Archdiocese of St. Louis

Consolidated Financial Statements
(Excluding Parishes) as of and for the
Years Ended June 30, 2014 and 2013, and
Independent Auditors' Report

ARCHDIOCESE OF ST. LOUIS

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INDEPENDENT AUDITORS' REPORT

The Most Reverend Robert J. Carlson
Archbishop of St. Louis
Archdiocese of St. Louis

We have audited the accompanying consolidated financial statements of the Archdiocese of St. Louis (the "Archdiocese"), which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Archdiocese's preparation and fair presentation of the consolidated 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 Archdiocese'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Archdiocese as of June 30, 2014 and 2013, and 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

October 21, 2014

ARCHDIOCESE OF ST. LOUIS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2014 AND 2013
(In thousands)

ASSETS	2014	2013
CASH AND CASH EQUIVALENTS	$ 22,223	$ 22,254
RESTRICTED CASH AND INVESTMENTS	12,472	12,628
INVESTMENTS	614,056	527,527
RECEIVABLE ON UNSETTLED INVESTMENT SALES	1,941	12,659
ACCOUNTS RECEIVABLE — Net of allowance for doubtful accounts of $2,501 in 2014 and $2,723 in 2013	7,248	7,426
GRANTS, PLEDGES AND BEQUESTS RECEIVABLE — Net of allowance for doubtful accounts of $4,325 in 2014 and $4,330 in 2013	24,013	22,145
LOANS TO ARCHDIOCESAN PARISHES AND OTHER CATHOLIC ORGANIZATIONS — Net of allowance for doubtful accounts of $2,751 in 2014 and $6,182 in 2013	28,988	29,990
OTHER NOTES RECEIVABLE — Net of allowance for doubtful accounts of $56 in 2014 and $55 in 2013	8,108	13,109
DUE FROM ARCHDIOCESAN PARISHES — Net of allowance for doubtful accounts of $6,993 in 2014 and $6,354 in 2013	1,069	928
CEMETERY LAND AND IMPROVEMENTS AVAILABLE FOR INTERMENT AND MAUSOLEUMS	9,333	8,991
OTHER ASSETS	5,823	4,814
PROPERTY AND EQUIPMENT — Net of accumulated depreciation of $162,509 in 2014 and $155,710 in 2013	202,933	212,598
TOTAL	$938,207	$875,069

LIABILITIES AND NET ASSETS	2014	2013
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 15,097	$ 14,870
CLAIMS PAYABLE	11,601	12,037
DEFERRED REVENUES	18,656	19,076
ACCRUED FUTURE CARE COSTS	55,647	54,126
DUE TO ARCHDIOCESAN PARISHES	645	953
DEPOSIT LIABILITIES	142,692	133,444
PAYABLE ON UNSETTLED INVESTMENT PURCHASES	1,887	15,498
NOTES PAYABLE	73,464	72,887
PRIESTS' RETIREMENT LIABILITY	126,686	126,310
OTHER LIABILITIES	28,860	28,441
Total liabilities	475,235	477,642
NET ASSETS:		
Unrestricted:		
Undesignated	(89,515)	(95,474)
Designated	438,561	387,756
Noncontrolling interest in subsidiaries	4,900	4,515
Total unrestricted	353,946	296,797
Temporarily restricted	46,458	38,104
Permanently restricted	62,568	62,526
Total net assets	462,972	397,427
TOTAL	$938,207	$875,069

See notes to consolidated financial statements.

ARCHDIOCESE OF ST. LOUIS

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(In thousands)

	2014	2013
CHANGES IN UNRESTRICTED NET ASSETS:		
Operating:		
Revenues and gains:		
Contributions, pledges, bequests and grants, net of direct fund-raising expenses of $2,281 in 2014 and $2,581 in 2013	$ 43,448	$ 41,140
Government fees and grants	33,638	33,335
Investment income	66,680	39,703
Tuition and student fees, net of scholarships of $8,225 in 2014 and $7,027 in 2013	31,466	31,333
Fees and services — net of expenses of $2,391 in 2014 and $2,504 in 2013	69,211	65,333
Insurance premiums	33,214	32,020
Net loss on sale, disposal or impairment of property	(1,514)	(2,156)
Other revenues	1,374	1,166
Total unrestricted revenues and gains	277,517	241,874
Net assets released from restrictions:		
Restrictions satisfied by time	3,553	3,867
Restrictions satisfied by purpose	15,017	18,816
Total net assets released from restrictions	18,570	22,683
Total unrestricted revenues, gains and other support	296,087	264,557
Expenses:		
Program	216,780	205,761
Management and general	16,836	16,597
Fund-raising	6,788	6,579
Total expenses	240,404	228,937
Change in unrestricted net assets from operating activities	55,683	35,620
Nonoperating revenues:		
Pension-related changes other than net periodic pension cost	524	2,568
Capital contributions from noncontrolling interest	898	1,479
Transfers for surplus endowment investments	44	8
Change in donor intent		581
Total nonoperating revenues	1,466	4,636
Change in unrestricted net assets	57,149	40,256

(Continued)

ARCHDIOCESE OF ST. LOUIS

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(In thousands)

	2014	2013
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions, pledges, bequests and grants	$ 12,448	$ 15,373
Change in donor intent		1,494
Investment income	14,520	9,505
Net assets released from restrictions	(18,570)	(22,683)
Transfers for deficiencies of endowment investments	(44)	(8)
Change in temporarily restricted net assets	8,354	3,681
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:		
Contributions, pledges, bequests and grants	3	430
Change in donor intent		(2,075)
Investment income	39	8
Change in permanently restricted net assets	42	(1,637)
CHANGE IN NET ASSETS	65,545	42,300
NET ASSETS — Beginning of year	397,427	355,127
NET ASSETS — End of year	$ 462,972	$ 397,427

See notes to consolidated financial statements. (Concluded)

ARCHDIOCESE OF ST. LOUIS

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(In thousands)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 65,545	$ 42,300
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	12,353	11,644
Net investment gain	(68,230)	(34,004)
Allocation of gain on Investment Fund investments	9,517	6,478
Provision for uncollectible loans and receivables	(1,837)	2,324
Net loss on sale, disposal or impairment of property	1,514	2,156
Forgiveness of note payable	(191)	(308)
Contributions restricted for long-term investment	(3)	(430)
Contributions restricted for purchase of property and equipment	(3,507)	(5,152)
Contributions received — property and equipment	(161)	(49)
Capital contribution from noncontrolling interest	(898)	(1,479)
Changes in assets and liabilities relating to operating activities:		
Accounts receivable	(950)	(1,728)
Grants, pledges and bequests receivable	(4,240)	(1,817)
Due from Archdiocesan parishes	(605)	(387)
Cemetery land and improvements held for interment and mausoleums	(342)	(223)
Other assets	(32)	(194)
Accounts payable and accrued expenses	2,427	(128)
Claims payable	(436)	(2,139)
Deferred revenues	(420)	677
Accrued future care costs	1,521	354
Due to Archdiocesan parishes	(308)	229
Priests' retirement liability	376	3,148
Other liabilities	529	(3,399)
Net cash from operating activities	11,622	17,873
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net decrease (increase) in restricted cash and investments	156	(543)
Net decrease (increase) in short-term cash investments	(3,307)	3,259
Payments for the purchase of investments	(561,778)	(539,566)
Proceeds from sale of investments	543,893	528,056
Disbursement of loans to Archdiocesan parishes and other Catholic organizations	(2,565)	(8,484)
Repayment of loans by Archdiocesan parishes and other Catholic organizations	6,998	8,874
Disbursement of other notes receivable	(4)	(54)
Repayment of other notes receivable	5,004	9
Payments for additions to property and equipment	(8,560)	(23,476)
Proceeds from sale of property and equipment	1,299	329
Net cash from investing activities	(18,864)	(31,596)

(Continued)

ARCHDIOCESE OF ST. LOUIS

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(In thousands)

