

# Catholic Diocese of Arlington

## Annual Report 2013



*"We must show the world how good a friendship with Christ is, how joyful and fulfilling and positive it is to be members of the Church, of Christ's own Body."*

*- Bishop Paul Loverde  
Go Forth With Hearts On Fire*



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# Letter from Bishop Paul S. Loverde



Dear Brothers and Sisters in Christ Jesus,

We concluded the Year of Faith on Sunday, November 24, the Solemnity of Christ the King. During this special year, I pray that we have all experienced a rediscovery of our faith, a deeper relationship with Christ Jesus, and committed to live our lives in His image. As the Year of Faith ended, I published a pastoral letter entitled *Go Forth With Hearts On Fire*, explaining the essential importance of the New Evangelization, as well as offering concrete ways to live as evangelists in our lives and our community by turning our faith *ad extra*, or outwardly to the world.

The Diocese of Arlington is vibrant and diverse and has embraced the New Evangelization in many ways: our parishes participated in the Fortnight for Freedom through prayer and ministry events; and our parishioners have generously provided for those in need through our special collections throughout the year and attended seminars, workshops, and social events to grow in faith and community with each other.

With gratitude, I thank you all for the generosity you have shown, a tangible response to Christ's commandment to see and minister to Him in the poor and needy (cf. Matthew 25:40). As Pope Francis wrote in his first Papal encyclical *Lumen Fidei*, "[t]he hands of faith are raised up to heaven, even as they go about building in charity a city based on relationships in which the love of God is laid as a foundation" (*Lumen Fidei*, page 51). God bestows blessings on us all, and in turn, we are called to live gratefully, acting as evangelists to others through service and love. Through selfless giving of your time, talent, and treasure, you have been and remain faithful stewards of the Bride of Christ, the Church.

Reflecting on this past fiscal year (July 1, 2012, to June 30, 2013), your generosity has enabled the diocese to provide life-changing programs and initiatives for those in need. In the following, you will find a detailed report about the Bishop's Lenten Appeal, parish finances, and diocesan income and expenses. I am grateful for your steadfast stewardship and offer prayers daily for you and your family.

Faithfully in the Heart of Christ,

*Paul S. Loverde*  
Most Rev. Paul S. Loverde

## DIocese OF ARLINGTON AT-A-GLANCE

- More than 440,000 registered Catholics
- 6,500 square miles, 21 counties and 7 independent cities
- 68 parishes and 6 missions
- 37 parishes that offer Masses in Spanish
- 8,844 baptisms and Professions of Faith
- 6,526 confirmations
- 1,400 marriages
- 62 permanent deacons
- 38 seminarians currently studying for the diocese
- 266 priests (diocesan, religious and extern)
- 38 diocesan elementary, 2 affiliated elementary, 4 stand-alone preschools, 4 diocesan high schools, 2 affiliated high schools and 17,557 students
- Approximately 39,900 students involved in religious education
- Approximately 15,000 youth involved in parish youth ministry programs
- Over 78,000 men, women and children served by Catholic Charities
- Over 3,000 refugees assisted by the Office for Refugee Resettlement

# Letter from the Diocesan Finance Officer

Dear Fellow Members of our Diocesan Church,

I have often heard Bishop Paul S. Loverde describe evangelization as like a coin. We must first be evangelized ourselves — one side of the coin. The result of this personal evangelization produces the motivation wherein we evangelize others — the other side of the coin. This cycle of personal renewal and then sharing the Good News (*ad intra* and *ad extra*) is one that will cause us to view all that we do through the prism of evangelization. It is through this prism that this report is illuminated and presented.

On behalf of Bishop Loverde and the Diocesan Finance Council, I am once again pleased to present to you, the faithful of the Catholic Diocese of Arlington, the annual financial report for the fiscal year that ended June 30, 2013. In summary, the Diocese of Arlington continues to be firmly supported with growing revenues from both diocesan sources as well as Parish offertory. Program expenses, particularly those associated with pastoral ministries, seminarian costs, education, and support to Catholic Charities of the Diocese of Arlington, all saw increases, demonstrating Bishop Loverde's commitment to evangelization efforts. To quote Bishop Loverde, "it is that charity — our faith in action — [that] evangelizes others today" (*Go Forth With Hearts On Fire*, page 22).

Of particular note during the fiscal year, the diocese entered into a refinancing agreement of the tax exempt bond debt that was raised

in 2003 for the primary purpose of constructing John Paul the Great Catholic High School in Dumfries. The refinance resulted in reducing both the duration of the debt and the associated interest rate. In turn, the transaction will save the diocese in excess of ten million dollars over the next 15 years.

As in prior years, I again extend the invitation for you to view our complete audited financial statements by visiting the Diocese of Arlington's website at [www.arlingtondiocese.org/offices/finance.php](http://www.arlingtondiocese.org/offices/finance.php).

Finally, I wish to express my prayer that the faithful of the diocese, each and every one of you, read Bishop Loverde's latest pastoral letter on the New Evangelization, entitled *Go Forth With Hearts On Fire*, recently released on the Feast of Christ the King and distributed throughout the entire diocese and, in turn, introduce at least one other person to Christ. In meeting this challenge, we will surely begin to set the world ablaze, as Jesus Christ wished for us in Luke 12:49.

In gratitude for your ongoing support of the Catholic Diocese of Arlington, and being committed to the highest standards of safeguarding the assets you entrust to us, including open and transparent accountability, I remain,

Sincerely in Christ,

*Timothy R. Cotnoir*

Timothy R. Cotnoir, CPA, Diocesan Finance Officer

## BISHOP'S LENTEN APPEAL (BLA)

The BLA was started in 1977 as a way to make known the annual diocesan funding priorities to parishioners and to ask for their help in partnering with the Bishop to strengthen these ministries and programs. Traditionally, around 50% of diocesan operating income is realized from this annual appeal.

