



The Catholic Diocese of Arlington

ANNUAL REPORT

2014

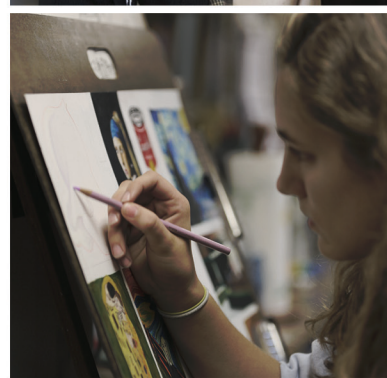


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A LETTER FROM THE MOST REVEREND PAUL S. LOVERDE BISHOP OF THE DIOCESE OF ARLINGTON



My Dear Brothers and Sisters in Christ,

Some of the most visible and tangible manifestations of the Kingdom of God are the loving, generous actions we do for our neighbors. Indeed, service, sacrifice, and self-gift are essential to the New Evangelization in our homes and communities because these practices echo the teaching of our Lord Jesus Christ when He said, "I give you a new commandment: love one another... This is how all will know that you are my disciples, if you have love for one another" (John 13: 34-35). Yes, it is by our love for others and those actions which flow from this love that others will know that we are truly His disciples. Moreover, by this witness, people will be attracted to learn of Christ and then be more willing to encounter Him who alone can satisfy the deepest longings of their hearts.

I am privileged to lead this Diocese of Arlington, one that is united by its witness of love and fidelity. I am encouraged to see our parishes expand, our families flourish, and our parishioners grow ever deeper in their union with the Lord Jesus Christ within the Community of His Disciples, the Church. I am especially thankful to see how many people have participated in opportunities within the diocese to grow in faith, particularly through workshops and events defending religious liberty, the authentic nature of marriage, and the dignity of all life. Others have also participated in special collections supporting our brothers and sisters in need. Still others have deepened their faith personally and in small groups by studying my pastoral letters *Go Forth With Hearts on Fire* and *Bought With a Price*.

Most importantly, I want to express my deep gratitude for your charity and willingness to support the ministries and needs of the Church here and abroad. Our Holy Father Pope Francis has spoken frequently of our responsibility to the poor and reminds us that "[t]o love God and neighbor is not something abstract, but profoundly concrete: it means seeing in every person the face of the Lord to be served, to serve him concretely." Indeed, every time we respond to God's call for the sacrificial gift of our time, talent, and treasure, our eyes are opened to see His image and likeness in the poor and the needy, and to offer them His enduring love.

Throughout this past fiscal year, which ended June 30, 2014, you have generously responded to God's call by supporting important ministries, catechesis, and programs that transform lives. In this Annual Report, you will see the concrete ways that your financial and spiritual support have directly impacted the outreach of this diocese. Thank you for your stewardship, your generosity, and most importantly, your faith! Please know that I carry you in prayer to Our Lord.

Faithfully in the Heart of Christ,

A handwritten signature in black ink that reads "Paul S. Loverde".

Most Reverend Paul S. Loverde

A LETTER FROM TIMOTHY R. COTNOIR, CPA DIOCESAN FINANCIAL OFFICER



Dear Fellow Members of our Diocesan Church,

In Matthew's Gospel there is an account of an incident in which the Pharisees attempted to entrap Jesus by asking if it was lawful to pay a census tax to Caesar (Mt 22:15-22). While holding a coin, Jesus asked them whose image was presented. When they replied "Caesar's," our Savior gave the oft-quoted directive to "repay to Caesar what belongs to Caesar and to God what belongs to God." I have always been struck by the idea that we are to "repay" the person whose image we encounter. Jesus Christ invites us to look to where God has imprinted His image in our lives, namely in the innumerable blessings we have received, and repay Him in just proportion.

With this in mind, I present this Annual Report—on behalf of Bishop Paul S. Loverde and the Diocesan Finance Council—to you, the faithful of the Catholic Diocese of Arlington: first, as an accounting of the assets you have entrusted to the diocese, and second, as a reflection of the impact the ministries and offices in the Church have in meeting the needs of our brothers and sisters. Financial matters are presented in this report with respect to the parishes and schools of the diocese, as well as the Central Administrative Offices. Additionally, this year we have focused on the significant effects the many programs, ministries, and offices have had on all of the people who reside in the 21 counties and seven cities of our diocese.

During the fiscal year ended June 30, 2014, the diocese was blessed with the continued generosity of the faithful in order to fund the programs and offices managed at the diocesan level. Of particular note, extraordinary gifts were received with respect to Bishop Loverde's Partners United in the Heart of Christ - Leadership Initiative 2015 program. These donations are restricted in their use, and are part of a strategic effort that is further explained in this report on page 9. Also, due to much improved market conditions, a second year of positive investment returns has been realized, and serves to support reserves for possible future market uncertainty. Bishop Loverde and I remain committed to providing transparent accountability along with infusing the highest standards in stewarding the gifts graciously given to, and received by, the Church. To that end, I encourage you to review this report carefully, as well as our complete audited financial statements by visiting the diocesan website at www.arlingtondiocese.org/offices/finance.php. Please feel free to contact my office with any questions, suggestions, or concerns regarding these reports.

Our Lord's gifts to us are so bountiful that, of course, we can never sufficiently "repay" Him. Nonetheless, your gifts throughout the past year are a sort of "repayment to God what is God's," allowing Our Lord's image to be illuminated in the many who encounter Him through the works and ministries of the Church.

Grateful for your steadfast and generous support of the Catholic Diocese of Arlington, I remain,

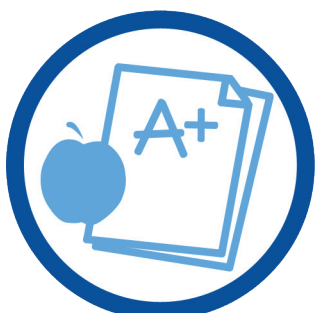
Sincerely in Christ,

A handwritten signature in black ink that reads "Timothy R. Cotnoir".