	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (decrease) in deposit liabilities	$ (269)	$ 1,280
Contributions restricted for long-term investment	60	389
Contributions restricted for purchase of property and equipment	5,821	9,306
Capital contribution from noncontrolling interest	898	1,479
Payments on notes payable	(442)	(352)
Borrowings on notes payable	1,210	2,456
Proceeds from continuing care advance fees	3,499	1,434
Repayment of continuing care advance fees	(3,609)	(1,434)
Other financing activities	43	
Net cash from financing activities	7,211	14,558
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(31)	835
CASH AND CASH EQUIVALENTS — Beginning of year	22,254	21,419
CASH AND CASH EQUIVALENTS — End of year	$ 22,223	$ 22,254
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 1,694	$ 1,642
Noncash investing and financing transactions:		
Receivable on unsettled investment sales	1,941	12,659
Payable on unsettled investment purchases	1,887	15,498
Property and equipment additions included in accounts payable and accrued expenses	1,141	3,341
Contributions of property and equipment received	161	49
Contributions of commodities received	112	124
Contributions pledged for property and equipment	798	2,344
Contributions pledged for long-term investments	(57)	42

See notes to consolidated financial statements. (Concluded)

THE ARCHDIOCESE OF ST. LOUIS

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(In thousands)

	Program						Support			
2014	Catholic Charities	Education	Adminis-tration	Other Ministries	St. Louis Archdiocesan Fund	Total	Management and General	Fund-Raising	Total	Total Expenses
Salaries	$ 33,897	$ 26,036	$ 540	$ 7,985	$ -	$ 68,458	$ 8,173	$ 3,550	$ 11,723	$ 80,181
Health and retirement benefits	7,220	7,346	132	2,215		16,913	1,729	591	2,320	19,233
Payroll taxes	2,434	1,859	38	446		4,777	541	256	797	5,574
Total salaries and related expenses	43,551	35,241	710	10,646	-	90,148	10,443	4,397	14,840	104,988
Occupancy	5,658	3,570		1,871		11,099	1,235	99	1,334	12,433
Supplies and equipment	5,814	3,368	60	1,935		11,177	1,052	908	1,960	13,137
Fees and services	5,575	2,542	3,716	4,342	2,029	18,204	1,145	1,100	2,245	20,449
Assistance to individuals	8,060	36	4			8,100				8,100
Insurance claims and premiums paid	1,260	855	32,091	277		34,483	264	24	288	34,771
Grants and assessments	238	496	15,597	1,576		17,907	1	45	46	17,953
Interest expense	1,281				9,956	11,237	1		1	11,238
Other expenses	952	334	(11)	875	30	2,180	306	178	484	2,664
Provision for doubtful accounts	319	744		61	(3,431)	(2,307)	470		470	(1,837)
Provision for future care costs				4,366		4,366				4,366
Depreciation	4,970	2,996		2,220		10,186	1,919	37	1,956	12,142
Total expenses	$ 77,678	$ 50,182	$ 52,167	$ 28,169	$ 8,584	$216,780	$ 16,836	$ 6,788	$ 23,624	$240,404

(Continued)

THE ARCHDIOCESE OF ST. LOUIS

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(In thousands)

	Program						Support			
2013	Catholic Charities	Education	Adminis-tration	Other Ministries	St. Louis Archdiocesan Fund	Total	Management and General	Fund-Raising	Total	Total Expenses
Salaries	$ 32,477	$ 24,768	$ 549	$ 8,125	$ -	$ 65,919	$ 8,072	$ 3,279	$ 11,351	$ 77,270
Health and retirement benefits	6,773	4,794	152	2,205		13,924	1,581	552	2,133	16,057
Payroll taxes	2,337	1,741	37	440		4,555	539	237	776	5,331
Total salaries and related expenses	41,587	31,303	738	10,770	-	84,398	10,192	4,068	14,260	98,658
Occupancy	5,344	2,748	2	2,173		10,267	1,189	96	1,285	11,552
Supplies and equipment	5,427	2,730	61	1,645	2	9,865	1,017	1,099	2,116	11,981
Fees and services	5,716	2,012	3,710	3,849	1,733	17,020	912	1,062	1,974	18,994
Assistance to individuals	7,798	25		6		7,829				7,829
Insurance claims and premiums paid	1,182	804	32,690	269		34,945	258	24	282	35,227
Grants and assessments	185	856	13,988	2,039	1	17,069	1	37	38	17,107
Interest expense	1,192				6,958	8,150	2		2	8,152
Other expenses	1,015	175	40	781	27	2,038	360	160	520	2,558
Provision for doubtful accounts	617	975		112		1,704	620		620	2,324
Provision for future care costs				3,105		3,105				3,105
Depreciation	4,537	3,111		1,723		9,371	2,046	33	2,079	11,450
Total expenses	$ 74,600	$ 44,739	$ 51,229	$ 26,472	$ 8,721	$205,761	$ 16,597	$ 6,579	$ 23,176	$228,937

See notes to consolidated financial statements.

(Concluded)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization — The consolidated financial statements include the accounts of all the organizations (excluding parishes), which report to the Archbishop of St. Louis and which operate under the auspices of the Archdiocese of St. Louis (the "Archdiocese"). The parishes of the Archdiocese are excluded from the consolidated financial statements because the Archdiocese does not maintain an economic interest in the parishes. These organizations generally are grouped as follows:

Catholic Charities — Entities of the Archdiocese which provide social services to residents of the Archdiocese through three primary areas: elderly services, children services, and family and community services.

Education — Catholic Education Office, Archdiocesan and regional high schools, Archdiocesan elementary schools (excluding parish schools), Department of Special Education, and St. Mary's Special School, all of which maintain a mission to deliver high quality Catholic education to residents of the Archdiocese.

Administration — Entities of the Archdiocese which provide administrative services and financial support to parishes, schools, and agencies of the Archdiocese.

Other Ministries — Catholic Cemeteries, Kenrick-Glennon Seminary, clergy-related offices, St. Louis Review, Mission Office, and other entities that serve the other pastoral needs of the residents of the Archdiocese.

The St. Louis Archdiocesan Fund (the "Fund") — A separate charitable trust that encompasses the majority of the financial and investment activities of the Archdiocese.

All significant intradiocesan balances and transactions have been eliminated.

Cash — The Archdiocese maintains its cash accounts primarily with banks located in Missouri. The Archdiocese has cash balances on deposit with Missouri banks at June 30, 2014 in the amount of $10,320 that exceeded the balance insured by the Federal Deposit Insurance Corporation.

Cash Equivalents — The Archdiocese maintains several money market accounts to provide liquidity for daily operations. Money market accounts may be invested in short-term U.S. Government and Agency securities, corporate bonds, and mortgage-backed securities with an average effective duration under three months. Money market accounts held for liquidity are carried at cost which approximates fair value and are recorded in cash and cash equivalents.

Restricted Cash and Investments — Restricted cash and investments represent funds whose use is limited under U.S. Department of Housing and Urban Development (HUD) regulatory agreements, State of Missouri Department of Labor (MDOL) requirements, and escrow amounts related to environmental liabilities or for construction and workers' compensation.

Investments — Investments are carried at fair value based on quoted market prices when available. When a market price is not readily available, management estimates the fair value based on information obtained from the investment custodian or the investment manager. Net realized gains or losses on sales of investments are based on the difference between the proceeds received and the cost of the investments sold. Sales and purchases of investments are recognized based upon the trade date of each transaction. Recording transactions based upon trade date results in payable or receivable at year-end on unsettled purchases and sales. Interest income is recognized when earned. Dividend income is recognized when dividends are declared. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is reported as an increase or decrease in unrestricted net assets in investment gain (loss) unless such income or loss is temporarily or permanently restricted by explicit donor stipulation or by law.

Grants, Pledges and Bequests Receivable — Grants, pledges and bequests receivable that are expected to be collected within one year are recorded at net realizable value. Grants, pledges, and bequests receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as revenue until the conditions are substantially met.

Loans to Archdiocesan Parishes and Other Catholic Organizations — Loans are made to parishes and on occasion other Catholic organizations. They are reported at their outstanding principal balance plus unpaid accrued interest.

The allowance for uncollectible loans represents management's estimate of probable losses inherent in the Archdiocese's lending activities, including unfunded lending commitments. Credit exposure deemed to be uncollectible is charged against this account. Cash recovered on previously charged off amounts is recorded as a recovery to this account. The Archdiocese performs periodic and systematic detailed reviews of its lending portfolio to identify credit risk and to assess the overall collectability of the portfolio. Loans are reviewed on an individual basis and assigned a credit rating. When assessing credit risk, the Archdiocese considers such factors as payment history, financial stability, and leadership.

Other Notes Receivable — Loans have been made to nonaffiliated entities of the Archdiocese. The notes have various payment terms with interest rates up to 3.47%. Remaining loan terms range from 3 to 4 years.

Due from/to Archdiocesan Parishes — The Archdiocese has receivables and payables resulting from operating and investing transactions with the parishes.