### MINISTRIES AND PROGRAMS FUNDED BY THE BLA INCLUDE:

- Seminarian education, room, board, tuition, and health care; vocation awareness and discernment groups
- Support for the permanent diaconate program and ongoing education for active priests
- Office of Youth Ministry, Office of Catholic Schools, and Religious Education programs
- Evangelization efforts and pastoral ministries including College Campus Ministries, Hospital ministries, Peace and Justice Commission, and our Dominican Republic mission parishes
- Office for Family Life, Marriage Preparation, Young Adult Ministries, Project Rachel, Gabriel Project, and the Respect Life Office
- The Marriage Tribunal
- Spanish Apostolate and Multicultural Ministries
- San Damiano Spiritual Life Center
- Support to the Virginia Catholic Conference; parish programs and other offices that support all diocesan parishes, missions, and schools
- Catholic Charities, Victim Assistance, and other charitable works



## STRATEGIC LONGTERM FUNDING

### LEADERSHIP GIFT INITIATIVE 2015 - PARTNERS UNITED IN THE HEART OF CHRIST

While the BLA allows our diocese to operate many important programs and ministries, there are a number of key long term funding needs that Bishop Loverde would like to address prior to his retirement. With these concerns in mind, and after an extensive study involving pastors, lay leaders, and Chancery staff, he initiated this highly focused and time sensitive effort to provide funding for increasing endowments and strategic funds to help the following areas:

#### Catholic Charities

Provide additional family counseling, food, and emergency assistance, as well as Homelessness Prevention Programs.

#### Catholic School Students

Increase available funding for tuition assistance to help families send their children to Catholic schools in our diocese.

#### Retired Diocesan Priests

The Priest Pension Plan is currently underfunded and a minimum of \$3 million is needed to make up a shortfall in the Accrued Benefit Obligation (ABO).

#### San Damiano Spiritual Life Center

The diocesan retreat center will face capital needs and repairs in the years ahead.

#### New Evangelization Programs

Funds will be used to assist parishes in fortifying their evangelization efforts and to support diocesan-wide multi-media initiatives to help Catholics grow in their faith.

#### Respect Life Programs

The diocese seeks to develop a diocesan-wide media strategy that further promotes a culture of life and supports women needing assistance with an unplanned pregnancy.

#### Catholic High School Capital Needs

Our three oldest high schools – Bishop O'Connell, Bishop Ireton, and Pope Paul VI – require major capital needs to keep these schools competitive and up to date.

Bishop Paul S. Loverde is frequently quoted as saying, "the building of the Kingdom of God in our diocese cannot be done by one person alone, or even by a select few. I am so deeply humbled by the great dedication and charity given so generously by our parishioners from across the diocese, who are truly my 'partners in Christ.'" The Bishop's Lenten Appeal (BLA), and now the Leadership Gift Initiative, continue to reach new heights of success due directly to the assistance of clergy, volunteer lay leaders, as well as parishioners who so generously provide their financial support.

For more information about how you can make a contribution to the BLA or the Leadership Gift Initiative, please contact Mr. Robert Mueller, Director, Office of Development, at (703) 841-2545, or by email at [R.Mueller@arlingtondiocese.org](mailto:R.Mueller@arlingtondiocese.org).



# Parish Financial Information

The Diocese of Arlington strives to employ the highest level of responsible stewardship of the assets entrusted to the Church by the faithful. We continue to collaborate with parishes and schools to improve their long-term sustainability through ongoing financial reviews, greater accountability, and increased transparency. There are significant responsibilities associated with stewardship of the temporal goods of the Church; e.g., according to canon law, every parish must have a finance council.

The Office of Internal Audit conducts a financial controls and procedures audit of each parish every two years; in addition, a parish is audited at the time of a pastoral change. As a result of the review process, a report containing recommendations to improve accounting procedures and controls is issued to the pastor and to the chair of the parish finance council. This enables the report to be made available for discussion at a finance council meeting. We are grateful to members of the parish finance councils for assisting and supporting the pastor in his stewardship of parish resources.

## COMBINED STATEMENT OF PARISH FINANCIAL ACTIVITIES

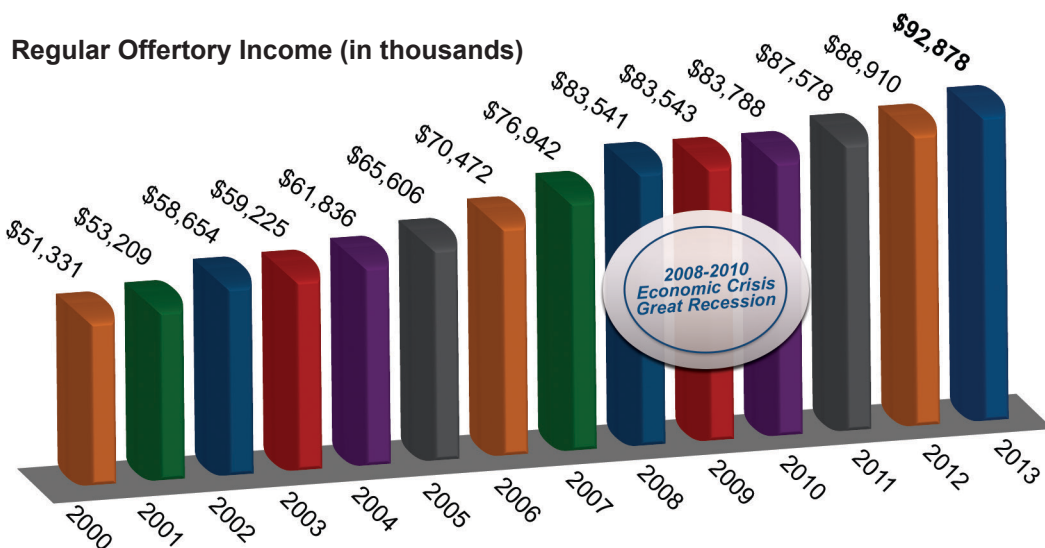
Total parish revenue from all sources, including parish schools, was in excess of \$216 million for fiscal year 2013. Over 93% of our 68 parishes and 6 missions ended the year with an operating surplus.

