



2016 THE CATHOLIC DIOCESE OF ARLINGTON ANNUAL REPORT



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

Dear Brothers and Sisters in Christ Jesus,

"Therefore, every diocesan church is also on pilgrimage, that is, all those who form a particular portion of the People of God. Thus, this diocesan Church of Arlington is on pilgrimage and has been for twenty-five years. Today marks a special and significant stage in the living journey of this Church, as a new shepherd or chief pastor, appointed by the successor of Saint Peter, John Paul II, is being installed. [. . .] I come to Arlington willingly, even joyfully, and with great hope. In God's providence, you and I are meant to journey together in this Church so rich in faith, rich in ethnicity, rich in resources. We begin today this particular stage in our journey as a diocesan Church."

It was seventeen years ago that I spoke these words to you during the homily at my Mass of Installation, when I became your shepherd and joined you on this pilgrimage. The great hope I had in coming to Arlington was not in vain—we have truly accomplished much together during this stage of your pilgrimage that I have been with you. The people of Arlington have shown themselves time and again to be rich in faith, joyful, dedicated and most generous in giving of your resources and talents as we have worked together to meet the spiritual, educational and other needs both of our diocesan family and of everyone we serve. This has been a great gift to me as your Bishop, and I give thanks to the Lord for that gift.

The past fiscal year, which ended June 30, 2016, was but one of many successful years, like one in a string of pearls, and your generosity was crucial to everything our diocesan offices and ministries have been able to accomplish. Your support has, for example, allowed Project Rachel to bring healing to many women, the Office for Family Life to foster strong marriages, Catholic Charities to feed and clothe the area's poor and to welcome many immigrants, the Office of Vocations to continue to support our seminarians in their journey of discernment and formation and the Office of Youth Ministry to get teenagers excited about our faith. Without your generosity, how could we have done so much or reached so many?

As you welcome your new shepherd, Bishop Michael F. Burbidge, a new stage in your pilgrimage begins. Please know that I am full of gratitude for the years I have been with you, and I am confident that he will find this flock of Arlington to be just as much of a blessing and joy as I have, and, together, you will continue to accomplish much.

Faithfully in the Heart of Christ,



Most Reverend Paul S. Loverde
Bishop Emeritus of Arlington



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

Dear Fellow Members of the Catholic Diocese of Arlington,

In the third chapter of the book of Ecclesiastes we read that "there is an appointed time for everything, and a time for every affair under the heavens." I have been contemplating this passage for the last several weeks as the Catholic Diocese of Arlington has prepared for episcopal transition. After 17 years of dedicated service as the diocesan Bishop, Most Reverend Paul S. Loverde has moved into Bishop Emeritus status and Most Reverend Michael F. Burbidge has been installed as Arlington's fourth Bishop. Therefore, it is with deep gratitude that I present to you, on behalf of Bishop Loverde and the Diocesan Finance Council, the annual financial report for the fiscal year ended June 30, 2016.

This financial report, the final under the leadership of Bishop Loverde, demonstrates the strong financial foundation upon which the Diocese has been placed. In just over the last ten years, Bishop Loverde has overseen the doubling of the annual Bishop's Lenten Appeal (from \$8 million to just over \$17 million). Such growth is experienced in our parishes as well. Thus, we continue to exercise great care and stewardship of the assets entrusted to the Church by you, the faithful of the Diocese. Just as each generation of Americans wishes to leave their children with more than they knew in their own childhood, Bishop Loverde has long hoped to hand the Diocese over to his successor in better financial condition than when he received it. Although he received the Diocese of Arlington in fine shape, he is most certainly handing it off in excellent financial condition.

In the last five years alone, he undertook an initiative to raise funds for strategic long-term needs, in advance of his impending retirement. This undertaking has resulted in providing over \$60 million toward those efforts (see page 6). What a fitting tribute as Bishop Loverde moves into a worthy retirement, providing momentum to our new shepherd, Bishop Burbidge.

I trust that this report will serve to illuminate the firm financial foundation upon which the Diocese of Arlington is built, and the great care that is taken to safeguard and steward the assets you have entrusted to the Church. In demonstration of our commitment to transparency and accountability, I invite you to view the complete audited financial statements by visiting the Diocese of Arlington's website at www.arlingtondiocese.org/offices/finance.php.

