

THE CATHOLIC DIOCESE OF ARLINGTON
ANNUAL REPORT
2015



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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 Jesus,

In his Apostolic Exhortation, *Evangelii Gaudium*, Pope Francis wrote that joy is an essential part of the Christian life. In that exhortation, the Holy Father invited us all to commit to deepening our relationship with the Lord Jesus so to better know and experience His joy and to share that joy with others who long to receive it. "I invite all Christians, everywhere, at this very moment, to a renewed personal encounter with Jesus Christ, or at least an openness to letting him encounter them; I ask all of you to do this unfailingly each day," (cf. Pope Francis, *Evangelii Gaudium*, no. 3). We can only fulfill our mission to evangelize if it is preceded by a personal knowledge and experience of the Lord's love for us.

I am blessed to be the shepherd of the Diocese of Arlington, where more than 450,000 Catholics encounter the joy of the Lord Jesus and in turn share that joy with others. The personal, intimate knowledge of the Lord Jesus' joy and mercy comes to us first and foremost through the sacramental life, so richly lived in our 69 parishes and five missions. The Lord's joy is known in community, and I am encouraged to see men and women deepen their spiritual lives in community by participating in diocesan conferences, retreats, prayer groups, and at programs for our youth and young adults like Theology on Tap and RALLY. I am always uplifted to see such joy in our schools, in which more than 17,000 students receive a Catholic education.

I am equally grateful to witness the joyful, generous outpouring of service to our most vulnerable brothers and sisters. Through Catholic Charities, parish initiatives, and programs like WorkCamp, our diocesan family joins together to meet the spiritual and physical needs of so many on the margins. Our support for mothers, fathers, and children through Project Rachel, Gabriel Project, and the Office of Family Life, affirms the dignity of all life, especially the unborn.

Throughout the past fiscal year, which ended June 30, 2015, you have generously supported our diocesan offices, ministries, and programs that facilitate and foster personal encounters with the Lord Jesus. I am deeply grateful for your charity and willingness to share the joy of the Gospel in the Diocese of Arlington. In the pages of this report, you will see that joy in the many faces of our diocesan family. Please know that I pray in thanksgiving for you, and I ask the Lord to bless you abundantly with His joy!

Faithfully in the Heart of Christ,

A handwritten signature in black ink that reads "Paul S. Loverde". The signature is written in a cursive, flowing style.

Most Reverend Paul S. Loverde
Bishop of Arlington

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



Dear Faithful Members of the Catholic Diocese of Arlington,

Jesus tells us, "Where your treasure is, there also will your heart be" (cf. Lk 12:34). It is with this in mind that I present to you, on behalf of Bishop Paul S. Loverde and the Diocesan Finance Council, the Annual Financial Report for the fiscal year ended June 30, 2015.

Each year, the Diocesan Finance Council assists the Office of Finance in preparing and recommending an annual budget to Bishop Loverde after a comprehensive and rigorous process undertaken by each of the diocesan program and office directors. Those directors, exercising great care and stewardship, implement a zero-based budgeting approach in requesting resources to accomplish the Church's mission of bringing people closer to Christ and the sacraments. This financial report reveals where Bishop Loverde's heart is. You will notice that resources—your treasure—continue to be committed in an increasing way toward pastoral, educational, vocational, social service and parish support programs. This commitment toward evangelization and outreach is one that is truly rooted in Bishop Loverde's heart.

The financial strength detailed in this report is evidence that you, the faithful benefactors of the Diocese, have likewise committed your hearts to this mission. Your generosity is manifest in several areas of growth. First, the annual Bishop's Lenten Appeal continues to reflect increase in support from our dedicated and loyal donors, as well as new parishioners. Second, contributions toward specific long-term needs of the Diocese have increased through Bishop Loverde's *Partners United in the Heart of Christ ~ Leadership Initiative 2015*. Third, parish offertories demonstrate modest and steady growth (see page 10). Finally, the Diocese was blessed to receive several bequests this year that will provide additional funding for years to come (see Permanent Endowments on page 7). It is through this generous support that the mission of the Church is accomplished, and that an ever-increasing portion of infinite needs are addressed with finite resources.

Please accept my profound gratitude, on behalf of Bishop Loverde, for dedicating your treasure and thus, your heart, to the work of saving souls and building the Kingdom of God here in the Diocese of Arlington. Please know that in our role as stewards of your treasure, we are steadfast in our commitment to safeguard the assets you have entrusted to the Church. With open and transparent accountability, I once again invite you to view our complete audited financial statements by visiting the Diocese of Arlington's website at www.arlingtondiocese.org/finance.

Sincerely in Christ,

A handwritten signature in black ink that reads "Timothy R. Cotnoir". The signature is written in a cursive, flowing style.

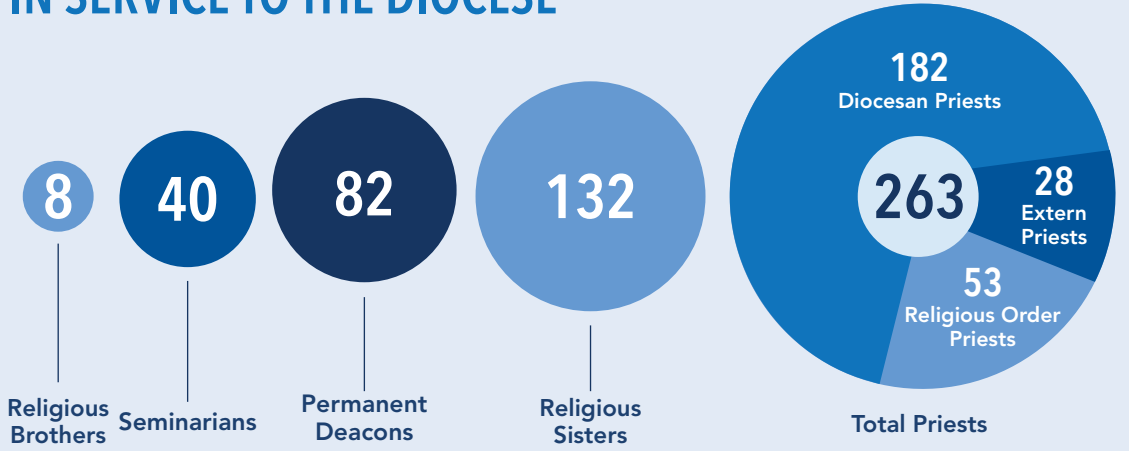
Timothy R. Cotnoir, CPA
Diocesan Finance Officer