FOR FISCAL YEAR ENDED JUNE 30 (UNAUDITED)	CHURCH		SCHOOL		TOTAL PARISH	
	2013	2012	2013	2012	2013	2012
Regular Offertory/Tuition Related Income	92,878,083	88,909,837	63,371,204	60,955,188	156,249,287	149,865,025
Other Income/Donations	27,823,138	27,366,863	23,357,053	23,741,746	51,180,191	51,108,609
<b>Total Operating Income</b>	<b>120,701,221</b>	<b>116,276,700</b>	<b>86,728,257</b>	<b>84,696,934</b>	<b>207,429,478</b>	<b>200,973,634</b>
Personnel Expense	43,001,743	41,753,350	64,709,147	63,115,048	107,710,890	104,868,398
Other Operating Expense	60,951,496	59,758,484	20,319,307	19,984,663	81,270,803	79,743,147
<b>Total Operating Expense</b>	<b>103,953,239</b>	<b>101,511,834</b>	<b>85,028,454</b>	<b>83,099,711</b>	<b>188,981,693</b>	<b>184,611,545</b>
<b>Operating Surplus</b>	<b>16,747,982</b>	<b>14,764,866</b>	<b>1,699,803</b>	<b>1,597,223</b>	<b>18,447,785</b>	<b>16,362,089</b>
Capital Campaign/Other Extraordinary Income	9,216,047	9,896,924	98,809	67,961	9,314,856	9,964,885
Capital Improvement/Major Renovation	14,294,496	12,681,704	1,108,696	1,207,906	15,403,192	13,889,610
<b>Net Other (Expense)</b>	<b>(5,078,449)</b>	<b>(2,784,780)</b>	<b>(1,009,887)</b>	<b>(1,139,945)</b>	<b>(6,088,336)</b>	<b>(3,924,725)</b>
<b>Net Surplus (Deficit)</b>	<b>\$11,669,533</b>	<b>\$11,980,086</b>	<b>\$689,916</b>	<b>\$457,278</b>	<b>\$12,359,449</b>	<b>\$12,437,364</b>

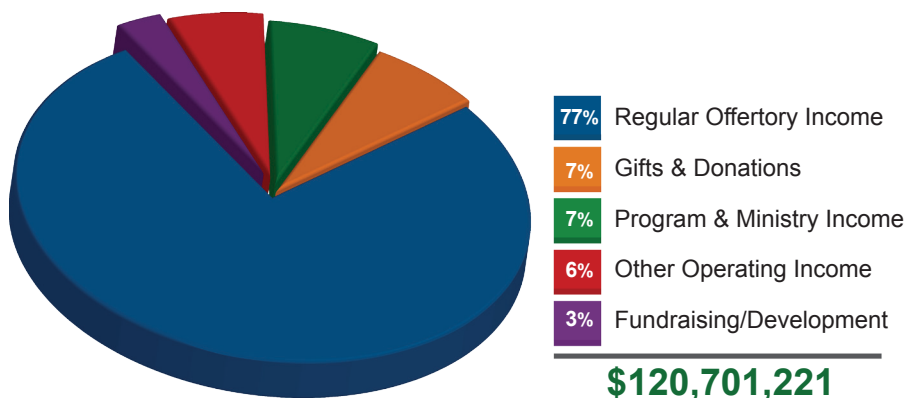


### CHURCHES

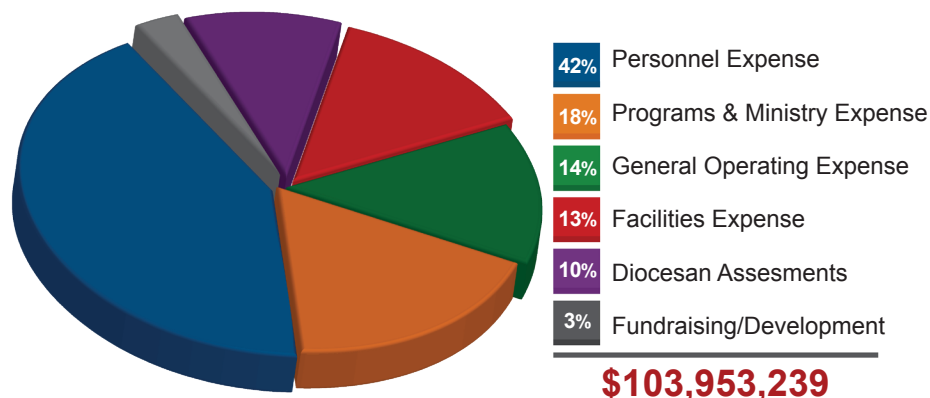
Parish regular offertory income increased 4.5% in the fiscal year that ended June 30, 2013, to \$92.9 million. While the majority of the parishes had increases in their income, ongoing costs such as facilities and employee benefits continue to grow. Your continued generosity enables the Church to carry out Her mission. Regular offertory has grown 81% since 2000.