In the spirit of the parable of the talents, given to us in Matthew's Gospel, let us pray that the Lord will continue to bless Bishop Loverde as he heads into retirement, and that he will hear the words of the Master, after returning his five talents along with an additional five, "Well done, my good and faithful servant...Come, share your master's joy" (Mt 3:21).

Sincerely in Christ,



Timothy R. Cotnoir, CPA
Diocesan Finance Officer



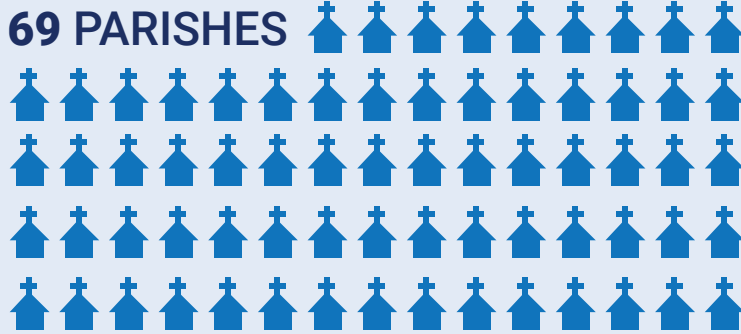
“It has been a gift to have been here, to serve this particular Church called Arlington. And as I've said, whatever advancement has happened, we have done that together in Christ. [. . .] It has been good to be with you. I am grateful and humbled, I am grateful for your collaboration over these years, and for your prayer and sacrifice. So I close by thanking you one and all. We have traveled together in faith, hope, and charity, building up the kingdom of God, evangelizing more by witness, but also with words and with deeds. So let us continue walking together, God's people, together in Christ Jesus. Thank you!”