PARISH LIFE



457,874 parishioners
69 parishes
5 missions

CLERGY, RELIGIOUS & SEMINARIANS
IN SERVICE TO THE DIOCESE



SACRAMENTAL LIFE



8,421
Baptisms



7,800
First Communions



6,119
Confirmations

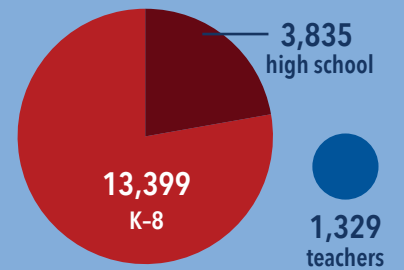


1,365
Marriages

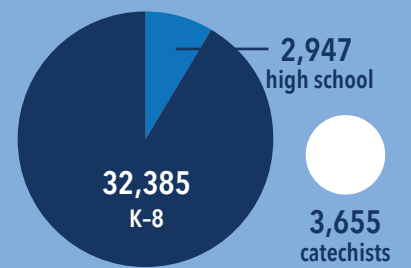


1,504
RCIA Candidates

CATHOLIC SCHOOL
ENROLLMENT



PARISH RELIGIOUS
EDUCATION ENROLLMENT

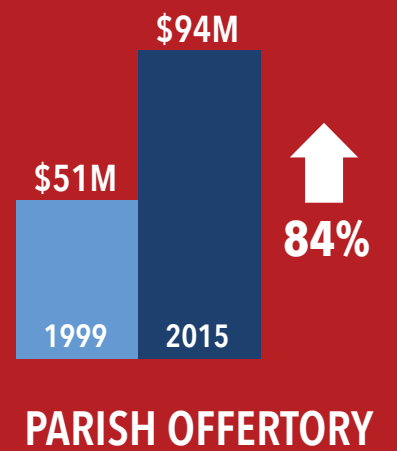
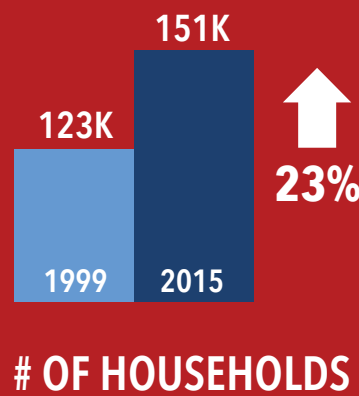
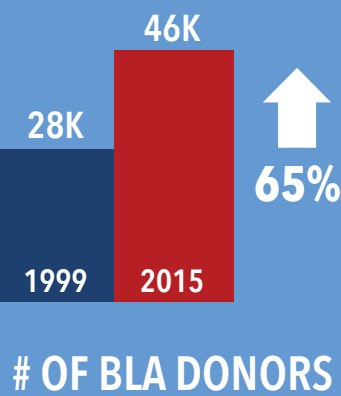
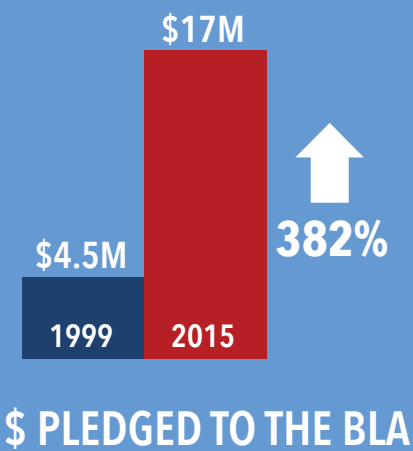


CATHOLIC CHARITIES

Volunteers	Meals to the Homeless	Individuals helped through Adoption & Pregnancy Support	Individuals helped through Migration & Refugee Services
1,500+	25,550	1,509	1,433

GROWTH OF THE DIOCESE UNDER BISHOP

LOVERDE'S LEADERSHIP



EVANGELIZATION AND OUTREACH

“Brothers and sisters in Christ Jesus,” writes Bishop Loverde in his pastoral letter *Go Forth with Hearts on Fire*, “are you ready to accept your commission to evangelize in the 21st century?” As a diocesan family of faith, we must be concerned not only with delving more deeply into our own relationship with Christ and His Church, but also with spreading the Good News to others. Bishop Loverde’s commitment to propelling the New Evangelization continues to bear fruit as more and more Catholics—with the aid of evangelization and outreach tools provided in part by ministries of the Diocese of Arlington—grow in their faith and confidently accept their commission by sharing Christ with friends, family, neighbors and colleagues.

RISK JESUS: EVANGELIZATION

In September 2014, more than **1,300 people** gathered for Risk Jesus ‘14, a first-ever diocesan evangelization event in Woodbridge. “Our time together today will be an opportunity for you to hear the gentle and merciful voice of Jesus through the testimonies of people whose lives were and continue to be transformed by that encounter with Him,” Arlington Bishop Paul S. Loverde said at the outset of the day. “The Lord Jesus beckons us to take the next step in faith toward Him, so let us ‘risk Jesus’ today” (cf. Pope Francis, *Evangelii Gaudium*, no. 3).

The event included testimonies from Catholic bloggers Jennifer Fulwiler and Father Dwight Longenecker (pictured to the right) as well as Father Juan Puigbo, parochial vicar at All Saints Church in Manassas. Bishop Loverde took part in an afternoon panel discussion and led the concluding Holy Hour. Catholic recording artist Marie Miller from Front Royal performed throughout the day. Participants shared that it was a day of great spiritual renewal and fellowship.