Timothy R. Cotnoir, CPA, Diocesan Finance Officer



IMPACT DIOCESE OF ARLINGTON



- 6,500 square miles, 21 counties, and 7 independent cities
- 69 parishes and 5 missions (Corpus Christi established as a parish in November 2014)
- 37 parishes offer Masses in Spanish
- Masses are said throughout the diocese on a regular basis in the following languages: Latin, Spanish, Twi, Vietnamese, Korean, Portuguese, Tagalog, Tigrinya, Cameroon Pidgin English, Gaelic, and American Sign Language
- 263 priests (diocesan, religious, and extern)
- 67 permanent deacons
- 40 seminarians, studying in 7 seminaries including 2 in Europe (Pontifical North American College in Rome, Italy, and San Dámaso in Madrid, Spain)
- 13 priestly ordinations in the last 2 years
- 62 men currently in discernment groups
- 53 women currently in discernment groups
- More than 300 high school boys and girls attended discernment camps and events
- More than 450,000 registered Catholics
- 8,844 Baptisms and Professions of Faith
- 7,772 First Communions
- 6,419 Confirmations
- 1,778 adults joined the Catholic Church through R.C.I.A. programs
- 1,552 marriages
- More than 94,419 men, women, and children served by the outreach of Catholic Charities
- More than 3,000 refugees assisted by the Office for Refugee Resettlement
- 21 children were adopted into loving families
- 1,002 birth parents received support
- 25,225 meals provided to homeless individuals
- 37 elementary schools, 4 high schools, 5 early childhood centers, and 3 independent schools serving 17,596 students
- Approximately 36,000 students involved in religious education
- More than 15,000 youth growing in their faith each year through youth ministry programs
- More than 50% of our diocesan schools have been named Blue Ribbon Schools by the U.S. Department of Education
- Approximately 1,600 jobs provided in our diocesan school system
- \$2.7 million in tuition assistance was provided through the Diocesan Tuition Assistance Program
- More than \$48 million in grants and scholarships were offered to the Arlington Diocese's graduating Class of 2014
- More than 70,000 households receive the award-winning *Arlington Catholic Herald*, the largest non-daily newspaper in the Commonwealth of Virginia
- The *Arlington Catholic Herald* has more than 2,270 Facebook and 7,930 Twitter followers
- The diocese has more than 5,030 Facebook followers, 6,600 Twitter followers, Encourage & Teach, a popular WordPress blog, and growing Instagram and YouTube accounts; Bishop Loverde has a new Twitter account with more than 600 followers.

STATEMENT OF ACTIVITIES HIGHLIGHTS

Operating income for Fiscal Year 2014 demonstrates 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 \$16 million to support the pastoral, vocational, educational, and social services ministries of the diocese. The growth of the BLA, together with restricted contributions and endowment income, provided funds for increased expenses in the area of evangelization, seminarian education, and charitable assistance. Parish assessments, investment income, and direct program revenue all served to fund diocesan offices in accordance with the approved budget.

In fiscal year 2013, Bishop Loverde launched the *Partners United in the Heart of Christ ~ Leadership Initiative 2015*, 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 programs, and various capital improvements. Pledges in excess of \$35 million have been raised, allowing for initial funding of the critical mission priorities identified, including grants to diocesan high schools in support of capital needs and contributions to Catholic Charities for its St. Lucy food distribution hubs and transitional housing programs. These contributions also provided funds to grow the Tuition Assistance Endowment and help meet the future pension obligation for our diocesan priests.

This year's positive investment performance is reflective of 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 supported by interest, dividends and realized gains, and providing for real growth in the investment corpus. Although the market trend may be volatile

in the future, 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), although met with increased costs in fiscal year 2014, netted positive results, increasing reserves to cover future claims and market increases. The negative change in the priests' pension and postretirement health obligation was primarily the result of actuarial adjustments due to a decrease in discount rates used in determining benefit obligations.

In October 2013, the Chancery completed the defeasance of the 2003 bonds payable, placing the Chancery in position to realize savings as result of the favorable terms of the refinanced bonds. The Chancery has advanced funds to Saint 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 is expected to decrease as school enrollment continues to increase.