Cemetery Land and Improvements Available for Interment and Mausoleums — Land and improvements available for interment and mausoleums are recorded at original cost plus the cost of improvements, reduced by the cost of land sold.

Other Assets — Other assets primarily include prepayments for goods or services not yet received, deferred financing costs and assets held for sale.

Deferred financing costs represent costs incurred to obtain financing for construction of facilities. These costs have been deferred and are being amortized over the term of the related obligation.

Property and Equipment — Property and equipment are recorded at cost and are depreciated using the straight-line method over the following useful lives:

Land improvements	10–25 years
Buildings and building improvements	5–40 years
Furniture, fixtures, and equipment	3–10 years

Impairment of Assets — If facts and circumstances suggest that a long-lived asset, or related group of assets, may be impaired, the carrying value is reviewed. If a review indicates that the carrying value of such asset, or related group of assets, is not recoverable based on projected undiscounted net cash flows related to the asset over its remaining life, the carrying value of such asset is reduced to its estimated fair value. During the years ended June 30, 2014 and 2013, the Archdiocese determined the fair value of certain fixed assets had decreased and as a result recorded a write down of $1,179 and $874, respectively, within net loss on sale, disposal or impairment of assets.

Claims Payable — Claims payable generally represents an estimated aggregate liability expected to be incurred, based upon actual claims data and estimates of claims incurred but not yet reported for the Self-Funded Employee Benefit Plan and the Office of Risk Management (see Note 7). Estimates for legal actions include the attorney fees anticipated to resolve unsettled matters.

Deferred Revenues — Deferred revenues consist of tuition and student fees received in advance, entrance fees for retirement living accommodations, grant funds that have not been spent on program services, proceeds received for interment services not yet performed, and subscription proceeds received in advance of circulation. Tuition and student fees collected in advance are recognized on a straight-line basis as revenue in the following fiscal school year. Grant funds that have not been spent on program services are deferred until the expense is incurred. Revenues for interment services not yet performed are deferred until the services are performed. Revenues for subscriptions are deferred until the circulation is performed.

Residents of retirement living facilities pay a one-time entrance fee entitling them to accommodations for as long as they are able to live independently. Of the initial entrance fee paid by residents, 75% is recorded as deferred revenue and is amortized into income using the straight-line method over the estimated life of the building. The remaining 25% (the "25% Deferred Revenue Amount") is recorded as deferred revenue and is amortized into income using the straight-line method over the estimated remaining life expectancy of the resident. Upon termination of a lease, the resident, or resident's estate, is entitled to a refund equal to 75% (the "75% Subsequent Entrance Fee") of the subsequent tenant's entrance fee.

Refund of the 75% Subsequent Entrance Fee is contingent upon the Archdiocese securing a subsequent tenant and obtaining the subsequent tenant's entrance fee. Upon termination of a lease, any remaining portion of the 25% Deferred Revenue Amount is recognized as revenue in the same period.

Effective July 1, 2002, the Archdiocese changed its 75% Subsequent Entrance Fee policy. Vacating tenants who signed lease agreements on July 1, 2002, or later (the "Post-Change Tenants") are entitled to a refund equal to 75% of the entrance fee they paid rather than 75% of the subsequent tenant's entrance fee. This refund is still contingent upon the Archdiocese securing a subsequent tenant and obtaining the subsequent tenant's entrance fee. To the extent that 75% of the entrance fee paid by the subsequent tenant exceeds the refund paid to the vacating tenant, the difference will be recorded as deferred revenue and will be amortized into income using the straight-line method over the remaining life of the building. This policy change has no impact on the accounting for the 25% Deferred Revenue Amount from that described above.

Effective in June 2014, the Archdiocese offered additional entrance fee refund options of 50% and 25%, with corresponding lower monthly maintenance fees, and a declining balance options, which reduces the amount refunded after every year of occupancy starting at 90% in year one, declining to zero if the resident stays longer than eight years.

Accrued Future Care Costs — In connection with each sale of a lot or crypt, the Catholic Cemeteries of the Archdiocese of St. Louis (the "Cemeteries") contractually agrees to provide certain perpetual endowed care maintenance of the lot or crypt. Accrued future care costs represent the estimated contractual costs of the Cemeteries to maintain its existing graves and crypts in the future, discounted to present value at the rate of 7.50% in 2014 and 2013. The maintenance costs used to estimate the liability are based upon a five-year rolling average and are assumed to escalate at an inflation rate of 2.50% per year in 2014 and 2013. The change in this estimated liability from the beginning to the end of each year is recorded as a provision for future costs within program expenses in the consolidated statements of activities.

Funds designated for endowed care are invested, but not legally restricted; therefore, they are not segregated in the accompanying consolidated statements of financial position.

Deposits — The Archdiocese holds deposits from Archdiocesan parishes and other Catholic agencies to which it pays interest at agreed-upon rates which approximate market rates. The deposits are held in either customer demand deposits and money market accounts, which have no defined maturity, or time deposits, which are issued with a stated maturity between three months and five years with a fixed interest rate for the term of the instrument. All deposits are carried at cost. Parishes and other agencies can also earn returns reflective of the pooled investments by depositing long term funds in the Investment Fund (formerly the Restricted Fund). Investment Fund liabilities are carried at the contractual value.

Other Liabilities — Other liabilities primarily include the present value of annuity liabilities, environmental liabilities, for which an escrow is recorded in restricted cash and investments, refundable advances, early teacher retirement liabilities, and unfunded pension obligations.

Environmental Liabilities — The Archdiocese establishes a liability for environmental liabilities when it is probable that a liability has been incurred and the Archdiocese has the ability to reasonably estimate the liability. The Archdiocese is subject to environmental remediation related to a previously donated property. The Archdiocese subsequently sold the property. At June 30, 2014 and 2013, the Archdiocese accrued $3,372 and $3,389, respectively for the estimated cost of remediation. The estimate is not discounted, as the timing of the anticipated cash payments is not fixed or readily determinable. The Archdiocese is unable to predict with certainty the ultimate resolution of such liability, but expects it to extend several years into the future.

Net Assets — The following is a description of the three classifications of net assets:

Unrestricted Net Assets represent those net assets whose use is not restricted by donors. Unrestricted net assets include amounts designated by the Archdiocese or agency boards of directors for specific purposes. Unrestricted net assets of certain consolidated organizations are designated because such net assets are to be used solely to support the operations of that specific organization. Net assets equal to the net book value of property and equipment, net of the related notes payable, are designated as the existence of such net assets and creates a limitation on the use of those net assets. Negative undesignated net assets reflect liabilities that are expected to be repaid from future revenue sources.

Temporarily Restricted Net Assets represent those net assets whose use has been limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Archdiocese pursuant to those stipulations.

Permanently Restricted Net Assets represent those net assets whose use has been limited by donor-imposed stipulations that they must be maintained in perpetuity, the income of which is to be used by the Archdiocese in accordance with the stipulations imposed by the donor.

Noncontrolling Interest in Subsidiaries — The Archdiocese records its noncontrolling interest in the net assets of consolidated entities as a separate component of the appropriate class of net assets in the consolidated statements of financial position and the amount of consolidated change in net assets attributable to the Archdiocese and the noncontrolling interest. Distributions to and contributions from noncontrolling owners are reported in cash flow from financing.

Contributions, Pledges, Bequests and Grants — The Archdiocese recognizes contributions, pledges, bequests, and grants as revenue at the time an unconditional promise is received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are specified for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted revenue that increases those net assets.

During 2014 and 2013, fund-raising revenue was $6,527 and $6,760, net of direct fund-raising expenses of $2,281 and $2,581, and is included in contributions, pledges, bequests, and grants in the consolidated statements of activities.

Government Fees and Grants — Government fees and grant revenue are recognized as expenses are incurred.

Contributed Property — Contributed property and equipment is recorded at fair value at the date of donation and is reported as unrestricted contribution revenue. Contributions of such property and equipment of $161 in 2014 and $49 in 2013, which approximates the fair values at the dates of donation, are included in the consolidated financial statements. Contributions of cash and other assets restricted to the acquisition of property and equipment is reported as temporarily restricted revenue; those restrictions expire when the property and equipment is placed in service by the Archdiocese.

In-Kind Contributions — Included as contribution revenue in the consolidated financial statements are in-kind contributions of goods and services (excluding contributed property and equipment) of $2,926 in 2014 and $3,623 in 2013. Contributed goods are recorded at fair market value at the date of contribution. Contributed services represent the excess of estimated professional worth over salary paid to the person providing such services. Estimated professional worth is determined by researching comparable professional salaries in the community.