Diocesan Evangelization Conference



Keeping Christ at the Center

BUSY COUPLES' RETREAT: FAMILY LIFE

The 7-day online retreat for married couples, led by Bishop Loverde, was developed in honor of National Marriage Week (February 7–14, 2015) for couples who desire to grow in holiness but who do not have the time and freedom to commit to hours of prayer and reflection. The online retreat, attended by more than **1,200 couples**, included a series of five to ten minute Ignatian-style reflections along with a daily challenge. The final reflection culminated with Mass and a live reflection at the Cathedral of St. Thomas More on St. Valentine’s day.

WORKCAMP: YOUTH MINISTRY

The 2015 Diocesan WorkCamp was held June 20–26, 2015. More than **800 teens** traveled with **500 adult leaders, contractors, and volunteers** from **41 parishes** to Shenandoah County where they traded in their cell phones, tablets and electronic devices for hammers, screwdrivers and paintbrushes. The teens served residents with the goal of making 160 homes warmer, safer and drier. Projects included new wheelchair ramps, stairs and flooring repair, replacing old roofs, doors and windows.

While WorkCamp provides a great opportunity for young people to serve those who are less fortunate, the larger goal is for the young people to discover Jesus Christ in their lives and follow his call to conversion. Each day of camp begins with daily Mass so that the focus can be receiving the love and generosity of Jesus before going out and reflecting that love to those whom they serve. Each evening the young people participate in retreat-type programs led by guest speakers, including one of their favorites: Bishop Loverde.



Trading in Cell Phones for Service



Meeting Young Adults Where They Are

THEOLOGY ON TAP: YOUNG ADULT MINISTRY

Theology on Tap (TOT) is a speaker series that takes place on the second Monday of each month at O’Sullivan’s Irish Pub in Arlington. TOT focuses on topics of faith and contemporary issues that directly affect the lives of young adults, married and single, ages 21–39. In 2015, Theology on Tap attracted over **1,000 young adults** and included a wide range of speakers and contemporary musicians.

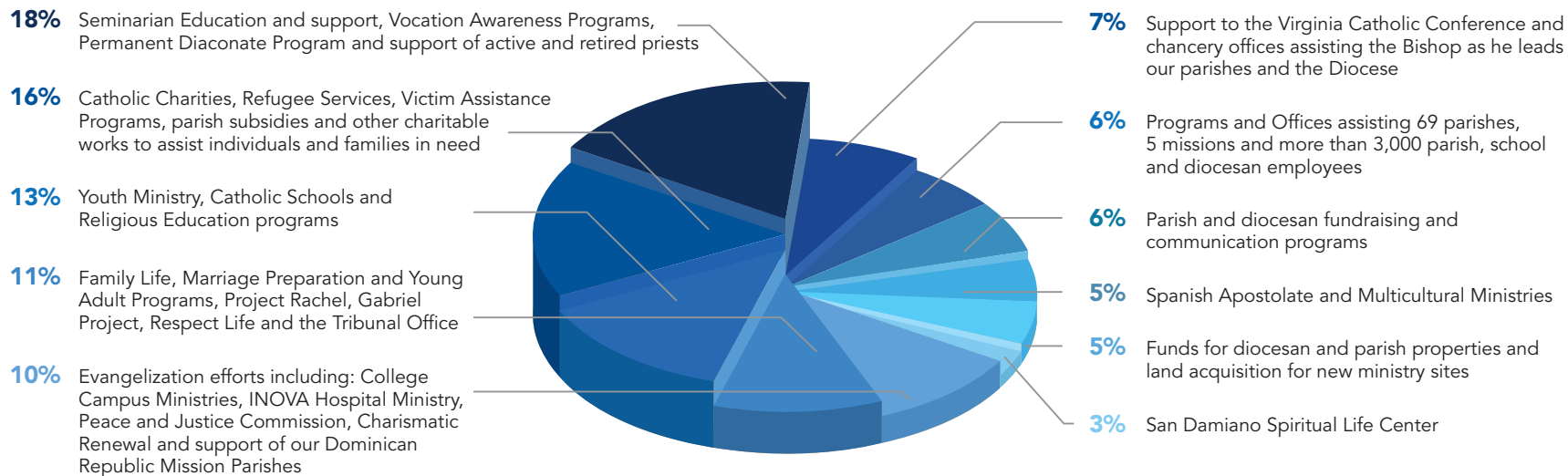
While attending TOT is a great way for young adults to learn more about their Catholic faith, it also presents an opportunity to invite friends and coworkers to begin their own faith journey. TOT provides young adults with the opportunity to be disciples of Christ, engaging and evangelizing their community through fellowship and faith formation.

ANNUAL OPERATIONAL FUNDING: BISHOP'S LENTEN APPEAL (BLA)

STEWARDS OF CHRIST SHARING GOSPEL JOY!

The BLA was created in 1977 as a way to communicate the annual diocesan funding priorities to parishioners and to ask them to partner with the Bishop to support and strengthen vital ministries and programs in our Diocese. As disciples of Christ, our strength comes from each of us acknowledging God's gifts and sharing a portion of our gifts to further the mission of Jesus Christ in our Diocese. Traditionally, about 50% of diocesan operating income is realized from this annual appeal.

2015 BISHOP'S LENTEN APPEAL PROJECTED FUNDS ALLOCATION



THE IMPORTANCE OF THE BISHOP'S LENTEN APPEAL

The BLA **impacts** all parishes and every Catholic in our Diocese!

- Each year, as many parishioners as possible are needed to help carry out the **teachings of Christ**.
- By joining together to participate in the BLA, we partner in support of the programs, ministries, and offices that serve the **physical, educational and spiritual needs** of our brothers 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 2016 will help us to further the **mission of Jesus Christ in the Diocese of Arlington**.

How easy it is to pass by the poverty and suffering in our neighborhoods when we are busy and distracted! How much time do we spend in front of screens, wrapped up in a virtual community when real people, in the flesh, are in our midst and can be readily seen? These are the moments in which the Holy Father's message should ring in our ears:

'I want a church that is poor and for the poor!'

—Bishop Paul Loverde

THANK YOU FOR YOUR PARTNERSHIP!