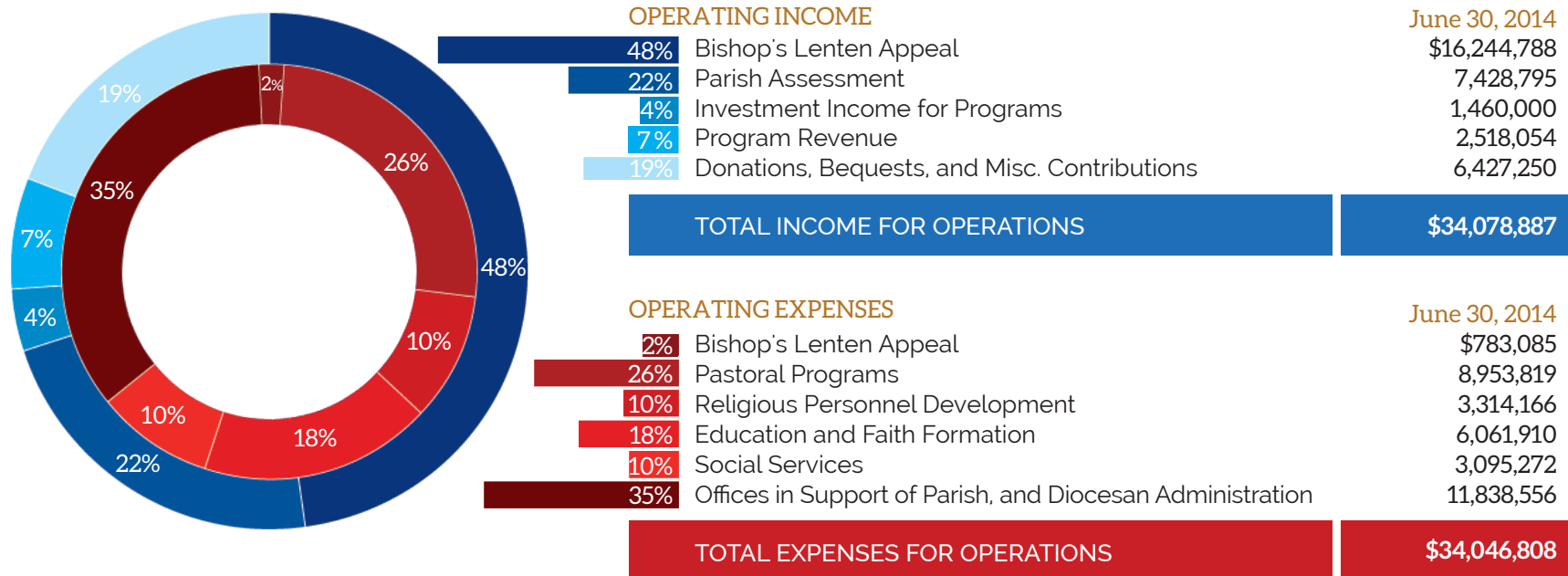
Overall, the Chancery ended the year with a significant increase in net assets. Results from operations reflected a surplus of revenue over expenses amounting to \$9.3 million, due to a fruitful start to the Leadership Initiative 2015. These positive operational results, coupled with extraordinary investment returns from improved market conditions, have contributed a \$20 million increase in net assets for the year ended June 30, 2014. Although in fiscal year 2014 the diocese experienced exceptional growth, fiscal year 2015 program budgets will remain focused on critical missions based on measured growth, and strategic long-term needs supported by donor contributions identified for these purposes.

STATEMENT OF ACTIVITIES HIGHLIGHTS

	For year ended June 30, 2014	For year ended June 30, 2013
OPERATING ACTIVITIES		
Operating income (including restricted amounts)	\$34,078,887	\$31,738,106
Operating expenses	(34,046,808)	(32,068,170)
Contribution income, Leadership Initiative 2015	14,673,676	11,704,808
Release of restrictions, Leadership Initiative 2015	(5,388,293)	(2,253,500)
OPERATIONAL SURPLUS	9,317,462	9,121,244
NON-OPERATING ACTIVITIES		
Investment income, net of amounts in operations	15,499,737	7,368,879
Net change in insurance programs	318,199	1,850,761
Change in unfunded priests' pension and postretirement health obligation	(2,351,659)	2,735,548
Bond interest expense - net of related property income and interest rate swap	(173,879)	888,253
Net property gains	310,104	10,752
Rental income	144,234	143,769
Loan reserve increase-related party	(1,314,918)	(1,542,957)
Transfers of net assets from Rooted in Faith-Forward in Hope, close out of capital campaign	-	201,241
INCREASE IN NET ASSETS	\$21,749,280	\$20,777,490
Increase (Decrease) in net assets related to:		
Current Operations	11,959,767	13,477,930
Endowments, ADEF & Functioning as Endowment	10,629,042	6,795,343
Property, Plant & Equipment	(839,529)	504,217
TOTAL INCREASE	\$21,749,280	\$20,777,490

STATEMENT OF ACTIVITIES CONT.

OPERATING INCOME AND EXPENSE



OPERATING INCOME

Bishop's Lenten Appeal (BLA) accounted for more than \$16 million in income in 2014 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 6% increase over the prior year.

Parish Assessment accounted for over \$7 million in operating income in 2014. 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 30th) is computed and paid monthly in the subsequent year. Total assessment funds increased 4% over the prior year, with most parishes reporting an increase in offertory, a few reporting a decrease. This income supports offices that serve parish, school, and diocesan administration (e.g. Office of the Bishop).

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.

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 to and received by the Tribunal are also included in program revenue.

Donations, Bequests, and Misc. Contributions totaled over \$20 million. Current year donations and collection of prior year pledges continue to be a source of funds for both donor-supported programs and long-term strategic funding needs securing the future growth and well-being of our diocesan church. Because the Leadership Initiative 2015 campaign is aimed at specific, long-term needs of the diocese its results are shown separately from "operating" income (page 4) and reported on page 9.

OPERATING EXPENSES

Pastoral offices include those involved with evangelization, 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.

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

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

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

Offices in support of the parishes and diocese include:

- **Office of the Bishop**, supporting Bishop Loverde in his pastoral care and administration of the diocese
- **Employee Benefits** and Human Resources, serving nearly 3,500 employees of our parishes, schools, and diocesan offices
- **Planning, Construction, and Facilities Management**, providing technical and fiduciary oversight in addition to project management for the physical development and maintenance of parish and diocesan properties
- **Communications Office**, serving the diocese and parishes through media relations, and digital, social, and traditional media
- **General Counsel**, providing legal services to parishes and the diocese
- **Information Technology**, providing IT support for diocesan ministries and offices
- **Offices of Finance and Accounting**, serving 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**, providing oversight with regard to the diocesan property and casualty self-insurance program and assisting the parishes and schools with related risk-mitigating initiatives
- **Development Office**, assisting in parish and stewardship and development programs

BALANCE SHEETS

CURRENT OPERATIONS



The diocese maintains assets for current operations to support ongoing programs, ministries, and future capital needs. Pledges and accounts receivable include major gifts 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 Initiative 2015 contributions and positive investment returns. Investments also include longer-term funds of DIAL Corp held in the investment pool.