–Bishop Emeritus Paul Loverde

PARISH LIFE

464,861
REGISTERED
PARISHIONERS

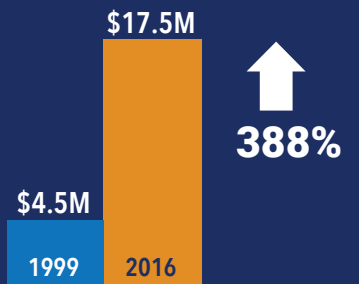
69 PARISHES



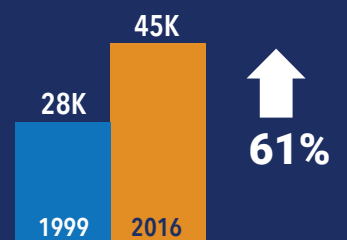
5 MISSIONS



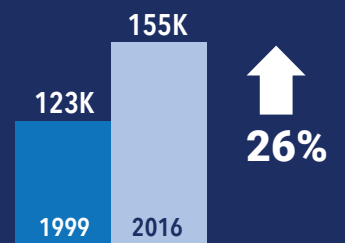
GROWTH OF THE
DIOCESE UNDER
BISHOP LOVERDE'S
LEADERSHIP



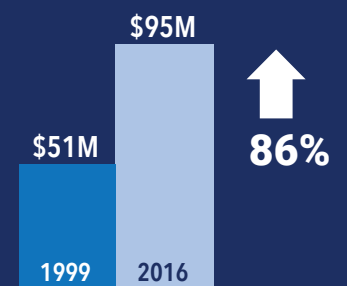
\$ PLEDGED TO THE BLA



OF BLA DONORS

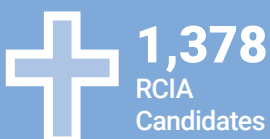


OF HOUSEHOLDS

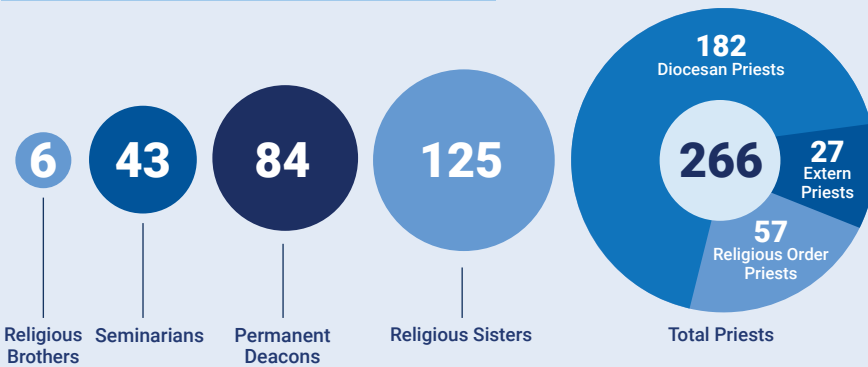


PARISH OFFERTORY

SACRAMENTAL
LIFE



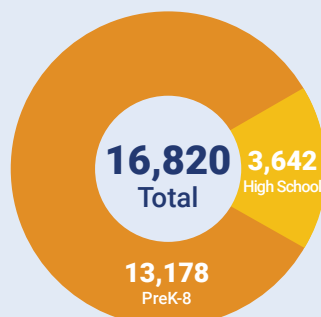
CLERGY, RELIGIOUS & SEMINARIANS
IN SERVICE TO THE DIOCESE



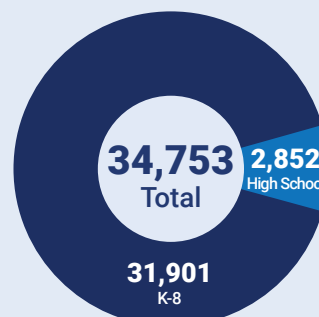
CATHOLIC CHARITIES

Volunteers	Meals to the Homeless	Individuals helped through Adoption & Pregnancy Support	Individuals helped through Migration & Refugee Services
1,700+	18,118	976	1,634

CATHOLIC SCHOOL
ENROLLMENT



PARISH RELIGIOUS ED.
ENROLLMENT



EVANGELIZATION AND OUTREACH

At his installation in 1999, Bishop Loverde introduced four goals—unity, evangelization, service and reconciliation—that have set the tone and trajectory of his episcopacy in Arlington. Bishop Loverde, and the Diocese in collaboration with him, has endeavored to realize these goals throughout the years, seeking always to build upon the many talents, gifts and resources of the people of Arlington in finding new and effective ways to accomplish them. Here is a look at some of the Diocese’s initiatives that helped realize these goals in FY16:

UNITY: MULTICULTURAL MINISTRIES

The Office of Multicultural Ministries works to promote unity through embracing and celebrating the many cultures present in the Diocese of Arlington. Events supported or hosted by Multicultural Ministries in the last year cover a broad spectrum of cultures—from the Gaelic St. Patrick’s Day Mass to a monthly Portuguese Mass, from the Multicultural Choral Concert to the Annual Filipino ‘Simbang Gabi’, from an annual Asian and Pacific Islanders Pilgrimage to the Annual Multicultural Mass and Fair, the work of the Office of Multicultural Ministries continues to show that the faith is one even when the cultures are many.



EVANGELIZATION: 2MINUTES2VIRTUE

True evangelization strives to reach people where they are. Recognizing that so many area Catholics spend much of their time online and also face hectic schedules, the Office for Family Life launched 2Minutes2Virtue, a series of two-minute videos on the diocesan YouTube channel. Each video provides a brief, yet inspirational meditation given by a priest of the Diocese and aimed at helping on-the-go Catholics to grow in holiness and to get the most out of the Sunday Mass readings.

SERVICE: HOGAR IMMIGRANT SERVICES

The number of immigrants in the Diocese of Arlington continues to grow rapidly, and in seeking to welcome the stranger and improve service to this population, Catholic Charities’ Hogar Immigrant Services has moved its legal services to a new office. This new and larger location, located on Little River Turnpike in Alexandria, allows for the potential of increasing the number of people assisted and is also more easily accessible from public transportation, so vital to the immigrant community. In the last year, Hogar has helped close to 1,500 immigrants to pursue American citizenship.

