate NAV per share are as follows at June 30, 2017 and 2016:

<u>June 30, 2017</u>	<u>Fair value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u> □	<u>Redemption Notice Period</u>
Pooled investment funds (A)	\$ 12,816,578	\$ -	Daily	None
Catholic Values index fund (B)	9,999,456	-	Daily	None
	<u>\$ 22,816,034</u>	<u>\$ -</u>		
 <u>June 30, 2016</u> 				
Pooled investment funds (A)	\$ 12,053,243	\$ -	Daily	None
Catholic Values index fund (B)	9,188,950	-	Daily	None
	<u>\$ 21,242,193</u>	<u>\$ -</u>		

(A) Pooled investment funds represent the Pastoral Office's proportionate share of an investment pool which is the custodial responsibility of The Catholic Foundation of Oklahoma, Inc. (the Foundation). Pooled investment funds are held and managed by a trust company affiliated with a major regional bank that has investment authority over the investment transactions subject to investment policies that are established and periodically updated by the Board of Directors of the Foundation. Pooled investment funds are generally comprised of money funds, government debt securities, certificates of deposits, and equity securities.

(B) This fund's objective is to provide a similar price and yield performance, before expenses, of large cap equities. The Fund refrains from owning securities of firms whose products or services are inconsistent with the philosophy of the Catholic Church through the investment guidelines published by the U.S. Conference of Catholic Bishops.

Archdiocese of Oklahoma City Pastoral Office Funds
Notes to Financial Statements
June 30, 2017 and 2016

Note 3 - Net Investment Return

Net investment return consists of the following for the years ended June 30, 2017 and 2016:

	2017	2016
Operating investments		
Interest and dividends	\$ 1,691,841	\$ 2,157,899
Net realized and unrealized gain (loss)	4,767,614	(1,143,654)
	6,459,455	927,510
Endowment investments		
Interest and dividends	158,735	161,829
Net realized and unrealized gain (loss)	1,346,504	(294,077)
	1,505,239	(45,513)
	\$ 7,964,694	\$ 881,997

Note 4 - Contributions and Accounts Receivable

Contributions and accounts receivable at June 30, 2017 and 2016 are as follows:

	2017	2016
Contributions receivable, net of allowance of \$59,124 and \$60,945 at June 30, 2017 and 2016, respectively	\$ 850,810	\$ 862,370
Diocesan assessments receivable and other amounts due from Catholic organizations, net of allowance of \$5,196,613 and \$5,071,602 at June 30, 2017 and 2016, respectively	525,482	679,818
Insurance premiums receivable, net of allowance of \$250,000 and \$200,000 at June 30, 2017 and 2016, respectively	817,651	763,164
	\$ 2,193,943	\$ 2,305,352

Archdiocese of Oklahoma City Pastoral Office Funds

Notes to Financial Statements

June 30, 2017 and 2016

Note 5 - Notes Receivable

Notes receivable at June 30, 2017 and 2016 are as follows:

	2017	2016
Notes receivable from member parishes, noninterest-bearing, with maturities in installments through July 2020	\$ 120,527	\$ 149,243
Notes receivable from member parishes related to borrowings from PDLF, at variable interest rates adjusted monthly based on average rate of two-year U.S. Treasury notes plus 1.25% (2.53% and 2.11% at June 30, 2017 and 2016, respectively), maturing at various dates through 2036	13,572,938	15,116,447
	13,693,465	15,265,690
Less allowance for credit losses	(50,000)	-
	\$ 13,643,465	\$ 15,265,690

A \$6,301,973 note receivable was past due at June 30, 2017 and individually evaluated for impairment. The remaining \$7,391,492 in note receivables at June 30, 2017 were collectively evaluated for impairment.

Note 6 - Property and Equipment

Property and equipment consists of the following at June 30, 2017 and 2016:

	2017	2016
Land and improvements	\$ 12,190,261	\$ 12,088,126
Buildings and improvements	42,847,726	40,580,063
Equipment	540,781	530,706
Vehicles	256,402	236,149
Furniture and fixtures	349,148	228,375
Computers	168,635	168,635
	56,352,953	53,832,054
Less accumulated depreciation and amortization	(21,012,848)	(19,825,789)
	\$ 35,340,105	\$ 34,006,265

Note 7 - Line of Credit and Letters of Credit

The Pastoral Office has a revolving line of credit with a bank that provides for borrowings of up to \$2,350,000 through March 26, 2018. Borrowings on the line bear interest at the Two-Year Treasury Note Constant Maturity Index plus 1 percent. The Pastoral Office is required to make monthly payments of accrued interest with all outstanding borrowings due March 26, 2018. The line of credit agreement contains several financial covenants which require, among other things, maintenance of \$20 million of unrestricted and unencumbered liquid net assets, maintenance of \$30 million of unrestricted net assets, and limitation to \$50 million of aggregate funded and contingent debt. There were no outstanding borrowings on the line of credit at June 30, 2017 and 2016.