PROPERTY AND EQUIPMENT

	June 30, 2014	June 30, 2013
Real property and improvements	\$117,604,160	\$117,212,600
Land held for future parish and diocesan sites	10,935,532	11,003,416
Land restricted for high school	14,500,000	14,500,000
Furniture and equipment	7,642,832	7,093,319
Construction in progress and assets not yet placed in service	1,583,282	-
Less: accumulated depreciation	(29,472,369)	(26,921,304)
Bond defeasance escrow	-	22,849,681
Loan Receivable	3,798,634	4,028,557
Unamortized bond costs	171,174	525,716
Interest rate swap	338,502	553,399
TOTAL ASSETS	\$127,101,747	\$150,845,384
Accounts payable	\$180,505	\$97,919
Notes payable	103,130	164,087
Bonds payable	20,479,836	21,335,573
Deceased bonds payable	-	22,070,000
TOTAL LIABILITIES	20,763,471	43,667,579
Unrestricted net assets, Invested in property, plant and equipment	91,838,276	92,677,805
Temporarily restricted net assets	14,500,000	14,500,000
TOTAL NET ASSETS	106,338,276	107,177,805
TOTAL LIABILITIES AND NET ASSETS	\$127,101,747	\$150,845,384

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, and 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 Initiative 2015, 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.

CURRENT OPERATIONS

June 30, 2014 June 30, 2013

Cash and cash equivalents	\$9,828,762	\$13,602,550
Pledges and accounts receivable, net of allowance	15,917,590	6,417,269
Investments (Includes funds held for DIAL Corp)	133,408,406	108,991,882
Loan receivable	4,034,286	4,334,286
Prepaid expenses and other assets	852,589	631,029
TOTAL ASSETS	\$164,041,633	\$133,977,016
Accounts payable and accrued expenses	\$5,305,671	\$5,192,756
Deposits held for others and other liabilities	2,586,411	1,645,438
Funds held for DIAL Corp in investment pool	75,123,510	58,924,207
Accrued priests' pension liability and post retirement health obligation	15,384,996	14,533,337
TOTAL LIABILITIES	98,400,588	80,295,738
Unrestricted net assets	46,191,284	40,540,712
Temporarily restricted net assets	19,449,762	13,140,566
TOTAL NET ASSETS	65,641,045	53,681,278
TOTAL LIABILITIES AND NET ASSETS	\$164,041,633	\$133,977,016

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.



PERMANENT ENDOWMENTS, ADEF, AND FUNCTIONING AS ENDOWMENT

June 30, 2014 June 30, 2013

Investments	\$67,522,873	\$55,075,952
Pledges receivable	573,781	4,500
Accrued interest receivable	19,397	19,503
TOTAL ASSETS	\$68,116,051	\$55,099,955
ADEF funds held for schools	\$2,651,903	\$2,484,996
Endowments held for others (Catholic Charities & Foundation)	13,432,381	11,212,234
TOTAL LIABILITIES	16,084,284	13,697,230
Unrestricted net assets, Including functioning as endowment	11,822,732	9,681,661
Temporarily restricted net assets	16,418,271	10,230,582
Permanently restricted net assets	23,790,763	21,490,482
TOTAL NET ASSETS	52,031,767	41,402,725
TOTAL LIABILITIES AND NET ASSETS	\$68,116,051	\$55,099,955

“In all times, all around the world, the Church has existed to evangelize, to proclaim Jesus Christ. You may not know it, but as a baptized Catholic you already are an evangelist.”

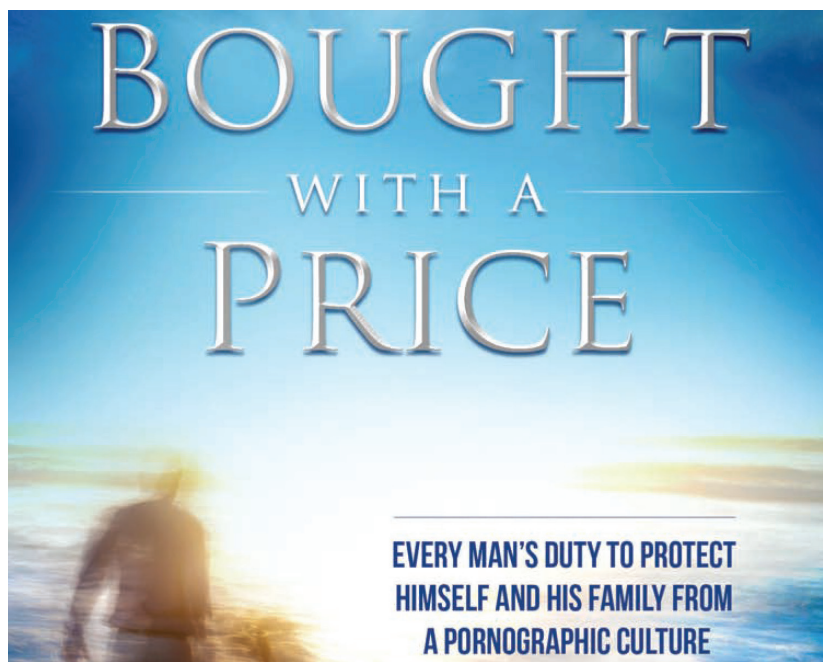
—Most Reverend Paul S. Loverde, Bishop of Arlington

EVANGELIZATION AND OUTREACH

Throughout the past year, Bishop Loverde has continued to invite Catholics to a life more rooted in Christ and His Church. The theme of “hearts on fire” and our need to “go forth” and share the Good News—the topic of his letter, *Go Forth with Hearts on Fire*—has been the focus of numerous ministries, events, and small groups. Author Matthew Kelly wrote of the letter, “It is profound and practical. I hope the whole diocese gathers around Bishop Loverde to bring this bold vision to life.” A significant effort during the past fiscal year was focused on planning the first-ever evangelization conference, dedicated to personal spiritual renewal and developing Christian community. Risk Jesus, which took place on September 27 and attracted more than **1,300 attendees**.