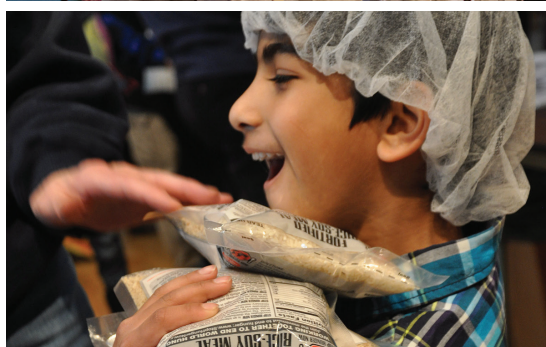


RECONCILIATION: MORNINGS OF MERCY FOR DIVORCED CATHOLICS

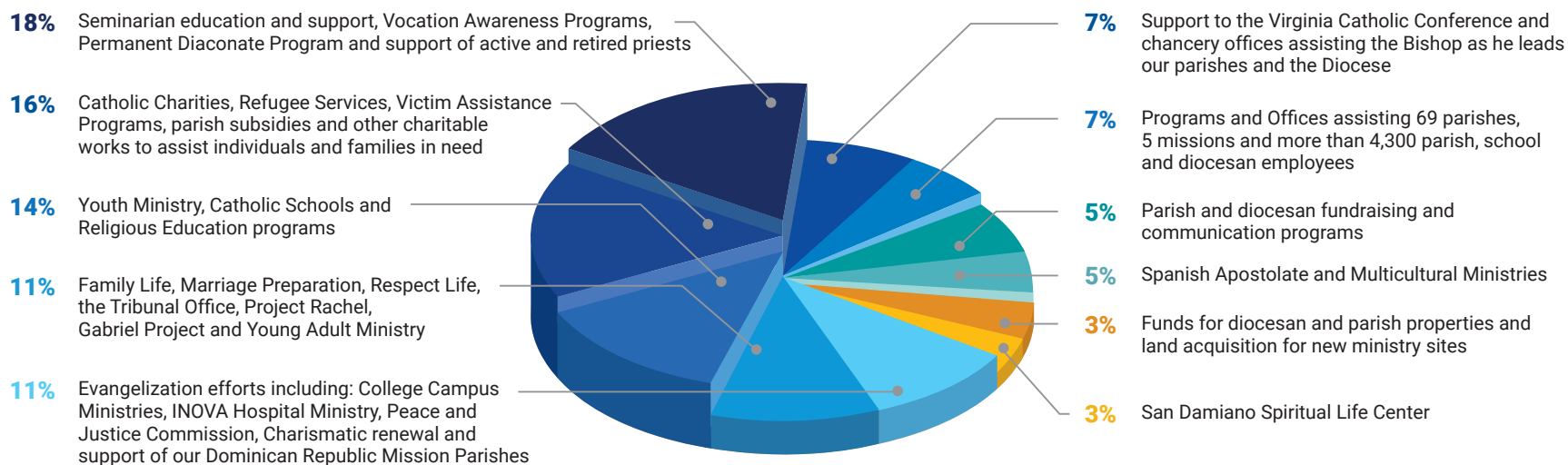
In an effort to help divorced Catholics find healing and mercy, the Office for Family Life hosted three Mornings of Mercy for Divorced Catholics in the last fiscal year. Each Morning of Mercy was a half-day retreat that includes Mass and a holy hour, as well as the opportunity for Confession. Also included in each morning was a talk by Vicar General Father Thomas Ferguson with the two-fold aim of explaining the Church’s teaching on divorce and helping divorced Catholics see that they are still children of God and not alone.

ANNUAL OPERATIONAL FUNDING: BISHOP'S LENTEN APPEAL (BLA) GO FORTH AS HERALDS OF GOD'S MERCY

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.



2016 BISHOP'S LENTEN APPEAL PROJECTED FUNDS ALLOCATION



Each member of the Church, the Community of Disciples, has the same mission: to evangelize. Does this mean we are *all* called to leave our homes and to travel to the world's remotest corners? Certainly not! But by our baptismal call, *each of us has been commissioned to be a herald of the Gospel, bearing witness to the love and mercy of Our Lord Jesus Christ.*

—Bishop Emeritus Paul Loverde

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 2017 will help us to further the mission of Jesus Christ in the Diocese of Arlington.**

EXTRAORDINARY IMPACT ACHIEVED!