The Pastoral Office has a \$475,000 irrevocable letter of credit with a bank for the benefit of Oklahoma's Workers' Compensation Court in relation to the self-insurance plan described in Note 1. The letter of credit provides borrowings through July 30, 2018, and automatically renews each year unless otherwise terminated.

Archdiocese of Oklahoma City Pastoral Office Funds

Notes to Financial Statements

June 30, 2017 and 2016

Note 8 - Net Assets

Net assets at June 30, 2017, consist of:

	Unrestricted*	Temporarily Restricted	Permanently Restricted	Total
Seminary Burses Fund	\$ 6,603,831	\$ -	\$ 782,841	\$ 7,386,672
Joseph Danne Fund	883,082	-	3,735,799	4,618,881
Archdiocesan Endowment Fund:				
Operating activity	23,559,107	-	-	23,559,107
Pastoral Center	2,143,053	-	-	2,143,053
Archbishop's Residence	2,221,651	-	-	2,221,651
Mt. St. Mary High School	2,663,841	-	-	2,663,841
Catholic School Support	3,721,902	-	-	3,721,902
Bombing tuition	-	141,687	-	141,687
Pastoral ministry	-	69,989	149,636	219,625
Pilgrimage	-	2,902	-	2,902
Crested Butte	42,935	-	-	42,935
Salatka & Zagar	-	10,975	-	10,975
Donald Mileur	-	172,459	-	172,459
SARC - Elderly Support	-	-	-	-
Maloney Trust	191,793	-	1,785,967	1,977,760
Youth Camp	852,878	-	-	852,878
	35,397,160	398,012	1,935,603	37,730,775
St. Joseph's Children's Fund	7,661,025	-	-	7,661,025
Land, Buildings and Equipment Fund	35,340,105	-	-	35,340,105
Operating Fund:				
Self-Insurance Fund	10,149,394	-	-	10,149,394
Retirement Benefits	(8,944,439)	-	-	(8,944,439)
Total Operating Fund	1,204,955	-	-	1,204,955
Total Net Assets	\$ 87,090,158	\$ 398,012	\$ 6,454,243	\$ 93,942,413

*Amounts in Unrestricted column for each fund are board designated

Archdiocese of Oklahoma City Pastoral Office Funds

Notes to Financial Statements

June 30, 2017 and 2016

Net assets at June 30, 2016, consist of:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Seminary Burses Fund	\$ 6,334,206	\$ -	\$ 782,841	\$ 7,117,047
Joseph Danne Fund	683,100	-	3,526,099	4,209,199
Archdiocesan Endowment Fund:				
Operating activity	22,685,275	-	-	22,685,275
Pastoral Center	2,825,807	-	-	2,825,807
Archbishop's Residence	2,033,035	-	-	2,033,035
Mt. St. Mary High School	2,451,453	-	-	2,451,453
Catholic School Support	3,543,073	-	-	3,543,073
Bombing tuition	-	144,142	-	144,142
Pastoral ministry	-	69,735	135,000	204,735
Pilgrimage	-	3,547	-	3,547
Crested Butte	39,317	-	-	39,317
Salatka & Zagar	-	10,836	-	10,836
Donald Mileur	-	160,355	-	160,355
SARC - Elderly Support	-	8,117	-	8,117
Maloney Trust	25,166	-	1,785,967	1,811,133
Youth Camp	781,023	-	-	781,023
	34,384,149	396,732	1,920,967	36,701,848
St. Joseph's Children's Fund	7,085,280	-	-	7,085,280
Land, Buildings and Equipment Fund	34,006,265	-	-	34,006,265
Operating Fund:				
Self-Insurance Fund	8,472,841	-	-	8,472,841
Retirement Benefits	(9,846,258)	-	-	(9,846,258)
Total Operating Fund	(1,373,417)	-	-	(1,373,417)
Total Net Assets	\$ 81,119,583	\$ 396,732	\$ 6,229,907	\$ 87,746,222