PARISH-BASED EVANGELIZATION EFFORTS

Go Forth with Hearts on Fire, and its complementary study guide, served as the focus of the annual diocesan men’s and women’s conferences, the Youth Ministry “Go Forth and Make Disciples” theme, a new diocesan online speakers’ bureau, and a variety of diocesan and parish-based workshops and discussion groups. The speakers’ bureau has helped parishes bring faith-filled, quality and dynamic content to their evangelization efforts. Find more information at www.arlingtondiocese.org/speakers_bureau.



BOUGHT WITH A PRICE

In March of 2014, Bishop Loverde re-issued his 2006 pastoral letter on pornography with a new study guide, foreword by author Matt Fradd, and practical suggestions. Since then, over **60,000 copies of the booklet have been sold or distributed**. “To an issue shrouded in darkness,” wrote Matthew Kelly, “Bishop Loverde brings hope and light. In today’s pornographic culture, *Bought with a Price* is mandatory reading for every man and parent. To ignore its call to protect the home and the heart is to leave our children vulnerable to a real and present evil.” Find more online at www.arlingtondiocese.org/purity.

BISHOP LOVERDE ON THE AIR

Throughout the past year, Bishop Loverde has continued to reach over **2.5 million area listeners** via his WTOG radio spots. These inspiring and welcoming messages—30 seconds or 1 minute in length—touch hearts and remind Catholics and non-Catholics alike that the Lord is waiting for us to take the next step in faith. The spots cover a wide range of topics, such as family life, gratitude, Christ’s call, charity, and more. Find all of his messages online at www.arlingtondiocese.org/multimedia.



THE LIGHT IS ON... AND STILL ON

During The Light Is On campaign, each parish in the Diocese of Arlington and the Archdiocese of Washington offers the Sacrament of Penance on Wednesday evenings during Lent.

Already in its fourth year and now becoming a nation-wide program, The Light Is On continues to help welcome men and women back into the Church. More than **25 parishes in our diocese** have decided to “keep the light on” through **Wednesday evening confessions year-round**. For more info, check out www.thelightison.org.



GO FORTH WITH HEARTS ON FIRE

On Christ the King Sunday on November 24, 2013, Bishop Loverde released his pastoral letter on the New Evangelization, *Go Forth with Hearts on Fire*. Since that date, nearly **200,000 of the English** edition and **30,000 of the Spanish** edition have been sold or distributed, and the letter is available online for Kindle at Amazon.com. “My hope is that reading the letter, praying over it and discussing it,” Bishop Loverde said recently, “will first of all set people on fire in a way that they will be moved to invite others to come to the Lord.”

YOUR ARLINGTON CATHOLIC HERALD:

SUPPORTING THE CHURCH’S MISSION TO EVANGELIZE

The *Arlington Catholic Herald* received over **15 national awards** from the Catholic Press Association and hit a new high of **70,000 subscriptions**. In an effort to strengthen its mission to “support the Church’s mission to evangelize,” the Herald released an **Advent evangelization issue to 130,000 registered households** in the diocese as a tangible effort to invite more Catholics to experience the riches of the Advent liturgical season. The Herald launched an online edition and continued to broaden its digital efforts with Facebook, Twitter, Pinterest, and videos.

ANNUAL OPERATIONAL FUNDING BISHOP'S LENTEN APPEAL (BLA)

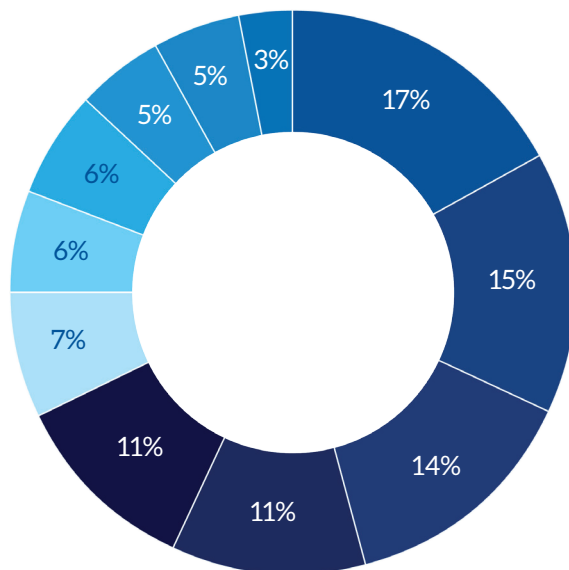
The BLA was started in 1977 as a way to make known the annual diocesan funding priorities to parishioners and to ask for their help in partnering with the Bishop to support and strengthen these ministries and programs. Traditionally, around 50% of diocesan operating income is realized from this annual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

MINISTRIES AND PROGRAMS FUNDED BY THE BLA INCLUDE:

- Vocation awareness and discernment groups; room, board, tuition, and health care expenses for seminarians
- Support for the permanent diaconate program and for active and retired priests
- Office of Youth Ministry, the Office of Catholic Schools, and Religious Education programs
- Evangelization efforts and pastoral ministries including Adult Faith Formation, College Campus Ministries, Hospital Ministries, Peace and Justice Commission, and our Dominican Republic mission parishes
- Office for Family Life initiatives, including Marriage Preparation, Young Adult Ministries, Project Rachel, Gabriel Project, The Tribunal, and the Respect Life Office
- 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
- Diocesan/Parish properties and land development
- Catholic Charities, Victim Assistance, Migration and Refugee Services, and other charitable works