Net Patient Service Revenue — Net patient service revenue, which is included in fees and services, is reported at the estimated net realizable amounts from residents, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Payment for services under the Medicaid program is based on defined prospective cost of service rather than on the basis of standard billing rates for such services. Services rendered to Part A Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient's classification within the "resource utilization grouping" system. Services rendered to Part B Medicare program beneficiaries are paid based on the Medicare allowable fee schedule.

Expenses — The Archdiocese categorizes its expenses as follows:

Program expenses relate to activities that result in goods and services being distributed to beneficiaries that fulfill the purposes or mission for which the organization exists. The Archdiocese considers all expenses, excluding fund-raising expenses, of certain of its organizations to be program expenses as those organizations exist solely to fulfill a specific purpose/mission of the Archdiocese.

Management and general expenses relate to administrative activities that are not identifiable with a single program or fund-raising activity but that are indispensable to the conduct of those activities and to the Archdiocese's existence.

Fund-raising expenses relate to activities that involve inducing potential donors to contribute financially or in-kind to the Archdiocese.

Income Taxes — The individual agencies that comprise the Archdiocese are listed in the *Official Catholic Directory* and therefore are tax-exempt public charities under Section 501(c)(3) and Section 509(a) of the Internal Revenue Code, except for Holy Infant & St. Joseph Associates LP and Rosati Apartments LP. Holy Infant & St. Joseph Associates LP and Rosati Apartments LP are partnerships established as pass-through entities for tax purposes. As such, the Archdiocese can only be taxed on income from any activities unrelated to their charitable purpose. At June 30, 2014 and 2013, the Archdiocese had not earned any such revenue; therefore, no tax expense has been recorded. The Archdiocese does not have any uncertain tax positions.

Fair Value of Financial Instruments — The carrying amounts of accounts receivable, due to/from Archdiocesan parishes, receivable/payable on unsettled investment sales/purchases, accounts payable and accrued expenses, claims payable and other liabilities approximate fair value due to the short period to maturity. The grants, pledges and bequests receivable, and the loans receivable from Archdiocesan parishes approximate fair value due to the similarity of the discount or interest rates with the current market rates of return on investments with similar maturities. Investment Fund liabilities' carrying value approximate fair value because they generate returns based upon current market returns. Customer time deposits are issued with a stated maturity between three months and five years with a fixed interest rate for the term of the instrument. The carrying value of customer demand deposits and money market accounts approximates fair value due to their short-term nature. The fair value of other notes receivable is using current interest rates compared to book value. The fair value of the notes payable, excluding the HUD mortgages eligible for forgiveness and other forgivable loans is using current interest rates for similar debt, compared to the book value. Forgivable loans are excluded as the loans do not mature or bear interest. Therefore, the estimate of fair value is not practicable. The fair value of time deposits is estimated using the rates currently offered for deposits of similar remaining maturities.

	Time Deposits		Notes Receivable		Notes Payable	
	2014	2013	2014	2013	2014	2013
Fair value	$ 30,537	$ 32,602	$ 7,311	$ 11,905	$ 37,333	$ 33,732
Carrying value	30,455	32,518	8,108	13,109	34,610	33,843

Fair Value Measurements — Accounting Standards Codification (ASC) 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. These principles apply to fair value measurements required under other accounting guidance that require or permit fair value measurement, the Financial Accounting Standards Board (FASB) having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. The Archdiocese reports its restricted and unrestricted investment portfolio at fair value.

The ASC defines fair value and establishes a hierarchal framework which prioritizes and ranks the market price observability used in fair value measurements. Market price observability is affected by a number of factors, including the type of asset or liability and the characteristics specific to the asset or liability being measured. Assets and liabilities with readily available, active, quoted market prices or for which fair value can be measured from actively quoted prices generally are deemed to have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. The inputs used to measure fair value must be classified into one of three levels as follows:

Level 1 — Quoted prices in an active market for identical assets and liabilities; specifically, values for short-term money market investments, publicly held mutual fund investments, equities, exchange traded notes and U.S. Treasury securities represent unadjusted quoted prices for identical assets in active markets assessable at the measurement date.

Level 2 — Observable inputs other than Level 1, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and model-derived prices whose inputs are observable or whose significant value drivers are observable. Specifically, values for government securities (other than U.S. Treasury securities), municipal bonds and most corporate bonds are primarily derived from an independent third party that uses other inputs that are observable or can be corroborated by market data. These inputs generally include market interest rates and volatilities, credit spreads and yield curves. Values for mortgage-backed securities are derived primarily from an independent third party that uses other inputs that are observable or can be corroborated by market data. These inputs generally include credit default rates, credit prepayment rates and loss severity ratios. Values for privately held commingled fund investments are based on the net asset value calculated for the pooled fund of which the Archdiocese owns a percentage. The calculated net asset value is based on the aggregation of values for the individual securities comprising the pool which are based on quoted prices for identical assets in active markets accessible at the measurement date. These privately held comingled funds invest primarily in equity and cash-equivalent securities, and have specific investment objectives. Most of the privately held comingled funds invest in foreign equity securities with the goal of achieving long-term growth markets outside of the United States. In addition, the Archdiocese has an investment in a privately held comingled fund whose objective is to provide a defensive equity exposure relative to the performance of the S&P 500 stock market index. There are notice restrictions of 30-90 days on investment redemption related to these pooled funds. There are also certain discretionary restrictions held by the fund manager based on the size of the requested redemption. Based on their investment strategy and intent, the Archdiocese believes the likelihood of these discretionary redemption restrictions being invoked by a fund manager is remote.

Level 3 — Assets and liabilities whose significant value drivers are unobservable. Unobservable inputs reflect the Archdiocese’s best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Observable inputs are based on market data obtained from independent sources, while unobservable inputs are based on the Archdiocese’s market assumptions. Unobservable inputs require significant management judgment or estimation. In some cases, the inputs used to measure an asset or liability may fall into different levels of the fair value hierarchy. In those instances, the fair value measurement is required to be classified using the lowest level of input that is significant to the fair value measurement. Such determination requires significant management judgment. In accordance with this guidance, the Archdiocese is not permitted to adjust quoted market prices in an active market, even if the Archdiocese owns a large investment, the sale of which could reasonably impact the quoted prices. See Note 4, Fair Value Measurements, for further details on the Archdiocese's assets measured at fair value.

Derivative Contracts — The Archdiocese permits investment managers to invest in To Be Announced (TBA) future security trades for the purposes of acquiring agency mortgage backed securities (MBS) and managing investment yield. These TBA securities meet the definition of a derivative investment under ASC 815, *Derivatives and Hedging*. The Archdiocese recorded derivative contracts at fair value based on quoted market prices in "Investments" on the statement of financial position, with changes in the fair value of derivatives recorded in "Investment income" on the statements of activities. TBA future contracts are obligations to buy or sell a quantity of MBS at a predetermined rate or price at a future date. These derivatives are not designated hedging instruments. The objective of these derivative holdings is to participate in the primary market for agency MBS, pursuant to yield management objectives. At June 30, 2014, the Archdiocese possessed 10,500 notional units of TBA securities at a fair value of $72, with an underlying liability value of $10,924. The gross fair market asset value of these securities was $10,996. At June 30, 2013, the Archdiocese possessed 14,100 notional units of TBA securities at a fair value of ($196), with an underlying liability value of $14,481. The gross fair market asset value of these securities was $14,285.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

The Archdiocese invests in various securities which, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, changes in the values of investment securities could materially affect the amounts reported in the consolidated statements of financial position.

New Accounting Pronouncements — Accounting Standard Update No. 2012-1, *Continuing Care Retirement Communities — Refundable Advance Fees* was issued in July 2012 and is effective for the Archdiocese for the year ending June 30, 2015. This standard clarifies that in the situation where entrance fees will be refunded to the current residents or their designees only to the extent of the proceeds of reoccupancy of the unit and provided that legal and management policy and practice support withholding refunds under this condition, then the refundable amount will be accounted for as deferred revenue and amortized over the useful life of the facility. If these conditions are not met, then the refundable entrance fees will be recorded as a liability. The Archdiocese is currently evaluating the impact of this standard. Entrance fees which are contingently refundable at the Archdiocese at June 30, 2014 were $14,960.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*, which provides guidance for revenue recognition. The standard's core principle is that an entity will recognize revenue when it transfers 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 new guidance is effective for the Archdiocese July 1, 2017. The Archdiocese is currently assessing the potential impact of the adoption of this stand on its financial statements.

2. RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments at June 30, 2014 and 2013, consist of the following:

	2014	2013
Restricted accounts at FDIC insured financial institutions	$ 3,677	$ 3,768
Money markets — U.S. government securities	5,638	5,811
U.S. Treasury bonds	3,072	3,049
U.S. Treasury bills	85	
Total restricted cash and investments	$ 12,472	$ 12,628

HUD regulatory agreements limit the use of $4,808 of the total restricted cash and investments in 2014 and $5,581 in 2013. MDOL requirements limit the use of the U.S. Treasury bonds.

3. INVESTMENTS

Investments at June 30, 2014 and 2013, consist of the following:

	2014	2013
Short-term money market investments	$ 31,620	$ 28,314
Equities	84,442	105,088
Publicly held mutual fund investments	94,743	103,136
Privately held commingled fund investments	130,134	74,728
U.S. government and agency securities	17,975	48,579
Corporate and municipal bonds	177,439	131,066
Asset and mortgage-backed securities	44,039	35,275
Exchange traded notes	32,273	
Total investments held in The St. Louis Archdiocesan Fund	612,665	526,186
Money market — U.S. government securities	164	79
Corporate and municipal bonds	162	264
Publicly held mutual fund investments	1,065	998
Total investments held outside of The St. Louis Archdiocesan Fund	1,391	1,341
Total investments	$ 614,056	$ 527,527

Income from investments consists of the following:

	2014	2013
Interest and dividend income	$ 13,009	$ 15,212
Net realized and unrealized gain	68,230	34,004
Total investment income	$ 81,239	$ 49,216

4. FAIR VALUE MEASUREMENTS

The valuation of assets measured at fair value in the Archdiocese's statements of financial position at June 30, 2014 and 2013 is summarized below:

	Fair Value Measurements at June 30, 2014			
	Fair Value June 30, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term money market investments	$ 31,620	$ 31,620	$ -	$ -
Equities	84,442	84,052	390	
Publicly held mutual fund investments	94,743	94,743		
Privately held commingled fund investments	130,134		130,134	
U.S. government and agency securities	17,975	12,450	5,525	
Corporate and municipal bonds	177,439		175,928	1,511
Asset and mortgage-backed securities	44,039		43,908	131
Exchange traded notes	32,273	32,273		
Investments held in The St. Louis Archdiocesan Fund	612,665	255,138	355,885	1,642
Money market — U.S. government securities	164	164		
Corporate and municipal bonds	162		162	
Publicly held mutual fund investments	1,065	1,065		
Investments held outside of The St. Louis Archdiocesan Fund	1,391	1,229	162	-
Total investments	$614,056	$256,367	$356,047	$ 1,642
Money market — U.S. government securities	$ 5,638	$ 5,638	$ -	$ -
U.S. Treasury bonds	3,072	3,072		
U.S. Treasury bills	85	85		
Restricted cash and investments (see Note 2)	$ 8,795	$ 8,795	$ -	$ -

	Fair Value Measurements at June 30, 2013			
	Fair Value June 30, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term money market investments	$ 28,314	$ 28,314	$ -	$ -
Equities	105,088	104,705	383	
Publicly held mutual fund investments	103,136	103,136		
Privately held commingled fund investments	74,728		74,728	
U.S. government and agency securities	48,579	40,661	7,918	
Corporate and municipal bonds	131,066		129,231	1,835
Asset and mortgage-backed securities	35,275		35,144	131
Investments held in The St. Louis Archdiocesan Fund	526,186	276,816	247,404	1,966
Money market — U.S. government securities	79	79		
Corporate and municipal bonds	264		264	
Publicly held mutual fund investments	998	998		
Investments held outside of The St. Louis Archdiocesan Fund	1,341	1,077	264	-
Total investments	$527,527	$277,893	$247,668	$1,966
Money market — U.S. government securities	$ 5,811	$ 5,811	$ -	$ -
U.S. Treasury bonds	3,049	3,049		
Restricted cash and investments (see Note 2)	$ 8,860	$ 8,860	$ -	$ -

Certain issues may be transferred between Level 1 and Level 2 if the observability of inputs changes relative to a security's pricing during the period. The value of transfers is based on the value of the particular security on the final day of the fiscal year in which the transfer occurred.

Additional information pertaining to the changes in the fair value of the Archdiocese's investments classified as Level 3 for the years ended June 30, 2014 and 2013 is presented below:

	Year Ended June 30, 2014			Year Ended June 30, 2013		
	Mortgage-backed Securities	Corporate Securities	Total	Mortgage-backed Securities	Corporate Securities	Total
Investments:						
Balance — July 1	$ 131	$ 1,835	$ 1,966	$ -	$ 1,804	$ 1,804
Net gains		44	44		31	31
Sales and settlements		(368)	(368)			-
Transfers in			-	131		131
Balance — June 30	$ 131	$ 1,511	$ 1,642	$ 131	$ 1,835	$ 1,966

5. GRANTS, PLEDGES AND BEQUESTS RECEIVABLE

Grants, pledges and bequests receivable at June 30, 2014 and 2013, consist of the following:

	2014	2013
Due in less than one year	$ 21,434	$ 22,837
Due in one to five years	5,836	2,690
Due in more than five years	1,170	1,100
Less discounts	(102)	(152)
Grants, pledges and bequests receivable before allowance for doubtful accounts	28,338	26,475
Allowance for doubtful accounts	(4,325)	(4,330)
Grants, pledges and bequests receivable	$ 24,013	$ 22,145

6. LOANS TO ARCHDIOCESAN PARISHES AND OTHER CATHOLIC ORGANIZATIONS

Loans represent amounts receivable from parishes and other Catholic organizations with various payment terms bearing interest at variable rates that approximate market for loans of similar terms. The average variable rates for 2014 and 2013 were 3.50% and 3.65%, respectively. Remaining loan terms range from 1 to approximately 17 years. At June 30, 2014, the Archdiocese has committed to extend an additional $1,849 under line of credit arrangements with certain parishes and other Catholic organizations.

Changes in the allowance for uncollectible loans for the years ended June 30, 2014 and 2013 consist of the following:

	Year Ended June 30,	
	2014	2013
Allowance for uncollectible loans — beginning of year	$ 6,182	$ 6,182
Provision for uncollectible loans	(3,431)	
Allowance for uncollectible loans — end of year	$ 2,751	$ 6,182

The Archdiocese evaluates loans on an individual basis. If, in the judgment of management, it appears that timely repayment of a loan is not likely, the loan may be placed on a nonaccrual status, assigned a higher risk rating and placed on a loan watch list. The Archdiocese may also in certain instances modify repayment terms of a loan to maximize the likelihood of collection. For loans placed on nonaccrual status, the Archdiocese will suspend the interest due on the loan and will no longer recognize the interest as earned on the statement of activities. Any payments received on the nonaccrual loans will be applied to principal reduction. Should improvements in the borrower's financial condition warrant removal from a nonaccrual status, the Archdiocese will once again begin accruing interest on the loan and recognize it as earned on the statement of activities.

If, in the judgment of management, collection of a loan is not likely, the Archdiocese will consider the loan impaired and record a full allowance against the loan. As of June 30, 2014, there were no impaired loans.

7. SELF-INSURANCE

The Archdiocese administers a Self-Funded Employee Benefit Plan (the "Plan"). The Plan purchases health insurance coverage for claims in excess of certain amounts. Such coverage also is effective if aggregate cash payments exceed defined limits. The Archdiocese made cash basis claim payments of $33,040 in 2014 and $32,501 in 2013.

The Archdiocese has an Office of Risk Management (the "Office"). The Office provides self-insurance for property, general liability, and workers' compensation coverage up to $1,500, $500, and $1,000 per occurrence, respectively. The Office procures additional property, general liability, and workers' compensation insurance coverage in amounts considered appropriate by the management of the Archdiocese. Limited health care professional liability is included within general liability insurance. The coverages resulted in total receivables of $207 at June 30, 2014 and 2013, which are included in accounts receivable. In accordance with the MDOL requirements, the Office maintains escrowed securities, which are included in restricted cash and investments, and a letter of credit of $1,200, to be used in the event claim obligations are not met.

8. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2014 and 2013, consist of the following:

	2014	2013
Land and land improvements	$ 46,385	$ 47,014
Buildings and building improvements	283,848	288,087
Furniture, fixtures and equipment	33,007	32,274
Construction in progress	2,202	933
Property and equipment — at cost	365,442	368,308
Less accumulated depreciation	(162,509)	(155,710)
Property and equipment — net	$ 202,933	$ 212,598

At June 30, 2014, the Archdiocese had outstanding construction commitments of $7,292.

9. DEPOSIT LIABILITIES

Deposit liabilities represent funds on deposit primarily from parishes and at June 30, 2014 and 2013, are as follows:

	2014	2013
Depositors' Fund:		
Demand accounts	$ 17,465	$ 14,862
Money market accounts	40,153	36,625
Three month deposits	237	300
Six month deposits	2,975	4,040
Nine month deposits	67	67
One year deposits	9,915	10,409
Two year deposits	3,258	3,636
Three year deposits	8,226	8,895
Four year deposits	4,797	4,269
Five year deposits	543	464
Priests' deferred compensation	437	438
Total Depositors' Fund	88,073	84,005
Investment Fund:		
Nonendowed unrestricted funds	7,520	3,902
Donor restricted and internally designated funds	43,312	42,216
Annuities	3,787	3,321
Total Investment Fund	54,619	49,439
Total deposit liabilities	$ 142,692	$ 133,444

The average annual interest rates offered on deposits other than the priests' deferred compensation deposit for the years ended June 30, 2014 and 2013, respectively, were .15% to 1.28% and .17% to 1.18%, respectively. The average annual interest rate offered on the priests' deferred compensation deposit was 8.00% for the years ended June 30, 2014 and 2013. The annual average rates of return paid on the Investment Fund pooled investment assets for the years ended June 30, 2014 and 2013, were 19.38% and 13.44%, respectively.

Deposits to and withdrawals from the Depositors' Fund are allowed at any time subject to early withdrawal penalties on time deposits and excess monthly withdrawal penalties on money market deposits. The Investment Fund is used by the depositors to invest amounts which are either unrestricted and undesignated, unrestricted and designated, temporarily restricted or permanently restricted by the donor. The principal of temporarily restricted and internally designated amounts placed in the Investment Fund may be withdrawn only when the donor-imposed restriction or internal designation is satisfied. Earnings and principal generally may be withdrawn from the Investment Fund once a year.

Accounts in the Investment Fund are assigned to one of several plans based upon restrictions or designations placed upon the funds. Each plan has many accounts, each of which consists of three components: equity securities, fixed income securities, and cash accounts. Performance returns are calculated separately for each of the three components within the portfolio and allocated to each account based upon the percentage of equity securities, fixed income securities, and cash within the account during each month. The entire return from funds invested in the Investment Fund is allocated each month to the accounts held in the Investment Fund.

10. NOTES PAYABLE

At June 30, 2014 and 2013, notes payable consist of the following:

	2014	2013
Note payable to Gershman Investment Corporation ("Gershman"); requires monthly payments of principal and interest at 4.375%; matures 2051; secured by deeds of trust on property at Mary Queen and Mother Association; insured by HUD	$ 10,523	$ 10,631
Various mortgages maturing from 2021 to 2031; payable in monthly installments of principal and interest ranging from 6.88% to 8.38% by Cardinal Ritter Senior Services Apartments to HUD or financial institutions with HUD guarantees; secured by deeds of trusts	4,616	4,883
Note payable to Lancaster Pollard Mortgage Company ("Lancaster"); maximum borrowing of $6.6 million; interest only payments at 4.35% through June 2013 with monthly installments of principal and interest of $29,412 thereafter; matures 2052; secured by deed of trust on property of Holy Infant & St. Joseph Associates, LP; guaranteed by FHA	6,533	5,610
Note payable to Missouri Housing Development Commission ("MHDC"); maximum borrowing of $2.2 million; non-interest bearing with annual payments based on 50% of surplus cash; matures 2053; secured by a deed of trust on property of Holy Infant & St Joseph Associates, LP; subordinate to the Lancaster debt	2,200	1,980
HUD mortgages eligible for forgiveness (see below)	36,257	36,257
Notes payable to NFF New Markets Fund VIII, LLC; requires quarterly payments of interest at 1.394% through July 2017, principal and interest payments at 5.57% thereafter; matures 2045; secured by a deed of trust	10,726	10,726
Other loans at St. Patrick Center, Rosati Apartments LP, Queen of Peace Center, or Mother of Perpetual Help eligible for forgiveness; secured by deeds of trust	2,597	2,788
Other notes payable at various maturities; noninterest bearing	12	12
Total	$ 73,464	$ 72,887

Estimated maturities of the notes over the next five years are as follows:

2015	$ 537
2016	555
2017	587
2018	620
2019	522
Thereafter	31,789
Total	34,610
HUD mortgages eligible for forgiveness	36,257
Other loans eligible for forgiveness	2,597
	$ 73,464

Interest expense related to the notes was $1,254 and $1,182 for the years ended June 30, 2014 and 2013, respectively.

HUD Insured Mortgage with Gershman Investment Corp. — On November 1, 2011, Mary Queen and Mother Association (the "Association"), an entity of the Archdiocese, refinanced their original mortgage with a 4.375% Deed of Trust Note with Gershman in the amount of $10,786. The loan is payable in monthly installments of $48, including interest per year, with the final installment payable in December 2051. Substantially all of the real property of the Association is pledged as collateral under the mortgage agreement.

Holy Infant & St Joseph Associates, LP — During March 2012, Holy Infant & St. Joseph Associates, LP, an entity of the Archdiocese, entered into a loan agreement with Lancaster Pollard Mortgage Company with maximum borrowing of $6,600 in order to refinance existing HUD debt and finance renovations. Repayment terms include interest only (4.35%) through June 2013, and monthly payments of $29 thereafter. All remaining principal and interest is due February 2052. This mortgage is secured by the land, buildings, leases and other related assets of the Holy Infant & St. Joseph Associates, LP, an entity of the Archdiocese, and is guaranteed by the Federal Housing Administration (FHA).

On March 15, 2012, the Industrial Development Authority of St. Louis, Missouri, authorized the issuance of its Senior Housing Revenue Bonds (GNMA Collateralized-Holy Infant and St. Joseph Apartments) and delivered Series 2012 in the maximum aggregate principal amount of $6,600, bearing interest at 3.95% and which mature on annual dates through February 2052. By terms of the issue, the County of St. Louis has no direct obligation for payment of the bonds. The Series 2012 Bonds are collateralized by a GNMA Security. The GNMA Security is backed by 4.35% United States Department of Housing and Urban Development guaranteed loan with Lancaster Pollard Mortgage Company.

A non-interest home loan from the Missouri Housing Development Commission has been obtained by Holy Infant & St. Joseph Associates, LP, an entity of the Archdiocese, current balance of $2,200. Repayment terms include maximum annual payments of $55 from any surplus funds of Holy Infant & St. Joseph Associates, LP, an entity of the Archdiocese, for 40 years and the loan is secured by a mortgage on the facilities that is subordinate to the Lancaster Pollard mortgage.

HUD Mortgages Eligible for Forgiveness — The certified HUD projects have mortgages with 40-year terms through HUD. These mortgages bear no interest and repayment is not required as long as the housing remains available for the purpose stipulated in each HUD agreement. However, if these facilities are used for other purposes, the mortgages would be considered to be in default and the entire principal would become immediately payable. Assuming no event of default by the end of the mortgage term, HUD will release the borrower from any repayment obligation. These mortgages have been recorded at their full, undiscounted face value. The amounts related to each mortgage are as follows:

Year of Maturity		
2035	St. Agnes Apartments, Inc.	$ 4,803
2037	Rosati Group Home	400
2038	Pope John Paul II Apartments, Inc.	4,970
2041	St. Patrick Apartments II, Inc.	4,327
2045	Holy Angels Apartments, Inc.	5,510
2045	St. Clare of Assisi Apartments, Inc.	1,536
2047	Holy Angels Apartments II, Inc.	5,265
2049	St. William Apartments, Inc.	4,646
2051	St. William Apartments II, Inc.	4,800
		$ 36,257

11. EMPLOYEE AND PRIESTS' BENEFITS

The Archdiocese participates in various defined contribution plans covering full-time employees of the Archdiocese who have completed one year of service and are not covered by other plans. Contributions under the plans are a percentage of participants' wages. Expense under these plans was $3,030 and $2,941 for the years ended June 30, 2014 and 2013, respectively.