NEARLY \$44M RAISED TO DATE, NEW PROGRAMS LAUNCHED & COUNTLESS PEOPLE SERVED

Since the Fall of 2012, more than 500 members of the clergy, parishioner families and parishes have responded generously with pledges and gifts totaling close to \$44 million in support of the *Partners United in the Heart of Christ ~ Leadership Initiative* which seeks to address, through strategic funding resources, long-term capital and endowment funding needs of the Catholic Diocese of Arlington. This Initiative aims to raise **\$55.5 million** in addressing acute funding needs by December, 2016. Seven specific priority funding areas include:

Promoting a Culture of Life

\$1.5M NEED

It is Bishop Loverde's desire to expand Respect Life programs and further develop advocacy and media efforts promoting a culture of life and supporting women facing an unplanned pregnancy who are in need of assistance.

Improving the facilities of San Damiano Spiritual Life Center

\$1.5M NEED

These funds are to further improve and enhance facilities at our diocesan spiritual life center.

Spreading the good news of the New Evangelization

\$2.5M NEED

These funds are to help the Diocese in special efforts to expand and improve our work in New Evangelization outreach programs to guide and assist parishes as well as have greater multimedia initiatives.

Retired Priests Pension Funding

\$3M NEED

The funds in this area are helping to decrease the current shortfall in the diocesan Priest Pension Fund Accrued Benefit Obligation.

Strengthening Catholic Charities

\$8M NEED

The funds received from this effort have helped to establish the St. Lucy Food distribution program. In addition, funds are being added to the Program Endowment and will expand housing and family counseling programs.

Addressing the facility needs of the older diocesan high schools

\$15M NEED

Funds will be distributed among the three older high schools (Bishop Ireton, Bishop O'Connell and Pope Paul VI) for facility improvements.

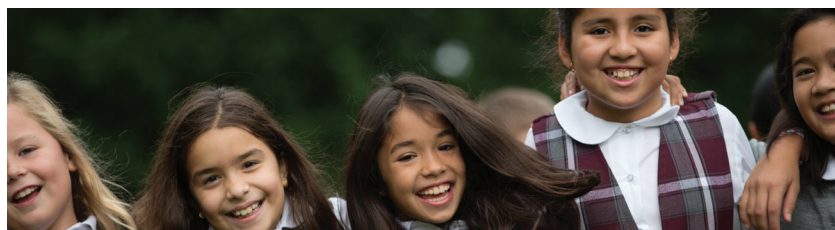
Providing financial assistance to children attending diocesan Catholic schools

\$24M NEED

Funds will grow the Catholic School Tuition Assistance Endowment Fund. Students receiving assistance qualify based on demonstrated financial need.

IMPACT OF GIVING ON 3 INITIATIVES

Three critical funding areas addressed by gifts to the Leadership Initiative include: 1) making Catholic education more accessible; 2) expanding the reach of Catholic Charities; and 3) increasing the funds available for priest pensions. The following is a brief highlight of the advancements we have made to date in three funding areas.



Catholic Education Tuition Assistance Endowment Now at \$30M:

One of the ways our Catholic schools attract and retain our students is through its Tuition Grants Assistance Program. Gifts and investment returns have now helped grow the Endowment Fund principal to \$30M. This fund provided \$730,000 in tuition assistance for the 2015-16 calendar year. Since 2010-11, total financial assistance funds have increased from \$2.3 million to \$4.1 million in 2015, from all sources providing 1,538 students with aid. The spending policy allows for 4% of the average balance of the prior 12 fiscal quarters to be distributed for tuition assistance annually. It is hoped that the Diocese, through continued visionary and leadership gift commitments, can bring the Endowment to \$43M over the next few years so that it may generate over \$1.7M annually and assist over 2,000 students with tuition needs.



Revitalized Program and Newly Established Food Distribution Center in Manassas Has Expanded Our Capacity to Address Hunger:

Gifts to the Catholic Charities' portion of the Leadership Initiative have strengthened the organization's ability to address hunger in our Diocese. Now, when families struggle to meet their basic needs, they look to Catholic Charities' re-energized food distribution program—the St. Lucy Project—to support them in their time of need. The St. Lucy Project, the Saint Lucia of Syracuse Food Pantry Fund and the new food distribution center in Manassas serve as a programmatic instrument of Catholic Charities to engage and rally the faithful, to share the Gospel message and Good News by providing food to the hungry with kindness and love.



Priests' Pension Fund:

The length of formal service for a diocesan priest often spans 40 years or more. Currently, there are 14 retired priests in the Diocese of Arlington and in the next 10 years, 17 more active priests will be of retirement age. \$2,500,000 has been pledged for the Priests' Pension Fund, which is helping decrease the Accrued Benefit Obligation of \$3M as measured for June 30, 2013, when this effort began. This need has enabled us to ensure priests can retire with a pension benefit equal to 60% of their final salary, plus a housing benefit.

For further information, contact: Anne Mathis, Program Director, Leadership Initiative; a.mathis@arlingtondiocese.org; Tel: 703-841-2516

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's 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 and positive investment returns. Investments also include longer-term funds of DIAL Corp held in the investment pool.

CURRENT OPERATIONS

	June 30, 2014	June 30, 2015
Cash and cash equivalents	9,828,762	11,314,349
Pledges and accounts receivable, net of allowance	15,917,590	13,443,207
Investments (includes funds held for DIAL Corp)	133,408,406	143,373,284
Beneficial interest in residuary estate	-	1,900,000
Loan receivable	4,034,286	3,454,286
Prepaid expenses and other assets	852,589	1,139,932
TOTAL ASSETS	\$ 164,041,633	\$ 174,625,058
Accounts payable and accrued expenses	5,305,671	6,057,171
Deposits held for others and other liabilities	2,586,411	3,067,899
Funds held for DIAL Corp in investment pool	75,123,510	76,729,182
Accrued priests' pension liability and post retirement health obligation	15,384,996	20,405,008
TOTAL LIABILITIES	\$ 98,400,588	\$ 106,259,260
Unrestricted net assets	46,191,284	47,666,393
Temporarily restricted net assets	19,499,761	20,699,405
TOTAL NET ASSETS	\$ 65,641,045	\$ 68,365,798
TOTAL LIABILITIES AND NET ASSETS	\$ 164,041,633	\$ 174,625,058