### Church Operating Revenues



### Church Operating Expenses



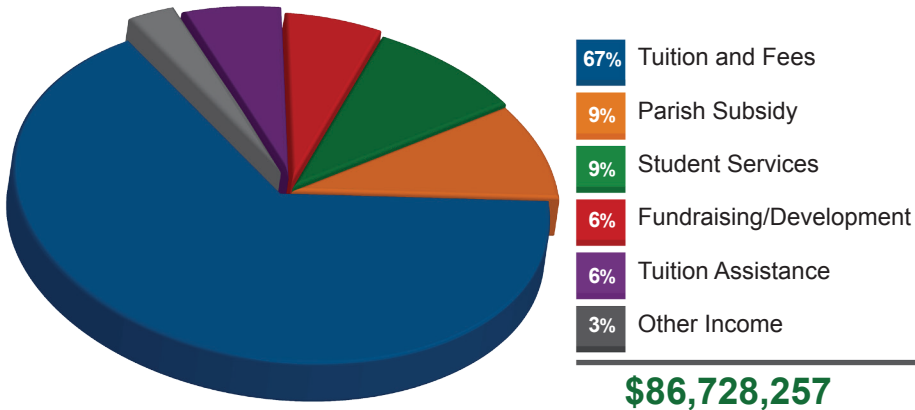


# Parish Financial Information

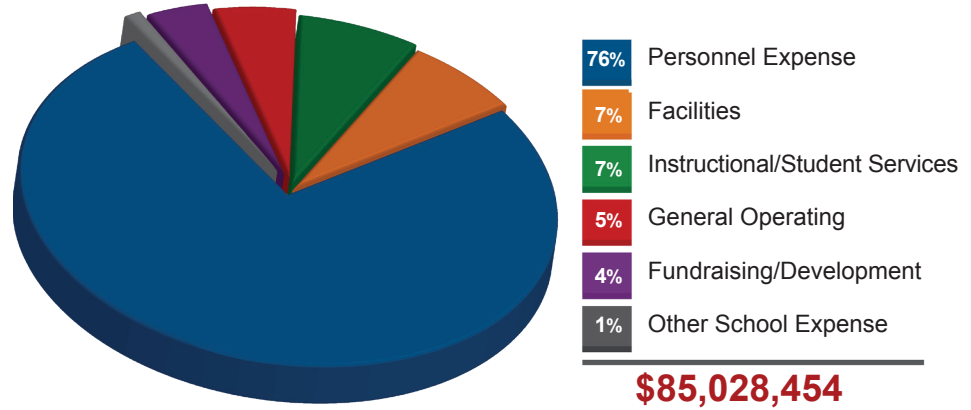
## PARISH ELEMENTARY SCHOOLS

During the 2012-2013 academic year, the 38 parish elementary schools provided an academically excellent education emphasizing Catholic values to over 13,000 students. Parish schools' operating revenue for 2013 totaled \$86.7 million. Tuition and fees accounted for 67% of the total, with the balance made up through tuition assistance, parish subsidy, student services, and local development and fundraising efforts. Total tuition assistance for fiscal year 2013 was \$5.3 million.

### School Operating Revenues



### School Operating Expenses



## PARISH GROWTH: AT-A-GLANCE

- 53 completed major parish construction, expansion, and renovation projects in the last 10 years at a total cost exceeding \$250 million.
- 11 current major parish projects in various phases of construction/renovation including:
  - Good Shepherd, Alexandria, Renovation and Expansion Project (Phase II)
  - St. Francis de Sales, Purcellville, Education Center Project
  - Bishop O'Connell High School, Arlington, New Science Labs (Phase II)
  - St. John the Apostle Parish, New Church Project
  - All Saints, Manassas, Parish Activity Center

## DIAL Corporation

### ARLINGTON DIOCESAN INVESTMENT AND LOAN CORPORATION (DIAL CORP.)

DIAL Corp. was established for the benefit of participants and functions as a savings and loan for the parishes. The investment and loan program administered by DIAL Corp. is a collaborative effort where participants deposit excess funds in return for a fixed and stable interest rate, and may request and obtain loans for construction, renovation, or operating needs that also bear a fixed and stable interest rate. The participants of DIAL Corp. include the parishes, missions, and schools of the Catholic Diocese of Arlington, along with other entities such as the Catholic Charities of the Diocese of Arlington and the Arlington Catholic Herald. The Central Administrative Offices of the Catholic Diocese of Arlington is a separate and distinct entity and is not a participant in DIAL Corp. Therefore, it does not have deposit accounts or loans owed to DIAL Corp.

As of June 30, 2013, participant deposits earned interest at 2.5% per annum, and participant loans accrued interest at 5.75% per annum. Interest rates are reviewed at least annually and adjusted as necessary. The rate structure has provided for a steady level of net investment income (interest and dividends) for operations.

DIAL Corp. has chosen to invest in the Catholic Diocese of Arlington investment pool fund. Approximately \$59 million of investments as of June 30, 2013, are held in the pool. Net assets have increased nearly \$7 million due to strong investment performance of the pooled investments. DIAL Corp. has also experienced an increase in deposits, more than adequate to meet the current demands for construction and improvement loans. As of June 30, 2013, \$10 million in loans has been approved which will fund renovation or construction projects in the coming year.