2014 BLA PROJECTED FUNDS ALLOCATION

- 17% Seminarian Education and support, Vocation Awareness programs, Permanent Diaconate program, and support of active and retired priests
- 15% Catholic Charities, Refugee Services, Victim Assistance programs, parish subsidies, and other charitable works to assist individuals and families in need
- 14% Youth Ministry, Catholic Schools, and Religious Education programs
- 11% Family Life, Marriage Preparation and Young Adult Programs, Project Rachel, Gabriel Project, Respect Life, and the Tribunal Office
- 11% Evangelization efforts including: College Campus Ministries, INOVA Hospital Ministry, Peace and Justice Commission, Charismatic renewal, and support of our Dominican Republic mission parishes



- 7% Support to the Virginia Catholic Conference and chancery offices assisting the Bishop as he leads our diocese
- 6% Programs and Offices assisting 69 parishes, 5 missions, and more than 3,000 parish, school, and diocesan employees
- 6% Parish and diocesan fundraising and communication programs
- 5% Spanish Apostolate and Multicultural Ministries
- 5% Funds for diocesan and parish properties and land acquisition
- 3% San Damiano Spiritual Life Center

2014 BLA SURPASSED \$17 MILLION!



The importance of the Bishop's Lenten Appeal

- The BLA **impacts** every parish and all Catholics in our diocese!
- Each year, as many parishioners as possible are needed to help carry out the **teachings of Christ**.
- By joining together in support of the BLA, we partner in support of the programs, ministries, and agencies that serve the physical, educational, and spiritual **needs** of our brother and sisters.
- The success of the BLA depends on each of us giving in proportion to the measure by which we are **blessed**, each according to his own means.
- We ask parishioners throughout the diocese to **pray** for the Bishop's Lenten Appeal!
- Continued support of the BLA in 2015 will help us to serve, maintain, and increase support for the **mission** of the Church in the Diocese of Arlington.

‘To make this Diocese of Arlington a shining pillar of light and hope and of life ... that’s what it’s all about. We’re partners; we’re united in the Heart of Christ.’
 -Most Reverend Paul S. Loverde, Bishop of Arlington

STRATEGIC LONGTERM FUNDING

PARTNERS UNITED IN THE HEART OF CHRIST

LEADERSHIP INITIATIVE 2015

In 2015, Bishop Loverde will have served as our Bishop for over 16 years. The desire to “prepare the way” for a new bishop upon his retirement has prompted him to discern and initiate a strategic fundraising effort called *Partners United in the Heart of Christ ~ Leadership Initiative 2015*.

Launched in 2012, the Initiative seeks to raise \$55.5 million in the short-term to propel future growth of our diocese. To date, \$36.2 million in pledges have been received thanks to the visionary generosity of lay leader parishioner families and the majority of diocesan priests making personal pledges.

OVERVIEW OF DIOCESAN NEEDS

Visit www.arlingtondiocese.org and under the Giving tab locate Leadership Initiative to view the video for a greater understanding of the Initiative.



SPREADING THE GOOD NEWS OF THE NEW EVANGELIZATION

\$2.5 million needed to assist parishes in fortifying New Evangelization outreach efforts and to conduct diocesan-wide multimedia initiatives.

- To date, more than \$1.4 million has been pledged to help in areas beyond what the BLA has been able to support.

PROMOTING A CULTURE OF LIFE

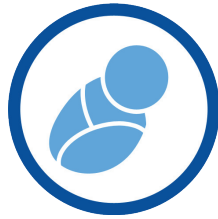
\$1.5 million needed to help expand Respect Life programs and further develop advocacy and media efforts promoting a culture of life and supporting women in need.

- Funding is helping in areas beyond what the BLA supports with funds for media efforts, program support, and staffing.
- To date, \$500,000 has been pledged to this area.

IMPROVING THE FACILITIES OF SAN DAMIANO SPIRITUAL LIFE CENTER

\$1.5 million needed to further renovate and enhance our diocesan spiritual life center.

- This facility annually runs an operational deficit and receives funds from the BLA to offset this.
- Funding will help in areas for capital needs.
- To date, \$750,000 has been pledged to this area.



PROVIDING FINANCIAL ASSISTANCE TO HELP CHILDREN ATTEND DIOCESAN CATHOLIC SCHOOLS

\$24 million needed to help grow the diocesan Catholic Tuition Assistance Endowment to \$43 million.

- This Endowment has grown to ~\$27.5 million with new gifts of \$10.5 million and investment returns.
- This fund should provide ~\$1 million in tuition assistance funding for the next school year.
- Since 2010-2011, financial assistance funds have increased from \$2.3 million to \$3.5 million in 2014-2015, providing 1,392 students with aid.



ADDRESSING THE FACILITY NEEDS OF THE OLDER DIOCESAN HIGH SCHOOLS

\$15 million needed to distribute among the three older high schools (Bishop Ireton, Bishop O’Connell, and Pope Paul VI) for facility improvements.

- To date, \$7.4 million has been pledged to support capital needs of these schools and \$4 million has been divided and distributed as a matching challenge grant to assist them in fundraising efforts.

STRENGTHENING CATHOLIC CHARITIES PROGRAMS AND OUTREACH

\$6 million needed to fortify Program Endowment and \$2 million to expand critical food assistance, housing, and family counseling programs.

- Catholic Charities Endowment has grown to \$12 million through new gifts and investment returns.
- This fund should provide \$480,000 in funding for Catholic Charities programs in the coming year.
- A total of \$2.3 million towards short-term strategic needs has been realized with major support provided to the new St. Lucy Project food distribution program and center.



FULFILLING THE RETIRED PRIESTS PENSION FUND

\$3 million needed to address the current shortfall in the Diocesan Priest Pension Fund Accrued Benefit Obligation (ABO).

- To date, more than \$1.9 million has been pledged to this area.
- Short-term: Since some priests do not retire for 20-30 years, one way to measure funding is to compare current assets to the value of the benefits earned to date. The Accrued Benefit Obligation or shortfall was \$3 million when this effort started and is now \$1.5 million.

Join Bishop Loverde as His Partners, United in the Heart of Christ, in Building Up the Kingdom of God in Our Diocese...