PROPERTY AND EQUIPMENT

	June 30, 2014	June 30, 2015
Real property and improvements	117,604,160	120,058,700
Land held for future parish and diocesan sites	10,935,532	10,935,532
Land restricted for high school	14,500,000	14,500,000
Furniture and equipment	7,642,832	7,832,964
Construction in progress & assets not yet placed in service	1,583,282	116,880
Less: accumulated depreciation	(29,472,369)	(32,191,985)
Loan Receivable	3,798,634	3,558,760
Unamortized bond costs	171,174	158,416
Interest rate swap	338,502	93,245
TOTAL ASSETS	\$ 127,101,747	\$ 125,062,512
Accounts payable	180,505	77,691
Notes payable	103,130	41,269
Bonds payable	20,479,836	19,601,783
TOTAL LIABILITIES	\$ 20,763,471	\$ 19,720,743
Unrestricted net assets	91,838,276	90,841,769
Temporarily restricted net assets	14,500,000	14,500,000
TOTAL NET ASSETS	\$ 106,338,276	\$ 105,341,769
TOTAL LIABILITIES AND NET ASSETS	\$ 127,101,747	\$ 125,062,512

PROPERTY AND EQUIPMENT

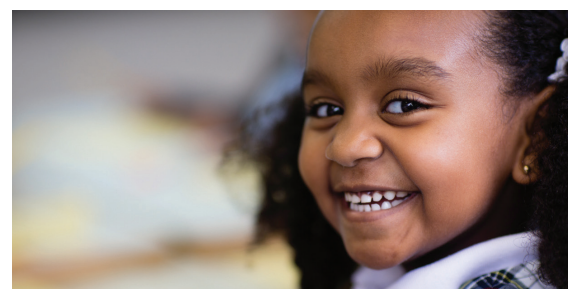
The Diocese is required to report on its financial statement the real property, land and equipment that it holds for diocesan uses. This includes the land and the original buildings and grounds of the diocesan high schools and other affiliated organizations under the office of the diocesan bishop. The nearly \$11 million in land held for future parish and diocesan needs is demonstrative of the continual emphasis on growth and development, and the diocesan commitment to that growth. As a result of the utilization of bond proceeds for the Saint John Paul the Great High School construction, the associated bond debt is included as an offset to the asset. The refinance of this debt in October 2013 provided more favorable terms, and together with an 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 ASSETS FUNCTIONING AS ENDOWMENT

An endowment is a specific fund that generates investment returns to help an organization or program, while preserving the principal funds initially invested. Contributions to the Rooted in Faith—Forward in Hope capital campaign provided endowment funding in excess of \$20 million for tuition assistance, school faculty development and catechetical programs, youth ministry and Catholic Charities operations. These endowments will continue to grow with 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 had additional contributions, and all endowments have experienced growth due to investment market returns. In 2015, the Chancery received a beneficial interest in a residuary estate estimated at over \$12 million that will be used to establish a permanent endowment, with investment earnings available for general diocesan purposes. Endowments overseen by the investment committee of the Diocesan Finance Council provide annual income for programs. The Arlington Diocese Education Foundation (ADEF) serves as a means for Catholic 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. *Bishop Loverde, in consultation with the Diocesan Finance Council, has adopted the policy that going forward, all permanently restricted endowment funds received be transferred to the Foundation for the Catholic Diocese of Arlington for long-term investment and management.*

PERMANENT ENDOWMENTS, ADEF, AND FUNCTIONING AS ENDOWMENT

	June 30, 2014	June 30, 2015
Investments	67,522,873	71,397,029
Beneficial interest in residuary estate	-	12,600,000
Pledges receivable	573,781	548,000
Accrued interest receivable	19,397	17,265
TOTAL ASSETS	\$ 68,116,051	\$ 84,562,294
ADEF funds held for schools	2,651,903	2,614,255
Endowments held for others (Catholic Charities & Foundation for the Catholic Diocese of Arlington)	13,432,381	15,303,313
TOTAL LIABILITIES	\$ 16,084,284	\$ 17,917,568
Unrestricted net assets, including functioning as endowment	11,822,732	12,175,858
Temporarily restricted net assets	16,418,271	16,665,386
Permanently restricted net assets	23,790,764	37,803,482
TOTAL NET ASSETS	\$ 52,031,767	\$ 66,644,726
TOTAL LIABILITIES AND NET ASSETS	\$ 68,116,051	\$ 84,562,294



STATEMENT OF ACTIVITIES

HIGHLIGHTS



Operating Income in Fiscal Year 2015 demonstrates the generosity of the faithful in supporting the ministries and programs which serve our brothers and sisters in need throughout the Diocese. The over \$16 million raised by this year's Bishop Annual Appeal, "Stewards of Christ Sharing Gospel Joy," together with restricted program revenue provided the opportunity for expanded programs in the areas of evangelization, seminarian education, and social services as shown by the impact statements and testimonials presented throughout this annual report. The Diocese received several special gifts in the form of bequests, including a permanently restricted endowment fund of more than \$12 million. These gifts will create an income stream that together with the BLA will support pastoral, educational and charitable programs for many years to come. 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 *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. Major gift program contributions in excess of \$40 million have been raised to date allowing for 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 food

Since the [Risk Jesus conference], I have heard more than one person tell me that they had not been practicing their faith, they had not been going to Mass on Sundays, and thanks to Risk Jesus they have returned to the Church and they have begun to embrace their faith anew.

—Jennifer Fulwiler, keynote speaker, Risk Jesus conference

I look forward to this every summer. Every time you pray here, it's a different kind of prayer, you're close to God. You can really hear Him.

—Joe McLaughlin, Quo Vadis Days Camp attendee

pantry and transitional housing programs. These contributions also provided funds to grow the Tuition Assistance and Catholic Charities Endowments and reduce the future pension obligation for our diocesan priests.