### STATEMENT OF FINANCIAL POSITION

June 30, 2013 June 30, 2012

Cash and cash equivalents	\$4,526,897	\$4,500,459
Investments	75,416,808	63,442,579
DIAL loans receivables	45,657,837	42,536,878
Other receivables	117,160	81,460
<b>Total assets</b>	<b>\$125,718,702</b>	<b>\$110,561,376</b>

Accounts payable	\$12,650	\$4,167
DIAL deposits payable	119,283,032	111,064,990
Unrestricted net assets	6,423,020	(507,781)
<b>Total liabilities and net assets</b>	<b>\$125,718,702</b>	<b>\$110,561,376</b>

### STATEMENT OF ACTIVITIES

June 30, 2013 June 30, 2012

<b>Interest Income</b>		
Interest income - participant loans	\$2,617,830	\$2,414,827
Other investment income	1,034,407	721,768
Interest expense - participant deposits	(2,759,677)	(2,685,761)
<b>Net interest income</b>	<b>892,560</b>	<b>450,834</b>

Realized and Unrealized gains (losses) on investments	6,100,945	(74,198)
General and administrative expenses	(62,704)	(50,000)
<b>Increase in net assets</b>	<b>\$6,930,801</b>	<b>\$326,636</b>

### DIAL CORP. BOARD OF DIRECTORS

Rev. Mark S. Mealey (President)  
 Mr. Joseph J. Calabrese, III  
 Mr. Timothy R. Cotnoir (Secretary/Treasurer)  
 Mr. Michael Donovan  
 Mr. Mark E. Herrmann (Registered Agent)  
 Mrs. Kathy McKinless (Chair)



# Statement of Activities

## STATEMENT OF ACTIVITIES HIGHLIGHTS

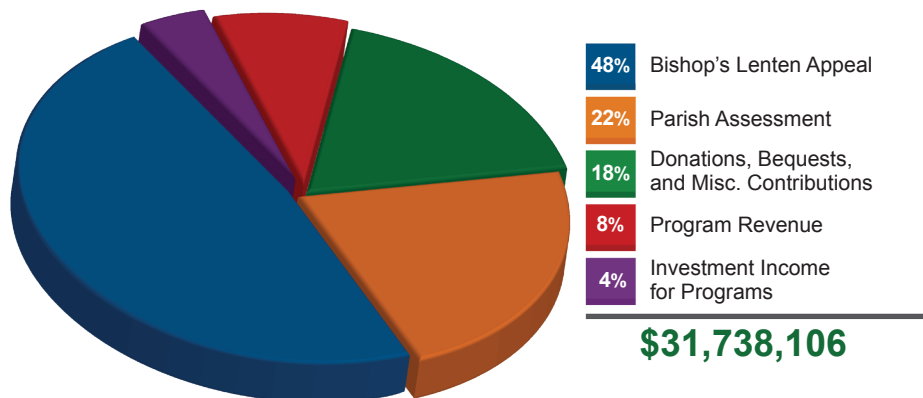
Operating income for fiscal year 2013 is demonstrative of the continued generosity of the faithful within the Diocese of Arlington. Individuals responded to the call to increase their Bishop's Lenten Appeal (BLA) donations, which provided more than \$15 million to support the pastoral, vocational, educational, and social services ministries of the diocese. The continued growth of the BLA together with restricted contributions from prior years, and endowment income provided funds for increased expenses in the area of evangelization, tuition assistance, and contributions. Parish assessments, investment income, and direct program revenue, all served to fund their respective offices in accordance with the approved budget.

In fiscal year 2013, Bishop Loverde launched the Leadership Gift Initiative 2015 - *Partners United in the Heart of Christ*, a targeted major gift program to meet the most critical funding needs of the diocese in the areas of Catholic education, new evangelization efforts, support for our retired priests, Catholic Charities, and some capital improvements. In this initial year, contributions in excess of \$11 million have been raised and directed toward the tuition assistance endowment, Catholic Charities' endowment, food pantry, and family transitional housing programs.

This year's positive investment performance mirrors the increase that has occurred in the overall financial market. Spending policies remained consistent to provide a predictable stream of funding to programs, at a level which was supported by interest, dividends, and realized gains. Although the market trend may continue to be volatile, we remain confident in the long term view of the market as it pertains to our investment horizon for those assets invested, as well as the prudent investment policies and oversight exercised by the various diocesan financial advisory committees. Insurance programs (health and risk management) netted positive results, increasing reserves to cover future claims and market increases. The positive change in the priests' pension and post-retirement health obligation was primarily the result actuarial adjustments due to an increase in discount rates used in determining benefit obligations. In December 2012, the Chancery entered into a new financing arrangement for defeasing the 2003 tax exempt bond debt and obtaining more favorable terms (see Balance Sheets, opposite page). The Chancery has advanced funds to Pope John Paul the Great High School to supplement tuition in covering operating costs, including rent. Conservatively, a reserve was established for the advances. This reserve may change as school enrollment and fundraising activities continue to increase. With stated capital campaign goals met and the focus on the Leadership Gift Initiative program, the remaining assets of the *Rooted in Faith ~ Forward in Hope* capital campaign were transferred to the Chancery.

Overall, the Chancery ended the year with a significant increase in net assets. Results from operations reflected a surplus of revenue over expenses amounting to \$9.1 million, due to a fruitful start to the Leadership Gift Initiative. These positive operational results, coupled with investment returns from improved market conditions, contributed a nearly \$20 million increase in net assets for the year. This increase, however exceptional, is in contrast to last year's decrease in net assets of \$13.5 million; thus punctuating our need to be prepared for market instability and unpredictability.