*Amounts in Unrestricted column for each fund are board designated

Net assets were released from restrictions as follows during the years ended June 30, 2017 and 2016:

	2017	2016
Satisfaction of purpose restrictions		
Priest medical	\$ 47,264	\$ 101,471
Bombing tuition	4,250	27,650
Pastoral ministry	1,373	1,649
Pilgrimage	645	8,000
Donald Mileur	3,477	7,261
SARC - Elderly Support	8,120	20,545
	65,129	166,576
Restricted spending-rate appropriations	209,699	-
	\$ 274,828	\$ 166,576

Note 9 - Endowment Funds

The Pastoral Office's endowments consist of various donor and board-restricted funds which are managed and controlled by the Pastoral Office and were established for various donor restricted purposes as shown in Note 8. The net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. All of the endowment funds held by the Pastoral Office are managed and controlled by the Pastoral Office in accordance with the following policies.

Interpretation of Relevant Law

The Finance Council of the Archdiocese has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). For purposes of these financial statements, the market value of the original gift date is classified as permanently restricted.

As a result of this interpretation, the Pastoral Office classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of the subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment 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 endowment fund, not classified in permanently restricted net assets, is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Archdiocese in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Finance Council considers the followings factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Archdiocese of Oklahoma City Pastoral Office Funds

Notes to Financial Statements

June 30, 2017 and 2016

At June 30, 2017 and 2016, the Archdiocese had the following net asset composition by type of fund:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2017				
Board-designated endowment	\$ 6,603,831	\$ -	\$ -	\$ 6,603,831
Donor-restricted endowment	1,074,875	69,989	6,454,243	7,599,107
	\$ 7,678,706	\$ 69,989	\$ 6,454,243	\$ 14,202,938
June 30, 2016				
Board-designated endowment	\$ 6,334,206	\$ -	\$ -	\$ 6,334,206
Donor-restricted endowment	708,266	69,735	6,229,907	7,007,908
	\$ 7,042,472	\$ 69,735	\$ 6,229,907	\$ 13,342,114

Investment and Spending Policies

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Pastoral Office to retain as a fund of perpetual duration.

The Pastoral Office has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Pastoral Office must hold in perpetuity. Under this policy, as approved by the governing body, the endowment assets are invested with the combined objectives of growth and current income. The asset allocation policies (see below) reflect and are consistent with the investment objectives and risk tolerances expressed through the investment policy. Certain endowments have donor stipulations requiring a portion of the funds to be reinvested into the fund.

To satisfy its long-term rate-of-return objectives, the Pastoral Office 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). The Pastoral Office targets a diversified asset allocation via investments managed by professional investment managers who have discretionary investment authority over investment transactions subject to investment policies which are established and periodically updated by the Pastoral Office.

Archdiocese of Oklahoma City Pastoral Office Funds

Notes to Financial Statements

June 30, 2017 and 2016

The Pastoral Office has a policy of appropriating for distribution each year amounts up to, but not to exceed, actual investment performance for that year. Distributions subsequent to appropriation occasionally exceed current year investment performance, as appropriated funds may not be spent until the following fiscal year. Since the Pastoral Office limits the appropriations to actual investment performance, it feels that this policy protects the purchasing power of the endowment as outlined by donor specifications.

Changes in endowment net assets for the year ended June 30, 2017 and 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Year ended June 30, 2017</u>				
Endowment net assets, beginning of year	\$ 7,042,472	\$ 69,735	\$ 6,229,907	\$ 13,342,114
Investment return				
Investment income, net of fees	96,235	31,250	31,250	158,735
Net realized and unrealized gain (loss)	973,342	180,076	193,086	1,346,504
	<u>1,069,577</u>	<u>211,326</u>	<u>224,336</u>	<u>1,505,239</u>
Appropriation of restricted endowment assets pursuant to spending-rate policy	211,072	(211,072)	-	-
Distributions subsequent to appropriation	<u>(644,415)</u>	<u>-</u>	<u>-</u>	<u>(644,415)</u>
Endowment net assets, end of year	<u><u>\$ 7,678,706</u></u>	<u><u>\$ 69,989</u></u>	<u><u>\$ 6,454,243</u></u>	<u><u>\$ 14,202,938</u></u>
<u>Year ended June 30, 2016</u>				
Endowment net assets, beginning of year	\$ 8,169,542	\$ 77,989	\$ 6,275,420	\$ 14,522,951
Investment return				
Investment income, net of fees	62,137	64,349	35,343	161,829
Net realized and unrealized gain (loss)	(145,704)	(67,517)	(80,856)	(294,077)
	<u>(83,567)</u>	<u>(3,168)</u>	<u>(45,513)</u>	<u>(132,248)</u>
Appropriation of restricted endowment assets pursuant to spending-rate policy	5,086	(5,086)	-	-
Distributions subsequent to appropriation	<u>(1,048,589)</u>	<u>-</u>	<u>-</u>	<u>(1,048,589)</u>
Endowment net assets, end of year	<u><u>\$ 7,042,472</u></u>	<u><u>\$ 69,735</u></u>	<u><u>\$ 6,229,907</u></u>	<u><u>\$ 13,342,114</u></u>