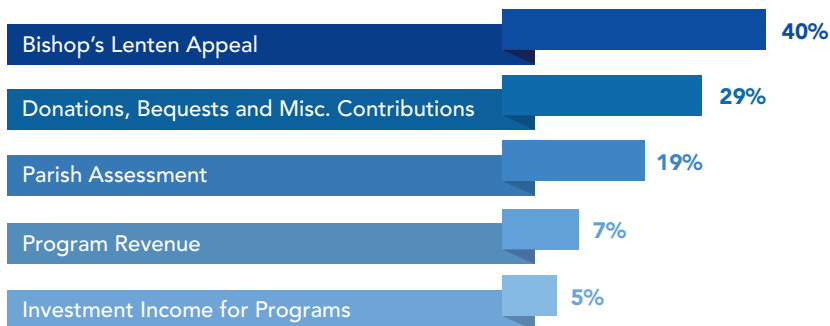
This year's moderate investment performance was reflective of current market conditions; however, spending policies remained consistent to provide a predictable stream of funding to programs, at a level supported by interest, dividends and realized gains. Although market trends may be volatile in the 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 in the prudent investment policies and oversight exercised by the various diocesan financial advisory committees. Insurance programs (health and risk management) experienced favorable claims experience, increasing reserves to cover future claims and unforeseen costs due to market increases and regulatory changes. The negative change in the priests' pension and postretirement health obligation was primarily the result of actuarial adjustments due to a change in mortality rates used in determining benefit obligations. Bond interest expense reflects a full year of savings resulting from the favorable terms of the bond refinance that was completed in October 2013. The Chancery has advanced funds to Saint John Paul the Great High School to supplement tuition in covering operating costs, including rent. School enrollment has increased significantly since its opening in 2008 which has decreased the need for financial support. Conservatively, a reserve was established for the advances.

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 \$19 million for Fiscal Year 2015, largely due to generous endowments bequeathed by donors and by the continued success of the Leadership Initiative 2015 campaign. The restricted endowments and major gifts will help provide the means to spread the joy of the Gospel through on-going spiritual, educational and charitable programs and take steps towards addressing the facility needs of diocesan high schools and funding the retired priest pension fund.

	For Year Ended June 30, 2014	For Year Ended June 30, 2015
OPERATING ACTIVITIES		
Operating income	34,078,887	39,855,644
Permanently restricted amounts and bequests received	2,300,281	12,862,719
Operating expenses	(34,046,808)	(35,357,265)
Contribution income—Leadership Initiative 2015	12,373,395	4,289,716
Release of restrictions—Leadership Initiative 2015	(5,388,293)	(2,530,600)
OPERATIONAL SURPLUS	\$ 9,317,462	\$ 19,120,214
NON-OPERATING ACTIVITIES		
Investment income, net of amounts in operations	15,499,737	877,314
Net change in insurance programs	318,199	1,526,841
Change in unfunded priests' pension and post retirement health obligation	(2,351,659)	(5,279,531)
Bond interest expense – net of related property income and interest rate swap	(173,879)	785,072
Net property gains	310,104	-
Rental income	144,234	144,551
Loan reserve increase-related party	(1,314,918)	(833,256)
INCREASE IN NET ASSETS	\$ 21,749,280	\$ 16,341,205
Increase (Decrease) in net assets related to:		
Current Operations	11,959,767	2,724,753
Endowments, ADEF & Functioning as Endowment	10,629,042	14,612,959
Property, Plant & Equipment	(839,529)	(996,507)
TOTAL INCREASE	\$ 21,749,280	\$ 16,341,205

OPERATING INCOME AND EXPENSES

OPERATING INCOME



TOTAL INCOME FOR OPERATIONS \$ 39,855,644

OPERATING INCOME

BISHOP'S LENTEN APPEAL (BLA) accounted for more than \$16 million in income in 2015 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.

PARISH ASSESSMENT accounted for over \$7 million in operating income in 2015. 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 in monthly installments in the subsequent year. This income supports offices that serve parish, school and diocesan administration (e.g., Office of the Bishop).

INVESTMENT INCOME FOR PROGRAMS totaling \$1.8 million reflects the budgetary amount anticipated from the investment returns of diocesan reserves and/or endowments. 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 and received by the Tribunal are also included in program revenue.

DONATIONS, BEQUESTS, AND MISCELLANEOUS CONTRIBUTIONS totaled over \$28 million. Current year donations and bequests 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 (see page 6 regarding the Leadership Initiative 2015). Because of the unpredictable and restricted nature of this type of income, we do not budget this activity in "operations."

OPERATING EXPENSES

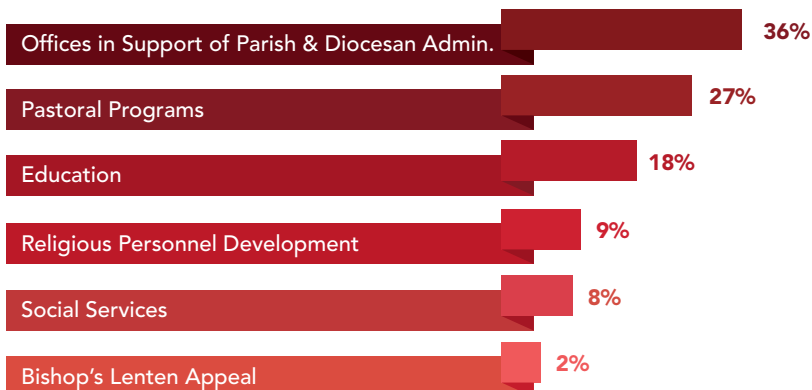
PASTORAL OFFICES include those involved with evangelization and communicating the Faith, Youth and Campus Ministries, the Office for Family Life, the Respect Life Office, the Spanish Apostolate, the Office of Multicultural Ministries, the Permanent Diaconate Program, Tribunal and Parish Subsidies, the 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 includes the Office of Catholic Schools, the Office of Catechetics and the Tuition Assistance Program.

SOCIAL SERVICES include the diocesan subsidy to Catholic Charities, the Office of Child Protection and Safety and other charitable causes.