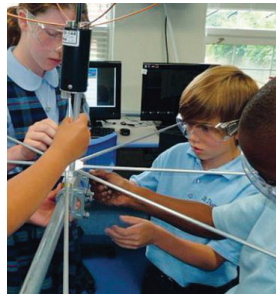
MORE THAN \$62M IN STRATEGIC, CAPITAL AND ENDOWMENT FUNDS TO HELP PEOPLE IN NEED AND FURTHER OUR CATHOLIC FAITH

To strengthen our Diocese's mission and special needs beyond operational funds, Bishop Loverde initiated *Partners United in the Heart of Christ ~ Leadership Initiative 2015*, praying that we, as partners, respond to our Church's mission priorities. The below explains the impact of funds given from clergy, parishioners, parishes and a few large bequests in answer to this prayer.

MORE THAN 1,600 STUDENTS NOW RECEIVE TUITION AID— A 273% INCREASE SINCE 2007

Catholic schools have an unparalleled ability to give young people a spiritual, academic and character formation that promotes the future of our Church and the well-being of our society. The cost of Catholic education has been growing beyond the economic ability of many families. **Since 2007, annual tuition assistance funds increased to ~\$5M in 2016-2017.**

- In 2006-2007, 586 students received \$1.1M in aid. **For 2016-2017, more than 1,600 students are receiving assistance!** The increased funding results from growth of the Tuition Assistance Endowment to more than \$30M, the Saint Beatrice Special Tuition Fund and the Diocese of Arlington Scholarship Foundation.
- **A future goal** is to add \$20M more to the Tuition Assistance Endowment.



IMPROVING OUR DIOCESAN HIGH SCHOOL FACILITIES

Our four diocesan high schools provide excellent education and must remain competitive with public schools, which may spend \$90M+ on capital costs per school. So that our graduates can continue to compete exceptionally well academically, upgrades are needed at Bishop O'Connell, Bishop Ireton and Pope Paul VI.

- **Pope Paul VI (PVI)** is planning to move to a new building, to be built on diocesan-owned property in South Riding. Projected to open in 2020 with state-of-the-art facilities, it will accommodate diverse academic needs and robust extracurricular and athletic programs.
- **Bishop Ireton (BI)** received funds from this effort and is conducting a campaign to help make ~\$14M or more of improvements in coming years.
- **Bishop Denis O'Connell (DJO)** has also received funds and is beginning a campaign to help make at least \$15M in future improvements.
- **Saint John Paul the Great** opened in 2008 and now enrolls nearly 750 students.
- **Remaining Needs:** DJO and BI each need over \$10M. PVI needs dependent upon sale of existing school property.

PARTNERING IN THE CARE OF OUR RETIRED PRIESTS



21 diocesan priests are retired, and 17 will retire over the next 10 years. To fund their pension adequately, parish premiums for each priest on staff have increased since 2009. Additionally, this effort has raised funds as a part of the plan to improve pension funding.

- Since 2012, special gift contributions have added \$3.6M.
- St. Rose of Lima Priest Retirement Villa has also been expanded to allow for up to 12 retired priests and Bishop Loverde.

IMPROVEMENTS TO SAN DAMIANO SPIRITUAL LIFE CENTER

San Damiano Spiritual Life Center in White Post is full most weekends, and increasingly so during the week, for retreats by parish or diocesan groups.

- A new roof, new windows and HVAC improvements have been added since 2009 as a result of this effort and funds used through their annual budget.
- **Reserve funds** have been set aside to help with a future septic system.



CATHOLIC CHARITIES SERVES THOSE IN GREATEST NEED

This effort sought to strengthen Catholic Charities (CCDA) programs through strategic funds for new and expanded projects related to food distribution, transitional housing and family counseling.



- CCDA's ability to address hunger has dramatically increased. Families now look to Catholic Charities' re-energized food distribution programs. The **St. Lucy Project**, the **Saint Lucia of Syracuse Food Pantry** and the new food distribution center in Manassas engage the faithful to share the Gospel by providing food to the hungry.
- Annual funds from CCDA's Program Endowment increased to \$460K from \$180K in 2009 and are a perpetual income source.
- **Future capital and program needs** are identified in CCDA Vision 2020 Plan.