## Total Income For Operations



## OPERATING INCOME

**Bishop's Lenten Appeal (BLA)** accounted for more than \$15 million in income in 2013 to support ministries and programs throughout the diocese. BLA contributions fund pastoral programs, religious personnel development, education, and social services as well as contribute to the administrative support of ministries and offices at the diocesan level. The continuing generosity of the faithful of the diocese is clearly demonstrated by the 3% increase over the prior year.

**Parish Assessment** accounted for over \$7 million in operating income in 2013. This income is calculated and paid by parishes as a function of the regular parish offertory. Eight percent of the parish offertory, as of June 30, is computed and paid monthly in the subsequent year. Total assessment increased 1.5% over the prior year, with most parishes reporting an increase in offertory and few reporting a decrease. This income supports offices that serve parish, school, and diocesan administration (e.g. Office of the Bishop).

**Donations, Bequests, and Misc. Contributions** totaled over \$5 million. Current year donations and collection of prior year pledges continue to be a source of funds for donor supported projects. Because of the unpredictable nature of this type of income, the budget excludes this from estimation.

**Program Revenue** includes registration and professional development fees for a variety of initiatives including Youth Ministry's WorkCamp, World Youth Day, Conferences for the Engaged, and catechetical certification. Amounts contributed and received by the Tribunal are also included in program revenue.

**Investment Income for Programs** totaling more than \$1 million reflects the budgetary amount anticipated from the investment returns of diocesan reserves. Actual investment returns may or may not be indicative of that which is budgeted and utilized for operational need.

For Fiscal Year Ended	June 30, 2013	June 30, 2012
<b>Operating Activities</b>		
Operating income (including restricted amounts)	\$31,738,106	\$31,443,166
Operating expenses	(32,068,170)	(30,470,544)
Leadership Gift Initiative		
Contribution income	11,704,808	-
Use of funds and release of restrictions	(2,253,500)	-
<b>Operational Surplus</b>	<b>9,121,244</b>	<b>972,622</b>
<b>Non-Operating Activities</b>		
Investment income (loss), net of amounts in operations	7,368,879	(1,117,141)
Net change in insurance programs	1,850,761	1,087,202
Change in unfunded priests' pension and post retirement health obligation	2,735,548	(6,735,102)
Bond interest expense - net of related property income	888,253	456,070
Net property gains	10,752	64,717
Rental income	143,769	142,559
Loan reserve increase-related party	(1,542,957)	(8,424,882)
Transfers of net assets from <i>Rooted in Faith - Forward in Hope</i> , close out of capital campaign	201,241	-
<b>Increase (Decrease) in net assets</b>	<b>\$20,777,490</b>	<b>\$(13,553,955)</b>
<b>Increase (Decrease) in net assets related to:</b>		
Current Operations	13,477,930	(11,307,457)
Endowments, ADEF & Functioning as Endowment	6,795,343	(319,287)
Property, Plant & Equipment	504,217	(1,927,211)
<b>Total Increase (Decrease)</b>	<b>\$20,777,490</b>	<b>\$(13,553,955)</b>

## OPERATING EXPENSES

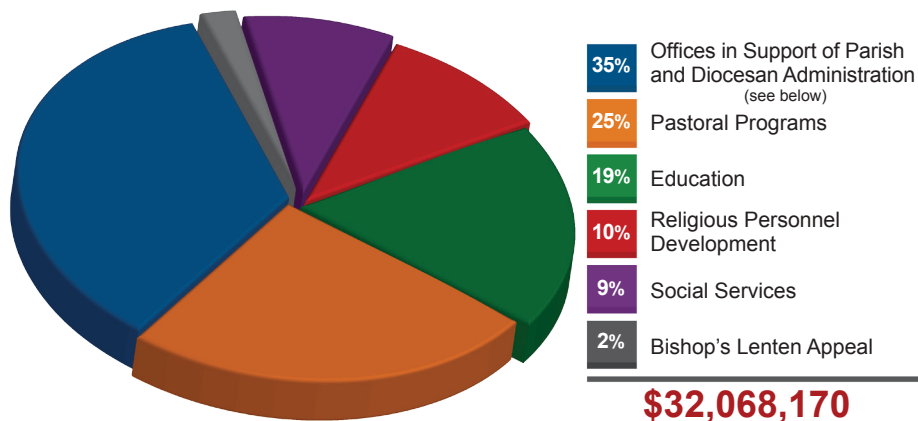
**Pastoral Programs** include those involved with evangelization and communicating the Faith, Youth and Campus Ministry, the Office for Family Life, the Respect Life Office, the Spanish Apostolate, the Office of Multicultural Ministries, the Permanent Diaconate, Tribunal and Parish Subsidies, the Virginia Catholic Conference, the diocese's support of two missions in the Dominican Republic, St. Rose of Lima Priests' Retirement Villa, and the San Damiano Spiritual Life Center.

**Education** includes the Office of Catholic Schools, the Office of Catechetics, and the Tuition Assistance Program.

**Religious Personnel Development** includes the Office of Vocations (seminarian education) and other religious personnel development programs.

**Social Services** include the diocesan subsidy to Catholic Charities, the Office of Child Protection and Safety, and other charitable causes.