OPERATING EXPENSES



TOTAL EXPENSES FOR OPERATIONS \$ 35,357,265



OFFICES IN SUPPORT OF THE PARISHES AND DIOCESE INCLUDE:

- **Office of the Bishop**, which supports Bishop Loverde in his pastoral care and administration of the Diocese
- **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
- **Office of Communications**, which serves the Diocese and parishes through media relations and digital evangelization
- **General Counsel**, which provides legal services to parishes and the Diocese
- **Information Technology**, 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 diocesan financial administration. Services are also provided to DIAL Corp, the Foundation for the Catholic Diocese of Arlington, Catholic Charities, and the Arlington Catholic Herald
- **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

PARISH FINANCIAL INFORMATION

Total parish revenue from all sources, including parish schools, was in excess of \$232 million. Over 93% of our parishes and missions ended the year with an operating surplus. Your continued generosity enables the Church to carry out her mission.

COMPARATIVE COMBINED STATEMENT OF PARISH FINANCIAL ACTIVITIES (UNAUDITED)

FOR FISCAL YEAR ENDED JUNE 30	CHURCH	SCHOOL	TOTAL PARISH	
	2015	2015	2015	2014
Regular Offertory/Tuition Related Income	94,111,937	67,239,679	161,351,616	158,278,082
Other Income/Donations	30,428,436	24,236,182	54,664,618	53,580,214
TOTAL OPERATING INCOME	124,540,373	91,475,861	216,016,234	211,858,296
Personnel Expense	46,067,554	68,766,932	114,834,486	111,574,243
Other Operating Expense	63,158,219	20,525,089	83,683,308	83,620,522
TOTAL OPERATING EXPENSES	109,225,773	89,292,021	198,517,794	195,194,765
OPERATING SURPLUS	\$ 15,314,600	\$ 2,183,840	\$ 17,498,440	16,663,531
Capital Campaign/Other Extraordinary Income	16,194,824	176,340	16,371,164	11,736,127
Capital Improvement/Major Renovation Expense	15,411,486	2,081,213	17,492,699	17,598,398
NET OTHER INCOME (EXPENSE)	783,338	(1,904,873)	(1,121,535)	(5,862,271)
NET SURPLUS	\$ 16,097,938	\$ 278,967	\$ 16,376,905	10,801,260

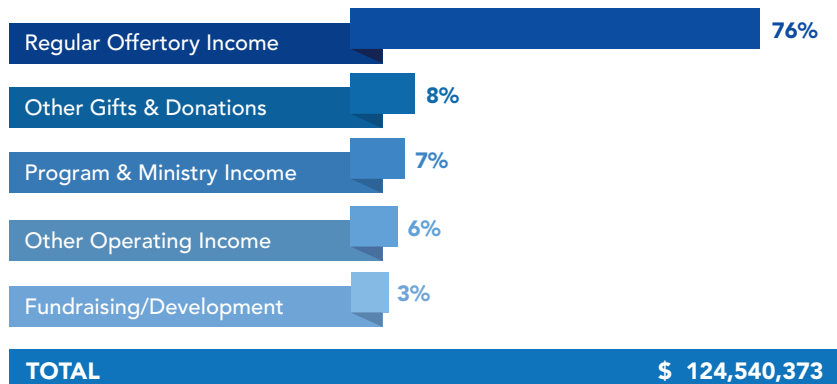
CHURCHES

Diocesan churches reported an operating surplus of \$15 million on nearly \$125 million in operating revenue. Parishes reporting a surplus are able to build reserves for future capital needs. Building and maintaining reserves help to ensure that sufficient funds are available to manage cash flow on a day-to-day basis and to maintain financial flexibility. Offertory support increased by \$951K, or 1%. Other income increased by \$858K or 2.9%, yielding a 1.5% overall increase in total Church operating income. Total operating expenses increased by \$1.5 million or 1.4%.

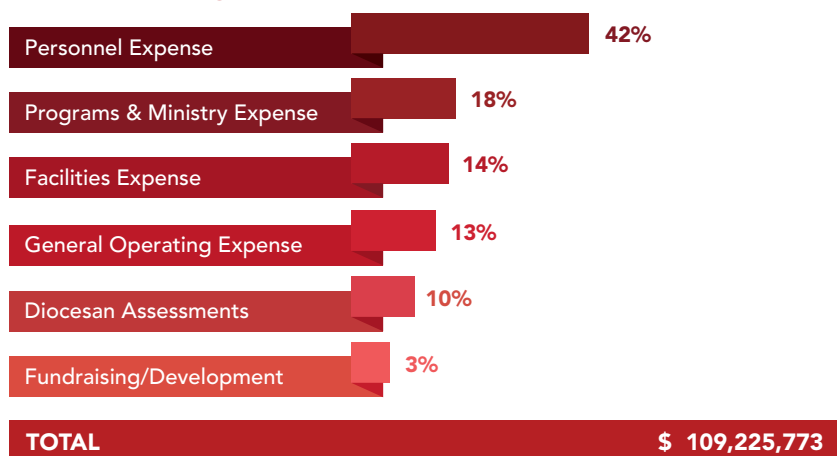


INCOME AND EXPENSES

Church Operating Revenue



Church Operating Expenses



I see a merciful church here in our own Diocese. I see our priests faithfully offering the sacraments, especially the Sacrament of Penance, to their flocks. I see our parents, catechists and other lay people educating our children in the faith. I witness generosity in tithing, and I see mercy extended to our needy brothers and sisters through our programs and services . . .