ADDITIONAL EFFORTS PROMOTING THE NEW EVANGELIZATION

The Diocese has invested funds from this effort in events, programs and media initiatives to help Catholics and non-Catholics encounter the Good News of Jesus Christ. In coming years, funds will continue to influence strategic efforts for critical evangelization outreach. More recently, initiatives have included:

- The Diocese has partnered with the Augustine Institute to make **FORMED**, an innovative online platform featuring 24/7 access to Catholic digital resources—including e-books, movies and documentaries—more accessible to parishes, schools and campus ministries. 54 parishes and 4 high schools have taken advantage of the subsidy.
- In 2014, the Diocese initially launched 30- and 60-second radio spots on **WTOP** featuring Bishop Loverde (and now, Bishop Burbidge), discussing topics of faith, family and culture. Our shepherd's voice now reaches weekly audiences of 2.5 million listeners.
- **2Minutes2Virtue**, a 2-minute video series overseen by the Office of Family Life and supported by diocesan Evangelization and Media Initiative, started in 2015 as a weekly resource for Catholics to gain more from Sunday readings.



EXPANDING RESPECT LIFE EFFORTS AND PREGNANCY SUPPORT



Gabriel Project and Project Rachel, diocesan outreach programs, assist women facing unplanned pregnancies and post-abortion spiritual crises. Funds from this effort are to strengthen and expand outreach and support and may include a new media strategy that further promotes a culture of life to reach women or young adults.

ROSE BENTÉ LEE ENDOWMENT

After a very busy and generous life of giving back to Charities from her financial success, Rose Benté Lee died in July 2014, leaving bequests to many causes, including our Diocese. Established with gifts totaling \$10.5M, the Rose Benté Lee Endowment Fund is now a perpetual source of annual income to help fund programs and ministries to further the faith.

\$100M OF STRATEGIC, CAPITAL OR ENDOWMENT NEEDS

- *Partners United in the Heart of Christ ~ Leadership Initiative* has continued a legacy of stewardship to address the spiritual and temporal needs of our Diocese.
- A few significant bequests from past parishioners' estates have also helped address these longer-term strategic needs.
- **Together**, the longer-term needs of high school construction/renovation, Priests' Pension, Endowment Needs and CCDA Vision 2020 exceed \$100M.

Contact Anne Mathis at a.mathis@arlingtondiocese.org with questions.

BALANCE SHEETS

CURRENT OPERATIONS

	June 30, 2015	June 30, 2016
Cash and cash equivalents	11,314,349	10,629,126
Pledges and accounts receivable, net of allowance	13,443,207	11,745,170
Investments (includes funds held for DIAL Corp)	143,373,284	147,086,192
Beneficial interest in residuary estates	1,900,000	2,282,000
Loan receivable	3,454,286	5,967,151
Prepaid expenses and other assets	1,139,932	1,684,171
TOTAL ASSETS	\$ 174,625,058	\$ 179,393,810
Accounts payable and accrued expenses	6,057,171	5,978,600
Deposits held for others and other liabilities	3,067,899	4,164,617
Funds held for DIAL Corp in investment pool	76,729,182	82,348,214
Accrued priests' pension liability and post retirement health obligation	20,405,008	24,202,376
TOTAL LIABILITIES	\$ 106,259,260	\$ 116,693,807
Unrestricted net assets	47,666,393	43,992,383
Temporarily restricted net assets	20,699,405	18,707,620
TOTAL NET ASSETS	\$ 68,365,798	\$ 62,700,003
TOTAL LIABILITIES AND NET ASSETS	\$ 174,625,058	\$ 179,393,810

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 provide financial stability and ensure resources are available to meet on-going programs, resources for future needs or targeted initiatives. Investments also include longer-term funds of DIAL Corp held in the CDA Investment Pool.