The Archdiocese sponsors two defined benefit plans covering certain employees of Catholic Charities of St. Louis and the Catholic Cemeteries of St. Louis, entities of the Archdiocese (collectively the Plans). These plans generally cover all eligible employees of these entities who have completed one year of service. Retirement benefits for the plans are based on compensation and years of service. Assets for these plans are largely invested with insurance companies and funding is determined by actuarial valuations or a percentage of compensation. The benefit obligation is recognized in the consolidated statements of financial position in other liabilities. Effective July 1, 2011, Catholic Charities of St. Louis amended its plan, which results in the following changes to the major plan provisions: 1) Benefit accruals ceased for participants as of June 30, 2011; 2) Compensation after July 1, 2011 is not included in the benefit calculation; and 3) No employee is eligible to become a plan participant in the plan on or after the effective date.

The Archdiocese has a contractual obligation to a limited number of education personnel for early retirement incentive. The obligation is based on compensation at retirement.

The liability for the Plans and the teacher's early retirement contractual obligation is included in the balance of Other Liabilities in the Statement of Financial Position.

In addition to the above employee benefit plans, the Archdiocese sponsors retirement benefits for priests. The benefits include medical, disability, death, infirm and housing, and, in certain limited circumstances, salary continuation for early retirees.

The Archdiocese uses a June 30 measurement date for its two defined benefit plans, the teacher's early retirement contractual obligation and for the priests' retirement benefits.

Summary information at June 30 is as follows:

	Defined Benefit Plans		Priests' Retirement Benefits	
	2014	2013	2014	2013
Projected benefit obligation	$ (32,666)	$ (31,464)	$ (126,686)	$ (126,310)
Fair value of plan assets	13,710	13,364		
Funded status	(18,956)	(18,100)	(126,686)	(126,310)
Accrued benefit cost	$ (18,956)	$ (18,100)	$ (126,686)	$ (126,310)
Accumulated benefit obligation	$ (29,494)	$ (30,156)		
Benefit costs	$ 2,312	$ 26	$ 8,370	$ 7,882
Employer contributions	952	775	5,903	5,823
Benefits paid	(2,590)	(1,308)	(5,903)	(5,823)
Net (loss) gain not recognized in current year expense	(354)	(2,234)	(2,091)	1,089

The pension plans recognized as a component of benefit cost for the years ended June 30, 2014 and 2013, the following:

	Defined Benefit Plans	
	2014	2013
Net actuarial loss	$ (171)	$ (334)

Items not yet recognized as a component of net periodic pension cost at June 30, 2014 and 2013:

	2014	2013
Net loss	$ 3,495	$ 4,020

Estimated effect in the next fiscal year of amortizing items not yet recognized as a component of net periodic pension cost:

Net loss	$ 140

No plan assets are expected to be returned to the Archdiocese during the year ending June 30, 2014. The weighted average actuarial assumptions used in determining the benefit obligation areas follows:

	Defined Benefit Plans		Priests' Retirement Benefits	
	2014	2013	2014	2013
Weighted-average assumptions:				
Discount rate	4.50 %	5.15 %	4.50 %	5.15 %
Expected return on plan assets	7.50%–8.00%	7.50%–8.00%	N/A	N/A
Rate of compensation increase	0.0%	0.0%	N/A	N/A

The weighted average actuarial assumptions used in determining the net periodic pension cost are as follows:

	Defined Benefit Plans		Priests' Retirement Benefits	
	2014	2013	2014	2013
Weighted-average assumptions:				
Discount rate	5.15 %	3.60 %	5.15 %	4.60 %
Expected return on plan assets	7.50%–8.00%	7.75%–8.00%	N/A	N/A
Rate of compensation increase	0.0%	0.00%–3.00%	N/A	N/A

The Archdiocese's long-term, annual rate-of-return-on-assets assumption is determined based upon a combination of review of historical returns on pension plan assets, and advice from the plan actuaries and investment managers as to general expectations of long-term prospective returns on plan assets.

Asset allocations for the defined benefit plans are as follows:

	2014	2013
Equity	63 %	62 %
Fixed income	26	25
Annuity	11	13
Total	100 %	100 %

For the two funded defined benefit plans, the Archdiocese makes investment decisions to seek to increase the value of plan assets while recognizing the need to preserve asset value in order to enhance the ability of the plans to meet their obligations to plan participants and their beneficiaries when due. The preservation of capital is of prime importance to achieve the stated objectives over a long-term time horizon. To achieve this obligation, the Catholic Charities of St. Louis plan maintains an investment composition of approximately 60% equity securities and 40% fixed income securities, including cash and cash equivalents. The Catholic Cemeteries of St. Louis plan maintains an investment composition of approximately 70% equity securities, 27% fixed income securities, and 3% cash.

In accordance with ASC 820-10, the Plans classify the pension plan investments into Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. As required by ASC 820-10, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The valuation of plan assets measured at fair value at June 30, 2014 and 2013 is summarized below:

	Fair Value Measurements at June 30, 2014			
	Fair Value June 30, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term money market investments	$ 1,553	$ 161	$ 1,392	$ -
Fixed income funds	480	480		
Common stock (a)	1,289	1,289		
Common stock separate accounts (b)	7,349		7,349	
Bond separate accounts (c)	3,039		3,039	
Total investments	$13,710	$1,930	$11,780	$ -

	Fair Value Measurements at June 30, 2013			
	Fair Value June 30, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term money market investments	$ 1,752	$ 86	$ 1,666	$ -
Fixed income funds	466		466	
Common stock (a)	1,356	1,356		
Common stock separate accounts (b)	6,989		6,989	
Bond separate accounts (c)	2,801		2,801	
Total investments	$13,364	$1,442	$11,922	$ -

(a) This category represents a portfolio of equity investments comprising of U.S. equities. The equities are comprised of investments focusing on large, mid and small cap companies.

(b) This category represents a portfolio of equity investments comprising of equity index funds that invest in U.S. equities and non-U.S. equities. The equities are comprised of investments focusing on large, mid and small cap companies and non-U.S. equities are comprised of international funds.

(c) This category represents a portfolio of fixed income investments in mutual funds comprised of investment grade U.S. government bonds and notes and corporate bonds from diverse industries.

The Archdiocese plans to contribute $1,228 to the defined benefit plans and $6,139 for priests' retirement benefits in 2015.

The following benefit payments, which reflect expected future services, as appropriate, are expected to be paid as follows:

	Defined Benefit Plans	Priests' Retirement Benefits Gross Payments	Priests' Retirement Benefits Less Medicare Part D Subsidy	Priests' Retirement Benefits Net Payments
2015	$ 4,220	$ 6,239	$ (100)	$ 6,139
2016	3,822	6,539	(107)	6,432
2017	3,764	6,669	(113)	6,556
2018	4,085	6,766	(119)	6,647
2019	1,779	6,978	(132)	6,846
Years 2020–2024	10,929	37,316	(771)	36,545

The assumed future healthcare cost trend rate is approximately 7.5%–8.0%, gradually declining to 5.0% over five years.

In December 2003 the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") was signed into law. The Act introduced a prescription drug benefit under Medicare (Medicare Part D) and a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent (as that term is defined in the Act) to Medicare Part D. ASC 715-60 *Compensation-Retirement Benefits*, permits a sponsor of a postretirement health care plan that provides a prescription drug benefit to make a one-time election to defer accounting for the effects of the Act.

The Archdiocese recognized the effects of the Act on the Archdiocese's priests' retirement benefit obligation in 2005. The Archdiocese has qualified for the subsidy under the Act since the prescription drug benefits provided under the Archdiocese's postretirement healthcare plan generally requires lower premiums from covered retirees and has lower deductibles than the benefits provided in Medicare Part D and, therefore, are "actuarially equivalent" to or better than the benefits provided under the Act. In addition, the Archdiocese does not anticipate any material change in the participation rate or per capita claims costs as a result of the Act. The subsidy lowered the priests' retirement benefit obligation cumulatively by approximately $3,081 and $2,272 in 2014 and 2013, respectively, and reduced the net periodic benefit cost for 2014 by approximately $154, including a $40 reduction in service cost and $114 reduction in interest cost on the benefit obligation.

12. LEASES

The Archdiocese leases office facilities and various office equipment under operating leases expiring through 2028. At June 30, 2014, future minimum rental payments related to the noncancelable operating leases are as follows:

2015	$ 950
2016	414
2017	128
2018	55
2019	15
Thereafter	147
Total	$ 1,709

Rent expense was $1,699 ($58 of contributed rent) and $1,653 ($81 of contributed rent) in 2014 and 2013, respectively.