## Total Expenses for Operations



## OFFICES IN SUPPORT OF THE PARISHES AND DIOCESE INCLUDE:

- **Office of the Bishop**
- **Employee Benefits and Human Resources**, which serve the nearly 3,500 employees of our parishes, schools, and diocesan offices
- **Planning, Construction and Facilities Management**, which provides technical and fiduciary oversight in addition to project management for the physical development and maintenance of parish and diocesan properties
- **Communications Office**, which serves the diocese and parishes through media relations, the diocesan website, and other communications support
- **General Counsel**, which provides legal services to parishes and the diocese
- **Information Services**, which provides information technology support for diocesan ministries and offices
- **Offices of Finance and Accounting**, which serve as a resource to parishes with regard to financial matters, as well as overseeing parish internal audits and the administration of DIAL Corp. and diocesan financial administration
- **Office of Risk Management**, which provides oversight with regard to the diocesan property and casualty self-insurance program, and assists the parishes and schools with related risk-mitigating initiatives
- **Development Office**, which assists in parish and diocesan stewardship programs



# Balance Sheets

## CURRENT OPERATIONS

The diocese maintains assets for current operations to support current programs, ministries, and future capital needs. Pledges and accounts receivable include major gifts receivables, and Bishop Lenten Appeal pledges that will be used to fund programs into the next fiscal year. Investments have increased with the contributions received from Leadership Gift Initiative contributions and positive investment returns. Investments also include longer-term funds of DIAL Corp. held in the investment pool. Net assets also increased as a result of the change in discount rates used in determining pension related obligations (see Statement of Activities Highlights, previous page).



## CURRENT OPERATIONS

June 30, 2013 June 30, 2012

Cash and cash equivalents	\$13,602,550	\$12,466,319
Pledges and accounts receivable, net of allowance	6,417,269	5,962,554
Investments*	108,991,882	91,920,599
Loan receivable	4,334,286	4,734,286
Prepaid expenses and other assets	631,029	499,212
<b>Total assets</b>	<b>\$133,977,016</b>	<b>\$115,582,970</b>

Accounts payable and accrued expenses	\$5,192,756	\$4,410,224
Deposits held for others and other liabilities	1,645,438	2,029,621
Funds held for DIAL Corp. in investment pool	58,924,207	51,670,892
Accrued priests' pension liability and post retirement health obligation	14,533,337	17,268,885
<b>Total liabilities</b>	<b>80,295,738</b>	<b>75,379,622</b>

Unrestricted net assets	40,540,712	33,840,173
Temporarily restricted net assets	13,140,566	6,363,175
Total net assets	53,681,278	40,203,348
<b>Total liabilities and net assets</b>	<b>\$133,977,016</b>	<b>\$115,582,970</b>

\*includes funds held for DIAL Corp.

## PERMANENT ENDOWMENTS, ADEF & FUNCTIONING AS ENDOWMENT

June 30, 2013 June 30, 2012

Investments	\$55,075,952	\$45,203,723
Pledges receivable	4,500	497,425
Accrued interest receivable	19,503	18,369
<b>Total assets</b>	<b>\$55,099,955</b>	<b>\$45,719,517</b>

ADEF funds held for schools	\$2,484,996	\$2,386,801
Endowments held for others (Catholic Charities and Foundation)	11,212,234	8,725,334
<b>Total liabilities</b>	<b>13,697,230</b>	<b>11,112,135</b>

Unrestricted net assets, including those functioning as endowment	9,681,661	8,492,450
Temporarily restricted net assets	10,230,582	7,646,975
Permanently restricted net assets	21,490,482	18,467,957
Total net assets	41,402,725	34,607,382
<b>Total liabilities and net assets</b>	<b>\$55,099,955</b>	<b>\$45,719,517</b>

## PERMANENT ENDOWMENTS, ADEF AND FUNCTIONING AS ENDOWMENT

An endowment is a specific fund that generates investment returns to help an organization or specific program, while preserving the principal funds initially invested. Redemptions from *Rooted in Faith ~ Forward in Hope* capital campaign pledges have provided endowment funding in excess of the \$20 million goal established for tuition assistance, school faculty development, catechetical programs, youth ministry, and Catholic Charities operations. Although the *RIF-FIH* capital campaign has ended, it is anticipated that these endowments will continue to grow with the continued support of contributors to these programs. In 2013, with the start of the Leadership Gift Initiative, the tuition assistance and Catholic Charities endowments have been added to, and all endowments have experienced growth with the exceptional investment market returns. These endowments, overseen by the investment committee of the Diocesan Finance Council, provide annual income for these program initiatives. The Arlington Diocese Education Foundation (ADEF) serves as a means for parochial and regional schools, as well as the diocese, to provide additional annual funds for educational purposes. The original patrimony of the Diocese of Arlington, contributed at inception, has been preserved and invested to function as an endowment for operations. Collectively, all of these funds are managed as restricted investments with a predictable amount budgeted to be utilized annually to support the intended programs or ministries.



## PROPERTY AND EQUIPMENT

The diocese is required to report the real property, land and equipment that it holds for diocesan uses. This includes the land and the original buildings and grounds of the diocesan high schools and other affiliated organizations under the office of the diocesan bishop. The \$11 million in land for future parish and diocesan needs is demonstrative of the continual emphasis on growth and development, and the diocesan commitment toward that growth. As a result of the utilization of bond proceeds for the Pope John Paul the Great High School construction, the associated bond debt is included as an offset to the asset. In December 2012, the Chancery entered into a new financing arrangement obtaining \$21 million in bank qualified tax-exempt financing for the purpose of defeasing the 2003 tax exempt bonds. The loan proceeds were placed in escrow to be used to pay the scheduled debt through October 1, 2013, at which time the 2003 bonds payable were redeemed. The refinance provides more favorable terms, and together with the interest rate swap agreement entered into in May 2013, effectively fixed the interest rate at 2.482% over a 15 year term. Also reflected in assets is the estimated unrealized gain on the swap agreement, based on a fair value calculation which anticipates an increase in interest rates in excess of the fixed rate established by the swap agreement. This value will change as estimated forward rates change. The savings result of the refinance is in excess of \$10 million over the next 15 years.