Note 10 - Donated Professional Services and Materials

During the years ended June 30, 2017 and 2016, Bishop McGuiness Catholic High School donated real property consisting of building renovations and a sports complex, which are used by the School. These items were capitalized in the amount of \$1,416,622 and \$654,791, respectively.

Archdiocese of Oklahoma City Pastoral Office Funds

Notes to Financial Statements

June 30, 2017 and 2016

Note 11 - Functionalized Expenses

Total expenses by function were as follows for the years June 30, 2017 and 2016:

	2017	2016
Program	\$ 16,898,483	\$ 16,041,479
Management and general	5,257,661	5,897,059
Fundraising	755,146	181,635
Total functionalized expenses	\$ 22,911,290	\$ 22,120,173

Note 12 - Employee Benefits

Defined Benefit Plan

The Pastoral Office has an unfunded noncontributory defined benefit pension plan that covers all incardinated priests (the Pension Plan). The priests are eligible to receive pension benefits upon reaching their normal retirement age of 75, however, early or late retirement may be granted by the Archbishop in specific instances (average retirement age is 70). The pension benefits include (1) retired priests receive the same salary as active priests, adjusted every June for inflation; (2) \$1,000 per year for personal expenses; (3) monthly rent subsidies of \$500; and (4) nursing home care provided at no cost; however, monthly pension payments are reduced to \$100.

The Pension Plan is currently funded by assessments to parishes, monthly contributions from the Pastoral Office, and receipts of discretionary contributions from parishioners. The Pastoral Office uses a June 30 measurement date for the Pension Plan.

The changes in the pension benefit obligations for the years ended June 30, 2017 and 2016, are as follows:

	2017	2016
Benefit obligation, beginning of year	\$ 16,185,049	\$ 15,462,445
Service cost	565,449	494,997
Interest cost	540,038	642,675
Actuarial (gain) loss	(829,821)	650,515
Benefit payments	(728,932)	(1,065,583)
Benefit obligation, end of year	\$ 15,731,783	\$ 16,185,049

Archdiocese of Oklahoma City Pastoral Office Funds

Notes to Financial Statements

June 30, 2017 and 2016

The changes in fair value of the pension plan's assets for the years ended June 30, 2017 and 2016 are as follows:

	2017	2016
Fair value of plan assets, beginning of year	\$ 3,392,204	\$ 3,950,333
Actual return on plan assets	370,379	(53,276)
Benefit payments	(728,932)	(1,065,583)
Employer contribution	587,227	560,730
Fair value of plan assets, end of year	\$ 3,620,878	\$ 3,392,204

The funded status of the pension plan at June 30, 2017 and 2016 are as follows:

	2017	2016
Unfunded	\$ (12,110,905)	\$ (12,792,845)

The net amount recognized in the statement of financial position at June 30, 2017 and 2016 consist of:

	2017	2016
Accrued pension benefit cost	\$ (12,110,905)	\$ (12,792,845)
Accumulated pension related changes other than net periodic pension benefit costs	4,165,510	5,338,479
Net amount recognized	\$ (7,945,395)	\$ (7,454,366)

In addition to the pension plan's assets segregated in a trust for the benefit of future payments under the pension plan, the Pastoral Office has internally designated \$3,166,466 and \$2,946,587 as of June 30, 2017 and 2016, respectively, of its unrestricted net assets for funding of the pension plan's obligations.