“As my patron, Saint Paul, said to his own audience, many, many centuries ago, ‘I see you, each of you as a partner with me in proclaiming the Gospel.’ I do not do what I do alone. I can only do it united with all of you. You see, in a way, it’s all about leaving a legacy. Together it is our legacy that will last when you and I, and even our children are gone and others will come to take their place.”

-Most Reverend Paul S. Loverde, Bishop of Arlington

Bishop Loverde invites those that have the ability to collaborate with him to achieve the special goals set out through this effort, to consider a pledge. Through sacrificial giving and visionary leadership, you can be an active participant in the legacy of our diocese. Pledges over and beyond the BLA are being made to support these special needs.

For information on how to partner with Bishop Loverde in this strategic initiative, please contact Anne Mathis, Director, Leadership Initiative, at (703) 841-2516 or a.mathis@arlingtondiocese.org.

PARISH FINANCIAL INFORMATION

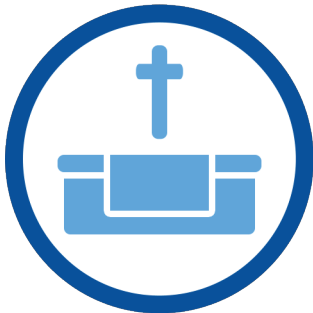
PARISHES

Total parish revenue from all sources, including parish schools, was in excess of \$223 million. Over 93% of our parishes and missions ended the year with an operating surplus.

COMBINED STATEMENT OF PARISH FINANCIAL ACTIVITIES (UNAUDITED)

For Fiscal Year Ended June 30	Church	School	Total Parish	
	2014	2014	2014	2013
Regular Offertory/Tuition Related Income	93,160,546	65,117,536	158,278,082	156,249,287
Other Income/Donations	29,570,540	24,009,674	53,580,214	51,180,191
TOTAL OPERATING INCOME	122,731,086	89,127,210	211,858,296	207,429,478
Personnel Expense	44,699,705	66,874,538	111,574,243	107,710,890
Other Operating Expense	63,052,720	20,567,802	83,620,522	81,270,803
TOTAL OPERATING EXPENSES	107,752,425	87,442,340	195,194,765	188,981,693
OPERATING SURPLUS	14,978,661	1,684,870	16,663,531	18,447,785
Capital Campaign/Extraordinary Income	11,555,209	180,918	11,736,127	9,314,856
Capital Improvement/Major Renovation	15,925,660	1,672,738	17,598,398	15,403,192
NET OTHER (EXPENSE)	(4,370,451)	(1,491,820)	(5,862,271)	(6,088,336)
NET SURPLUS (DEFICIT)	\$10,608,210	\$193,050	\$10,801,260	\$12,359,449

CHURCHES



Offertory support increased by \$282,000, or 0.3%. Other Income/Donations increased by \$1.7 million or 6.3%, yielding a 1.7% overall increase in total Church operating income. Total operating expenses increased by \$3.7 million or 3.7%.

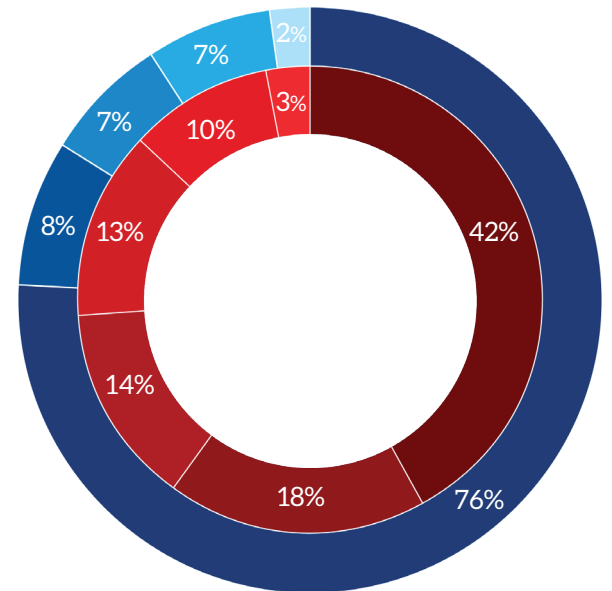
INCOME AND EXPENSES

Church Operating Revenue

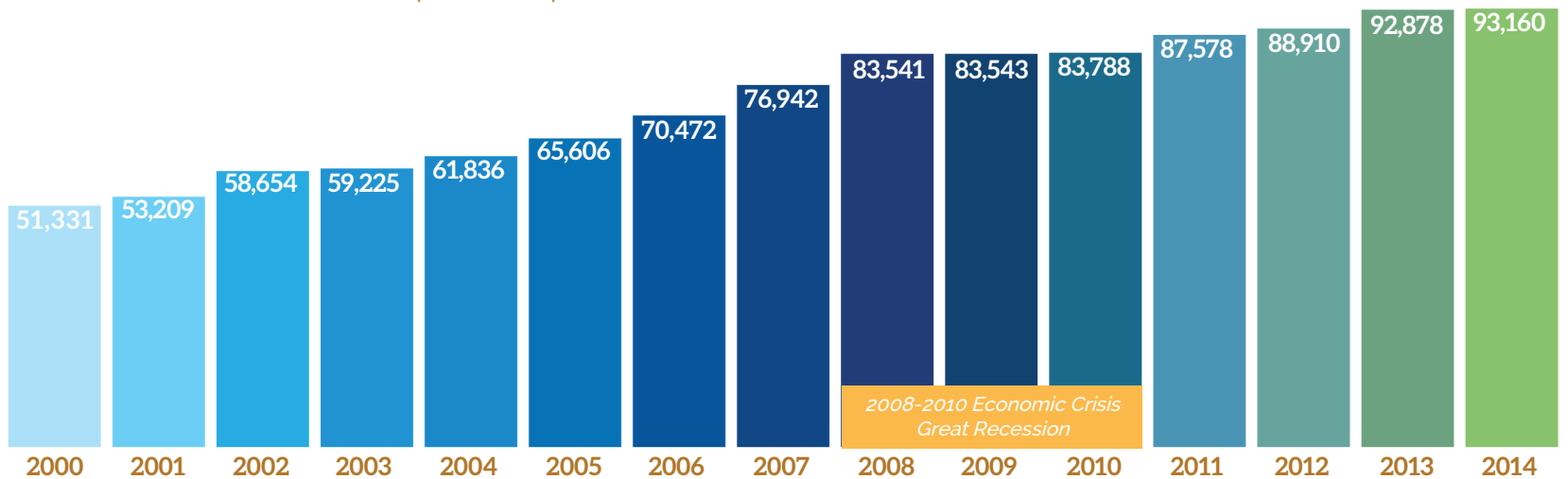
Regular Offertory Income	76%
Gifts & Donations	8%
Program & Ministry Income	7%
Other Operating Income	7%
Fundraising/Development	2%
TOTAL	\$122,731,086