## PROPERTY, PLANT AND EQUIPMENT AND RELATED DEBT

June 30, 2013 June 30, 2012

Real property and improvements	\$117,212,600	\$117,244,335
Land held for future parish and diocesan sites	11,003,416	10,935,532
Land restricted for high school	14,500,000	14,500,000
Furniture and equipment	7,093,319	6,848,921
Less: accumulated depreciation	(26,921,304)	(24,497,854)
Bond defeasance escrow	22,849,681	-
Loan Receivable	4,028,557	4,104,917
Unamortized bond costs	525,716	358,524
Interest rate swap	553,399	-
<b>Total assets</b>	<b>\$150,845,384</b>	<b>\$129,494,375</b>

Accounts payable	\$97,919	\$170,787
Notes payable	164,087	-
Bonds payable	21,335,573	22,650,000
Defeased bonds payable	22,070,000	-
<b>Total liabilities</b>	<b>43,667,579</b>	<b>22,820,787</b>

Unrestricted net assets	92,677,805	92,173,588
Temporarily restricted net assets	14,500,000	14,500,000
Total net assets	107,177,805	106,673,588
<b>Total liabilities and net assets</b>	<b>\$150,845,384</b>	<b>\$129,494,375</b>



# Evangelization and Outreach



Photo: © 2013 Phyllis L. Johnson

## EVANGELIZATION AND OUTREACH

Throughout the Year of Faith, October 11, 2012, to November 24, 2013, as a diocesan family of faith we strengthened our own relationship with Christ and spread the Good News to others. As Bishop Loverde wrote in the Arlington Catholic Herald article “Turning ‘ad extra’ as the Year of Faith ends,” “This year, we have truly sought to enrich our own faith life, turning ‘ad intra’ to a deeper relationship with Christ. So, what now? By continuing to grow in our faith, we become chords of Christ’s love to others, turning outwards, ‘ad extra’, to the world. With the end of this Year of Faith, I ask you to ‘cast into the deep’ as evangelists, burning with a love of Christ and a desire to share the Good News.”



## HEARTS ON FIRE PASTORAL LETTER AND WEB PORTAL

As the Year of Faith concluded, Bishop Paul Loverde offered the Diocese his pastoral letter on continuing the New Evangelization, *Go Forth With Hearts on Fire*. The letter focuses on turning outwardly to the world to act as evangelists in our daily lives and communities. Bishop Loverde also challenges all Catholics to invite at least one person into the Body of Christ. The entire letter is available online at [www.heartsonfire.arlingtondiocese.org](http://www.heartsonfire.arlingtondiocese.org), along with a study guide, news updates, and other evangelization resources.

## FRUITS OF THE NEW EVANGELIZATION

The diocesan New Evangelization initiative has continued to support the parishes’ efforts by providing a variety of learning opportunities including workshops and talks led by authors Sherry Weddell and George Weigel. The Diocese of Arlington continues to “cast into the deep” by developing new opportunities for adult faith formation.

## MEN’S AND WOMEN’S CONFERENCES

The annual men’s and women’s conferences continue to nourish the diocesan community, with this year’s events having one of the best turnouts in recent years. The conferences feature some of the most impactful speakers of the day providing catechesis, evangelization, and spiritual insight on living as a Catholic in modern culture. Next year, Curtis Martin, Peter Kreeft, and Justice Antonin Scalia will provide the reflections.

*These Evangelization and Outreach efforts are supported by funds from the Bishop’s Lenten Appeal and the Leadership Gift Initiative.*

## A BANNER YEAR FOR THE ARLINGTON CATHOLIC HERALD

The Arlington Catholic Herald hit a new high of 60,000 subscriptions during the past year. The newspaper continues its digital efforts, providing regularly updated and exclusive content on expanded social media presences on Facebook, Twitter, and most recently, Pinterest. The Herald offered its first evangelization issue this year, providing the newspaper to every registered household in the diocese; it will offer the Evangelization issue twice annually, during Advent and Lent.

## BISHOP LOVERDE ON YOUR RADIO

In the past year, Bishop Loverde welcomed Catholics of the Diocese through his radio messages, an effort he will be continuing in the new year. His WTOP radio spots cover everything from Thanksgiving to Evangelization, charity, and more. Find all of the messages online at [www.arlingtondiocese.org/multimedia](http://www.arlingtondiocese.org/multimedia).



## Diocesan Finance Council

As required by canon law, the Diocesan Finance Council is made up of laity and clergy of the diocese. The finance council is charged with preparing the annual diocesan budget and making recommendations to Bishop Loverde on a number of financial issues including audits, construction projects, Diocesan Investment and Loan (DIAL) Corporation, funds, and investments.

### The current members are:

Most Rev. Paul S. Loverde – Chairman  
Mr. Timothy R. Cotnoir, Diocesan Finance Officer

### Membership:

Rev. Kevin J. Larsen  
Rev. Mark S. Mealey, O.S.F.S., J.C.D., Ph.D., V.G., J.V.  
Rev. Frank J. Ready, V.G. Emeritus  
Rev. Robert J. Rippy, V.F.  
Ms. Joan M. Biehler  
Mr. Mark E. Herrmann, Esq.  
Mr. William Hummel  
Mrs. Kathy McKinless  
Mr. Paul S. Stevens

### Audit & Budget Committee:

Mrs. Kathy McKinless (Chair)  
Mrs. Ellen Goitia  
Mr. Victor F. Sellier

### Investment Committee:

Mr. Paul S. Stevens (Chair)  
Mr. Val Hawkins  
Mr. William Hummel