Archdiocese of Oklahoma City Pastoral Office Funds
Notes to Financial Statements
June 30, 2017 and 2016

Components of net periodic benefit cost and other amounts recognized in accumulated pension related changes for the years ended June 30, 2017 and 2016, are as follows:

	2017	2016
Net periodic benefit cost		
Service cost	\$ 565,449	\$ 494,997
Interest cost	540,038	642,675
Expected return on plan assets	(224,997)	(280,787)
Amortization	197,766	174,210
Net periodic benefit cost	1,078,256	1,031,095
Other changes in plan assets and benefit obligations recognized in accumulated pension related changes		
Current year actuarial (gain) loss	(1,172,969)	785,188
Total recognized in net periodic benefit cost and accumulated pension related changes	\$ (94,713)	\$ 1,816,283

The estimated net loss and prior service cost that will be amortized from accumulated pension related changes into net periodic pension benefit cost in fiscal year 2018 will be \$141,735.

The following are weighted-average assumptions used to determine benefit obligations at June 30, 2017 and 2016:

	2017	2016
Discount rate	3.74%	3.43%
Rate of compensation increase	3.00%	3.00%

The following are weighted-average assumptions used to determine net periodic benefit cost for the years ended June 30, 2017 and 2016:

	2017	2016
Discount rate	3.43%	4.30%
Rate of compensation increase	3.00%	4.00%
Expected long-term rate of return on plan assets	7.00%	7.00%

The Pastoral Office's expected long term return on plan assets assumption was derived from an analysis conducted by the Pastoral Office's actuaries. The analysis included a review of the asset allocation strategy, anticipated future long-term performance of individual asset classes, and risks and correlations for each of the asset classes that comprise the asset mix. While the analysis gives appropriate consideration to recent performance and historical returns, the assumption is primarily a long-term prospective rate.

Archdiocese of Oklahoma City Pastoral Office Funds

Notes to Financial Statements

June 30, 2017 and 2016

The following table sets forth by level, within the fair value hierarchy, the pension plan's assets at fair value as of June 30, 2017 and 2016:

	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<u>June 30, 2017</u>				
Cash and cash equivalents	\$ 255,853	\$ 255,853	\$ -	\$ -
Equity securities	2,099,159	2,099,159	-	-
Fixed income funds	1,265,866	1,265,866	-	-
Total assets at fair value	<u>\$ 3,620,878</u>	<u>\$ 3,620,878</u>	<u>\$ -</u>	<u>\$ -</u>
<u>June 30, 2016</u>				
Cash and cash equivalents	\$ 131,348	\$ 131,348	\$ -	\$ -
Equity securities	1,949,076	1,949,076	-	-
Fixed income funds	1,311,780	1,311,780	-	-
Total assets at fair value	<u>\$ 3,392,204</u>	<u>\$ 3,392,204</u>	<u>\$ -</u>	<u>\$ -</u>

The pension benefit plan assets are carried at fair value in accordance with the fair value hierarchy as discussed in Note 2.

In setting investment policies and strategies, the ability of the selected investment mix to fund the pension plan liabilities effectively, meet the long-term asset return target of 7 percent, and align the selected mix with the risk tolerance of the plan's fiduciaries was taken into account. The strategic mix has reduced exposure to an equity market risk and increased allocation to asset classes which are not highly correlated, as well as asset classes where management has historically generated excess returns, and places greater emphasis on manager skills to produce excess return while employing various risk mitigation strategies to reduce volatility.

The Pastoral Office expects to contribute approximately \$524,000 to the defined benefit pension plan in fiscal year 2018.

The following estimated future benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the fiscal years indicated:

2018	\$ 818,649
2019	822,309
2020	827,304
2021	769,692
2022	747,297
2023-2027	3,273,387

Archdiocese of Oklahoma City Pastoral Office Funds

Notes to Financial Statements

June 30, 2017 and 2016

Defined Contribution Plan

The Pastoral Office also sponsors a 403(b) Church Retirement Plan (the 403(b) Plan). The 403(b) Plan covers substantially all Archdiocesan or affiliated Catholic organizations' lay employees. Each affiliated Catholic organization contributes a discretionary amount (3 percent of the participant's salary for fiscal years 2017 and 2016). In addition, organizations match the first 4 percent of employee contributions at 50 percent such amount. New participants become vested in six years (20 percent per year after the second year of service). Expenses for the Pastoral Office's portion of the 403(b) plan were not significant for the years ended June 30, 2017 and 2016.