13. CONTINGENCIES

The Archdiocese is involved in various claims, proceedings, and legal actions. 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 misconduct by clergy and others. While the ultimate resolution of claims, proceedings, or legal action cannot be predicted with certainty, management, based upon consultation with outside counsel, does not believe that any such claim, proceeding, or legal action, either alone or in the aggregate, will have a material adverse effect on the consolidated financial position of the Archdiocese but could be material to its changes in net assets or cash flows in one or more future years.

14. NET ASSETS

Net assets at June 30, 2014 and 2013, are as follows:

	2014	2013
Unrestricted net assets:		
Undesignated:		
Administration	$ (61,360)	$ (65,243)
Education	(18,777)	(19,567)
Catholic Charities	(5,717)	(6,197)
Cumulative unrecognized pension loss	(3,496)	(4,021)
Aggregate deficiencies on board-designated endowments	(93)	(301)
Aggregate deficiencies on donor-restricted endowments	(72)	(145)
Total undesignated	(89,515)	(95,474)
Designated:		
Specific purposes designated by the Archdiocese	12,261	7,710
Property and equipment, net of notes payable	129,469	139,711
Endowments	16,936	15,482
Operations of consolidated organizations	279,895	224,853
Total designated	438,561	387,756
Noncontrolling interest in subsidiaries	4,900	4,515
Total unrestricted net assets	353,946	296,797
Temporarily restricted net assets:		
Time restricted	7,312	7,177
Purpose restricted:		
Capital expansion or replacement	5,845	6,899
Accumulated earnings on endowments	26,816	16,274
Other purposes	6,485	7,754
Total purpose restrictions	39,146	30,927
Total temporarily restricted net assets	46,458	38,104
Permanently restricted net assets:		
Endowments	62,277	62,294
Gift annuities	291	232
Permanently restricted net assets	62,568	62,526
Total net assets	$ 462,972	$ 397,427

15. ENDOWMENTS

The Archdiocese of St. Louis' endowments and earnings on endowments consist of approximately 90 individual funds established for a variety of purposes including education operations and scholarships, operations of the Kenrick Glennon Seminary, parish viability and fundraising campaigns. Its endowments include both donor-restricted endowment funds and funds designated by the Boards of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by Boards of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

All endowments within the consolidated financial statements of the Archdiocese are governed by endowment fund operating policies which are considered to be the gift instruments. The policies follow a standard format with a few optional changes. The definition of "Contribution Base" is standard among all policies.

For purposes of the operating policies, the "Contribution Base" is the total amount of all contributions and other transfers that have been made to the Endowment Fund by (i) donors, (ii) the parishes, and (iii) the Endowment Committee out of Endowment Fund Income.

This policy was established at the time that Missouri law favored "historical dollar value". Missouri enacted the Uniform Prudent Management of Institutional Funds Act in August 2009.

All endowments within the consolidated financial statements have adopted the Total Return Spending Policy (TRSP) (formerly called the Prudent Person Guideline). The TRSP suggests an amount to be distributed which is designed to allow for a reasonable stream of distributions, while preserving the value of the Endowment against inflation and a volatile market. The calculation applies an applicable distribution percentage (based on investment allocation of the endowment) to the average value of the endowment over a period of twelve calendar quarters. A distribution is allowed out of undistributed income only if undistributed income is positive. Appropriations from permanently restricted endowments may only be made upon receipt of further clarification from the donor or written approval from a donor to release principal from the endowment. Appropriations from temporarily restricted and board designated endowments may only be made by the agency's governing bodies and responsible officers. For the year ended June 30, 2013, the Archdiocese recharacterized various endowment funds based upon receipt of further clarification from donors, including written approvals, as to the intentions for use of the endowment funds.

During the year ended June 30, 2013, the Archdiocese recharacterized various board-designated endowment funds based upon further clarification from the Boards of Directors of the appropriate agencies as to the intentions for the use of the endowment funds.

All endowments are invested in the Fund. The Endowment Committees of all accounts select from a variety of plans, each of which consists of three components: equity securities, fixed income securities, and cash accounts. Performance returns are calculated separately for each of these three components within the portfolio and allocated to each account based upon the percentage of equity securities, fixed income securities, and cash within the account during each month. In the absence of donor stipulations or laws to the contrary, losses on the investments shall reduce temporarily restricted net assets and any remaining loss reduces unrestricted net assets.

Endowment Net Asset Composition by Type of Fund as of June 30, 2014

	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (72)	$ -	$ 26,816	$ 62,277	$ 89,021
Board-designated endowment funds	(93)	16,936			16,843
	$ (165)	$ 16,936	$ 26,816	$ 62,277	$ 105,864

Endowment Net Asset Composition by Type of Fund as of June 30, 2013

	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (145)	$ -	$ 16,274	$ 62,294	$ 78,423
Board-designated endowment funds	(301)	15,482			15,181
	$ (446)	$ 15,482	$ 16,274	$ 62,294	$ 93,604

Changes in Endowment Net Assets for the Years Ended June 30, 2014 and 2013

	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets — June 30, 2012	$ (816)	$ 16,047	$ 8,746	$ 63,898	$ 87,875
Investment return:					
Investment income		391	2,051	16	2,458
Net gain (loss) (realized and unrealized)		1,417	7,305	(14)	8,708
Total investment return	-	1,808	9,356	2	11,166
Contributions		(22)		470	448
Appropriation of endowment assets for expenditure	(2,008)	(562)	(3,314)	(1)	(5,885)
Other changes — transfers for deficiencies of endowment investments	370	(362)	(8)		-
Change in donor intent	2,008	(1,427)	1,494	(2,075)	-
Endowment net assets — June 30, 2013	(446)	15,482	16,274	62,294	93,604
Investment return:					
Investment income		304	1,679		1,983
Net gain (realized and unrealized)		2,405	12,498		14,903
Total investment return		2,709	14,177		16,886
Contributions		134	104	(17)	221
Appropriation of endowment assets for expenditure		(1,152)	(3,695)		(4,847)
Other changes — transfers for deficiencies of endowment investments	281	(237)	(44)		
Endowment net assets — June 30, 2014	$ (165)	$ 16,936	$ 26,816	$ 62,277	$105,864

16. NONCONTROLLING INTEREST IN SUBSIDIARIES

	Total	Controlling Interest	Noncontrolling Interest
Balance — June 30, 2012	$ 256,541	$ 253,482	$ 3,059
Excess of expenses over revenues from operations	35,620	35,643	(23)
Capital contribution from noncontrolling interest	1,479		1,479
Nonoperating activity	3,157	3,157	
Change in unrestricted net assets	40,256	38,800	1,456
Balance — June 30, 2013	296,797	292,282	4,515
Excess of revenues over expenses from operations	55,683	56,196	(513)
Capital contribution from noncontrolling interest	898		898
Nonoperating activity	568	568	
Change in unrestricted net assets	57,149	56,764	385
Balance — June 30, 2014	$ 353,946	$ 349,046	$ 4,900

17. RELATED PARTY TRANSACTIONS

The financial activities of the Archdiocese include transactions with related parties. These transactions are entered into in the normal course of business and are included in the consolidated financial statements as follows:

	2014	2013
Revenues and gains for the year ended June 30:		
Contributions and grants from parishes and parish schools	$ 279	$ 396
Fees and assessments (1)	26,920	24,343
Insurance premiums (2)	29,168	28,144
Expenses for the year ended June 30:		
Grants to parishes and parish schools	13,592	11,859
Occupancy expense	59	40
Fees and services	99	85

(1) Annually, the Archdiocese charges the parishes and elementary schools an assessment to fund the cost of Archdiocesan administration and administration in the Catholic Education Office and to provide a portion of the funding for the Archdiocesan secondary schools. In addition, fees are charged for participation in the priests' retirement program, subscriptions to the St. Louis Review and other support services.

(2) The Archdiocese assesses individual parishes and schools insurance premiums for participation in the Archdiocesan self-insurance programs for property, general liability, workers' compensation and health insurance.

18. SUBSEQUENT EVENT

The preparation of financial statements in accordance with GAAP requires the consideration of events or transactions that occur after the financial statement date but before the financial statements are issued or available to be issued. Depending on the nature of the subsequent event, financial statement recognition or disclosure of the subsequent event is required. In preparing its financial statements, the Archdiocese has evaluated subsequent events through October 21, 2014, the date the financial statements were available to be issued. There have been no subsequent events of a significant or material nature.

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