—Bishop Paul Loverde

PARISH FINANCIAL INFORMATION

CONTINUED

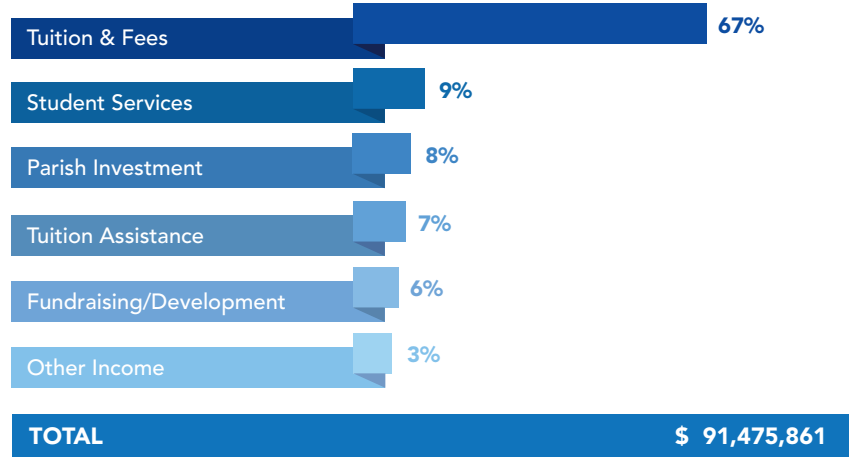
ELEMENTARY SCHOOLS

Parish schools' operating revenue for 2015 totaled \$91.4 million; direct tuition, parish investment in schools and tuition assistance make up more than 80% of the revenues in our elementary schools. Total tuition assistance for 2015 was \$6.4 million. The Diocesan Tuition Assistance Program funded \$2.3 million, Tuition Assistance Endowment \$730K, Tax Credit Scholarships \$412K and the additional \$3.0 million was funded through parishes, schools or other sources. The parish investment in schools, included in other income/donations, amounted to 8% of total school income or \$7.3 million. Total operating expenses increased by \$1.8 million or 2.1%.

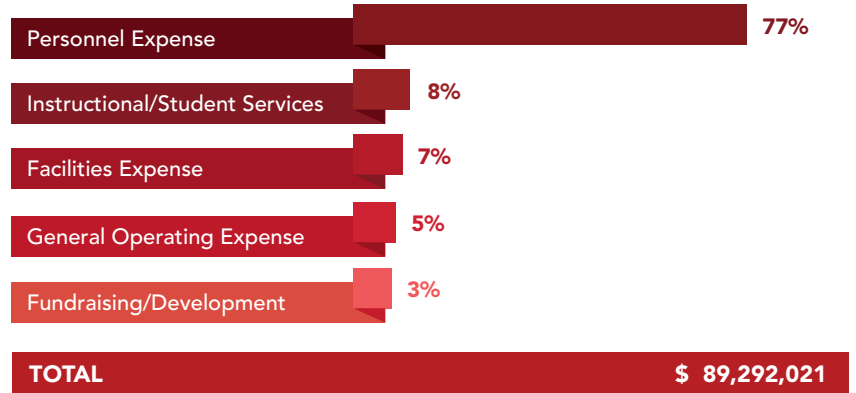


INCOME AND EXPENSES

School Operating Revenue



School Operating Expenses



PARISH GROWTH



FUTURE PARISH DEVELOPMENT

- St. Jude, Fredericksburg
- St. Ambrose, Annandale
- Corpus Christi, South Riding
- St. Katharine Drexel Mission, Haymarket
- St. Mary of Sorrows, Fairfax
- St. Patrick, Spotsylvania

CAPITAL PROJECTS COMPLETED OR UNDER DEVELOPMENT

- Epiphany Regional Elementary, Culpeper
- St. Paul Mission, Hague
- St. Francis de Sales, Purcellville
- St. Theresa, Ashburn
- Good Shepherd, Alexandria
- St. Thomas à Becket, Reston
- Cathedral St. Thomas More, Arlington
- St. Elizabeth Ann Seton, Lake Ridge
- St. Elizabeth of Hungary, Colonial Beach
- Church of Nativity, Burke
- Sacred Heart of Jesus, Winchester
- St. Bridget of Ireland Mission, Berryville
- St. John the Apostle, Leesburg
- St. Louis, Alexandria
- Our Lady Queen of Peace, Arlington

FUTURE CAPITAL PROJECTS

- St. Veronica, Chantilly
- St. Timothy, Chantilly
- St. Leo the Great, Fairfax
- St. Francis of Assisi, Triangle



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 related 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, and therefore does not have deposit accounts or loans owed to, DIAL Corp.

Participants maximize demand deposit interest return on excess funds with the flexibility of withdrawing funds as needed for operating needs. As of June 30, 2015, participant deposits earned interest at 2.75% 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.

Net assets have grown to \$20 million with the strong performance of the funds invested in the diocesan investment pool. Approximately \$76 million of investments as of June 30, 2015, are held in the pool. 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, which are more than adequate to meet the current demands for construction and improvement loans. During Fiscal Year 2015, \$4.8 million dollars were loaned to fund building and renovation projects, and \$15 million in loans have been approved which will fund construction and renovation projects in the coming year.

STATEMENTS OF FINANCIAL POSITION

	June 30, 2014	June 30, 2015
Cash and cash equivalents	4,545,377	5,406,342
Investments	105,107,211	115,927,221
DIAL loans receivables	44,072,709	43,198,541
Other receivables	180,550	256,313
TOTAL ASSETS	\$ 153,905,847	\$ 164,788,417
Accounts payable	-	-
DIAL deposits payable	134,589,440	144,225,387
TOTAL LIABILITIES	\$ 134,589,440	\$ 144,225,387
Unrestricted net assets	19,316,407	20,563,030
TOTAL LIABILITIES AND NET ASSETS	\$ 153,905,847	\$ 164,788,417

STATEMENT OF ACTIVITIES

	June 30, 2014	June 30, 2015
Interest Income		
Interest income - participant loans	2,384,719	2,316,471
Other investment income	1,225,247	1,676,054
Interest expense - participant deposits	(3,066,029)	(3,504,230)
NET INTEREST INCOME	\$ 543,937	\$ 488,295
Realized & unrealized gains on investments	12,461,355	871,380
General and administrative expenses	(111,905)	(113,052)
INCREASE IN NET ASSETS	\$ 12,893,387	\$ 1,246,623

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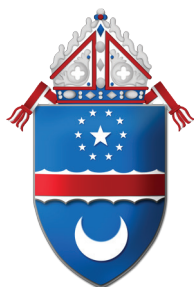
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