Note 13 - Related Party Transactions

Investments include investments managed for related parties. The Pastoral Office, in a fiduciary capacity, manages the following investments for parties associated with the Archdiocese as of June 30, 2017 and 2016:

	2017	2016
Archdiocesan Parish Deposit and Loan Fund (PDLF)	\$ 38,120,020	\$ 37,249,454
Catholic Charities	1,609,363	1,433,992
Resurrection Memorial Cemetery, Inc.	8,072,061	7,083,520
St. Ann's Home, Inc.	942,102	1,002,968
Bishop McGuinness High School	2,006,673	1,760,926
	\$ 50,750,219	\$ 48,530,860

PDLF is an investment pool of funds deposited by parishes and other members of the Archdiocese. PDLF was established to provide financing to defined members of the Archdiocese and is administered by the Pastoral Office and a third-party administrator. Funds deposited to the PDLF earn interest at a rate based on the monthly average rate of two-year U.S. Treasury Notes plus 0.25 percent, and loans from PDLF bear interest at a floating rate adjusted monthly based on the average rate of two-year U.S. Treasury Notes plus 1.25 percent. The policy of PDLF is to limit outstanding loans to 75 percent of the total PDLF assets with the remaining assets being invested in cash or equity/fixed income securities.

Deposits to PDLF are guaranteed by the Pastoral Office. As of June 30, 2017, PDLF has assets of \$45,797,522, consisting of funds deposited by the Pastoral Office and other members of the Archdiocese, and had loans outstanding to members of the Archdiocese of \$13,572,938. As of June 30, 2016, PDLF had assets of \$45,371,845 and had loans outstanding to members of the Archdiocese of \$15,116,447.

The Catholic Foundation of Oklahoma, Inc. (Foundation) conducts business from offices located inside the Pastoral Office building, and reimburses the Pastoral Office for salaries, payroll taxes, retirement and other benefits, insurance, rent, and telephone expenses. The totals received from the Foundation for the years ended June 30, 2017 and 2016 were \$170,950 and \$156,238, respectively. Accounts receivable at June 30, 2017 and 2016 included \$15,094 and \$41,360, respectively, due from the Foundation. The Foundation holds and manages certain investments of the Pastoral Office, which amounted to \$12,816,578 at June 30, 2017 and \$14,350,954 at June 30, 2016. Fund management fees paid to the Foundation for the years ended June 30, 2017 and 2016 were \$40,480 and \$47,657, respectively.

Note 14 - Commitments and Contingencies

Guarantees

The Pastoral Office is contingently liable as guarantor for certain automobile loans for its priests which total approximately \$132,000. In the event the debtor fails to make the required principal and interest payments on the bank debt, the Pastoral Office would be required to make such payments. All priest car loans are paying as agreed and the Pastoral Office believes it is unlikely they will be required to make payments.

The Pastoral Office is also contingently liable as guarantor for a loan between Good Shepherd Catholic School, Inc. (the School) and a nonprofit corporation for \$200,000 at June 30, 2017. During 2016, the Pastoral Office was notified the nonprofit corporation had approved a request for loan forgiveness and \$50,000 of the loan will be forgiven each year beginning in 2016. The Pastoral Office does not believe it will be liable for any obligation related to this loan.

St. Ann Retirement Center, Inc. had obligations as of June 30, 2017 and 2016, related to 2011 Revenue Bonds (Bonds). In connection with the Bonds, the Pastoral Office has entered into a guaranty agreement which will remain in effect through the maturity and settlement of the Bonds. The Bonds bear interest at an annual fixed rate of 4.06 percent and require monthly principal and interest payments through December 1, 2027. Remaining payments total approximately \$8,736,000 as of June 30, 2017. The bonds are current as of June 30, 2017 and 2016, and the Pastoral Office does not believe it will have any obligation related to these bonds.

Contributions Payable

The Pastoral Office has made unconditional promises to give to certain organizations. Contributions to be paid in more than one year are discounted using rates ranging from 1 to 3%. The following is a summary of contributions payable at June 30, 2017:

To be paid within 1 year	\$	548,757
To be paid within 2 years		467,666
		1,016,423
Less discount		(70,968)
		\$ 945,455

Archdiocese of Oklahoma City Pastoral Office Funds
Notes to Financial Statements
June 30, 2017 and 2016

The following is a summary of contributions payable at June 30, 2016:

To be paid within 1 year	\$ 698,756
To be paid within 2 years	487,667
To be paid within 3 year s	<u>467,667</u>
	1,654,090
Less discount	<u>(70,968)</u>
	<u><u>\$ 1,583,122</u></u>