Church Operating Expenses

Personnel Expense	42%
Programs & Ministry Expense	18%
General Operating Expense	14%
Facilities Expense	13%
Diocesan Assessments	10%
Fundraising/Development	3%
TOTAL	\$107,752,425



REGULAR OFFERTORY INCOME (in thousands)



PARISH FINANCIAL INFORMATION CONT. SCHOOLS



Parish schools' operating revenue for 2014 totaled \$89.1 million; tuition and fees accounted for 68% of the total, with the balance made up of tuition assistance, parish investment (subsidy), student services, and local development and

fundraising efforts. Total tuition assistance for 2014 was \$5.6 million. The Diocese Tuition Grant Program funded \$2.9 million and the additional \$2.7 million was funded through the parish, school, or other sources. The parish investment (subsidy), included in income, amounted to 9% of total school income or \$7.6 million. Total operating expenses increased by \$2.4 million or 2.8%.

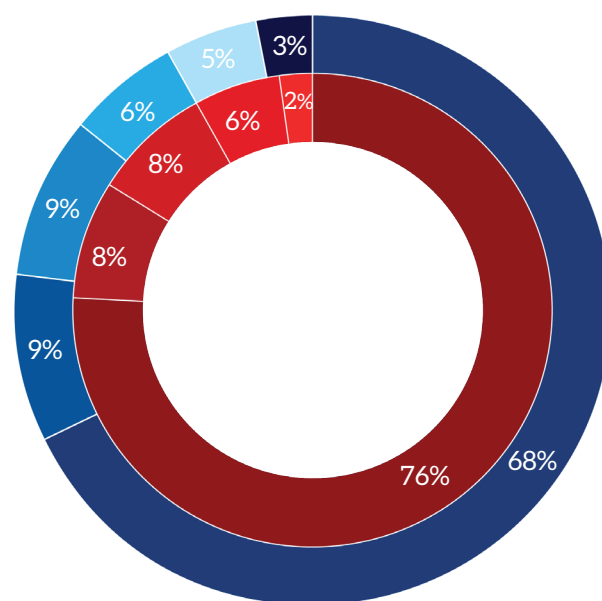
INCOME AND EXPENSES

School Operating Revenue

Tuition & Fees	68%
Student Services	9%
Parish Investment	9%
Fundraising/Development	6%
Tuition Assistance	5%
Other Income	3%
TOTAL	\$89,127,210

School Operating Expenses

Personnel Expense	76%
Instructional/Student Services	8%
Facilities Expense	8%
General Operating	6%
Fundraising/Development	2%
TOTAL	\$87,442,340



ARLINGTON DIOCESAN INVESTMENT AND LOAN CORPORATION (DIAL CORP)

DIAL Corp was established for the benefit of participants and functions to provide savings and loans 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 related entities such as 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.

As of June 30, 2014, participant deposits earned interest at 2.5% per annum, and participant loans accrued interest at 5.25% 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; approximately \$75 million of investments as of June 30, 2014, are held in the pool. Net assets have increased nearly \$13 million in FY14 due to strong investment performance of the pooled investments. Remaining investments are held in money market, fixed instruments, and U.S. government and sponsored enterprises securities to cover short-term needs of depositors. 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, 2014, \$9 million in loans have been approved which will fund renovation projects in the coming year.

STATEMENTS OF FINANCIAL POSITION

June 30, 2014 June 30, 2013

Cash and cash equivalents	\$4,545,377	\$4,526,897
Investments	105,107,211	75,416,808
DIAL loans receivables	44,072,709	45,657,837
Other receivables	180,550	117,160

TOTAL ASSETS	\$153,905,847	\$125,718,702
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DIAL deposits payable	\$134,589,440	\$119,283,032
Accounts payable	-	12,650

TOTAL LIABILITIES	134,589,440	119,295,682
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Unrestricted net assets	19,316,407	6,423,020
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TOTAL LIABILITIES AND NET ASSETS	\$153,905,847	\$125,718,702
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STATEMENTS OF ACTIVITIES

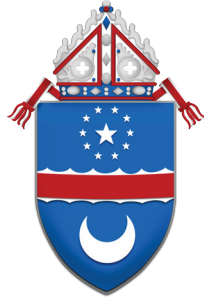
Year Ended June 30, 2014 Year Ended June 30, 2013

Interest Income		
Interest income - participant loans	\$2,384,719	\$2,617,830
Other investment income	1,225,247	1,034,407
Interest expense - participant deposits	(3,066,029)	(2,759,677)

NET INTEREST INCOME	543,937	892,560
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Realized and unrealized gains on investments	12,461,355	6,100,945
General and administrative expenses	(111,905)	(62,704)

INCREASE IN NET ASSETS	\$12,893,387	\$6,930,801
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