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 more than \$12 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. The Diocese has obtained two separate bank qualified tax-exempt financings. In April 2016, the Diocese entered into a re-financing arrangement related to the Prince William County bonds, prepaying the portion of the bonds outstanding that financed renovations to Paul VI Catholic High School, and obtaining a more favorable rate for the remaining bond outstanding related to Saint John Paul the Great High School construction. The interest rate swap was kept in place, securing an effective fixed rate of 2.13%. In February 2016, the Chancery secured bank qualified tax-exempt financing in the amount of \$70 million to be used in construction of a new facility for Paul VI High School. The proceeds have been placed in a restricted cash account to be used exclusively for payment of project expenses. This bond bears interest at a floating rate based on LIBOR, .96% at June 30, 2016. Also reflected in Property and Equipment is the estimated value on the swap agreement; liability as of June 30, 2016 reported in accrued expenses, the prior year asset reported in Other Assets. This value will change as estimated forward rates change.

PROPERTY, EQUIPMENT AND RELATED DEBT

	June 30, 2015	June 30, 2016
Real property and improvements	120,058,700	120,111,751
Land held for future parish and diocesan sites	10,935,532	12,481,688
Land restricted for high school	14,500,000	14,500,000
Furniture and equipment	7,832,964	7,889,375
Construction in progress and assets not yet placed in service	116,880	4,167,722
Less: accumulated depreciation	(32,191,985)	(34,859,475)
Loan Receivable	3,558,760	-
Bond reserve and project fund	-	69,889,472
Other assets	93,245	-
TOTAL ASSETS	\$ 124,904,096	\$ 194,180,533
Accounts payable	77,691	1,765,183
Notes payable	41,269	10,867
Bonds payable, net of unamortized bond costs	19,443,367	85,129,972
TOTAL LIABILITIES	\$ 19,562,327	\$ 86,906,022
Unrestricted net assets, invested in property and equipment	90,841,769	92,774,511
Temporarily restricted net assets	14,500,000	14,500,000
TOTAL NET ASSETS	\$ 105,341,769	\$ 107,274,511
TOTAL LIABILITIES AND NET ASSETS	\$ 124,904,096	\$ 194,180,533

PERMANENT ENDOWMENTS, ADEF, AND ASSETS FUNCTIONING AS ENDOWMENT

	June 30, 2015	June 30, 2016
Investments	71,397,029	78,584,651
Beneficial interest in residuary estate	12,600,000	7,500,000
Pledges receivable	548,000	61,800
Accrued interest receivable	17,265	16,460
TOTAL ASSETS	\$ 84,562,294	\$ 86,162,911
ADEF funds held for schools	2,614,255	2,463,272
Endowments held for others (Catholic Charities & Foundation for the Catholic Diocese of Arlington)	15,303,313	16,982,630
TOTAL LIABILITIES	\$ 17,917,568	\$ 19,445,902
Unrestricted net assets, including functioning as endowment	12,175,858	11,807,715
Temporarily restricted net assets	16,665,386	14,530,812
Permanently restricted net assets	37,803,482	40,378,482
TOTAL NET ASSETS	\$ 66,644,726	\$ 66,717,009
TOTAL LIABILITIES AND NET ASSETS	\$ 84,562,294	\$ 86,162,911

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. Contributions from the *Leadership Initiative 2015* campaign have added to these endowments. These endowments will continue to grow with continued support of contributors to these programs. 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. 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 overseen by the investment committee of the Diocesan Finance Council and managed as restricted investments, in a combined Investment Pool, with a predictable amount budgeted to be utilized annually to support the intended programs or ministries.

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. 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. In 2016, the Foundation established four new endowments for the benefit of parishes and schools.



STATEMENTS OF ACTIVITIES HIGHLIGHTS



Do not be afraid, you are not alone. Project Rachel and this retreat made me see God's love and mercy. He truly loves you and wants you to heal. This is a step in your healing and deepening your relationship with God and your child. You will leave the retreat changed and full of Christ's light. God bless you! And thank you Project Rachel for giving me my life back.

–Project Rachel retreatant

OPERATING ACTIVITIES

	For Year Ended June 30, 2015	For Year Ended June 30, 2016
Operating income (including restricted amounts and bequests)	39,855,644	40,405,919
Operating expenses	(35,357,265)	(36,999,888)
Permanently restricted amounts and bequests received	12,862,719	1,325,000
Contribution income—Leadership Initiative 2015	4,289,716	4,638,285
Release of restrictions—Leadership Initiative 2015	(2,530,600)	(3,514,237)

OPERATIONAL SURPLUS

\$ 19,120,214

\$ 5,855,079

NON-OPERATING ACTIVITIES

Investment income, net of amounts in operations	877,314	(4,856,699)
Net change in insurance programs	1,526,841	752,206
Change in unfunded priests' pension and postretirement health obligation	(5,279,531)	(5,627,530)
Bond interest expense – net of related property income and interest rate swap	785,072	102,581
Net property gains	-	11,500
Rental income	144,551	102,093
Loan reserve increase-related party	(833,256)	-

INCREASE (DECREASE) IN NET ASSETS

\$ 16,341,205

\$ (3,660,770)

Increase (Decrease) in net assets related to:

Current Operations	2,724,753	(5,665,795)
Endowments, ADEF & Functioning as Endowment	14,612,959	72,283
Property & Equipment	(996,507)	1,932,742

TOTAL INCREASE (DECREASE)

\$ 16,341,205

\$ (3,660,770)

Operating Income in Fiscal Year 2016 demonstrates, once again, the generosity of the faithful in supporting the Diocese's spiritual and corporal works of mercy. Over \$16 million was raised by this year's Bishop Annual Appeal, "Go Forth as Heralds of God's Mercy." The success of the annual appeal is measured by the use of these funds to expand efforts in evangelization, education and formation of youth, vocations, outreach, and other areas shown in the impact statements and testimonials presented throughout this annual report.

The Diocese received several special gifts in the form of bequests. Although \$5 million was given for unrestricted use, it has been designated to meet the most critical capital and operating needs of the Diocese. In addition, \$1 million was received as permanently restricted endowment funds, with earnings to be used for operations. 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.

You see your parents living out their vocation every day. So it's so good to see these religious sisters living as they are. It really gives you perspective.

–Tessie, 14, FIAT Days Camp attendee

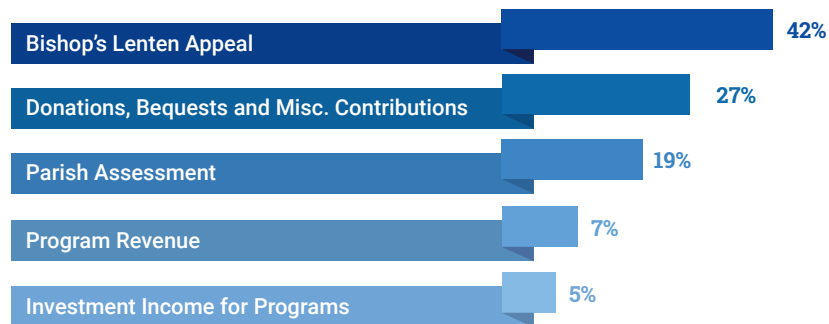
In Fiscal Year 2013, Bishop Loverde launched the *Partners United in the Heart of Christ ~ Leadership Initiative 2015*, a targeted major gift program to meet the most critical funding needs of the Diocese in the areas of Catholic education, new evangelization efforts, support for our retired priests, Catholic Charities programs and various capital improvements. In fiscal year 2016, these contributions provided \$2.4 million in grants to diocesan high schools in capital improvement and tuition assistance funds and over \$100,000 in Catholic Charities program grants. These contributions also provided funds to grow the Tuition Assistance, Seminarian Education, and Catholic Charities Endowments by \$2.2 million and reduce the future pension obligation for our diocesan priests by \$1.3 million.

This year's negative 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 discount rates used in determining benefit obligations.

Overall the Chancery ended the year with a decrease in net assets. Although investment losses (unrealized) and increase in actuarial losses on pension liabilities contributed to the decrease net assets, operations remain positive.

OPERATING INCOME AND EXPENSES

OPERATING INCOME



TOTAL INCOME FOR OPERATIONS \$ 40,405,919

OPERATING INCOME

BISHOP'S LENTEN APPEAL (BLA) accounted for more than \$16 million in income in 2016 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 2016. 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 \$2 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 \$12 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.

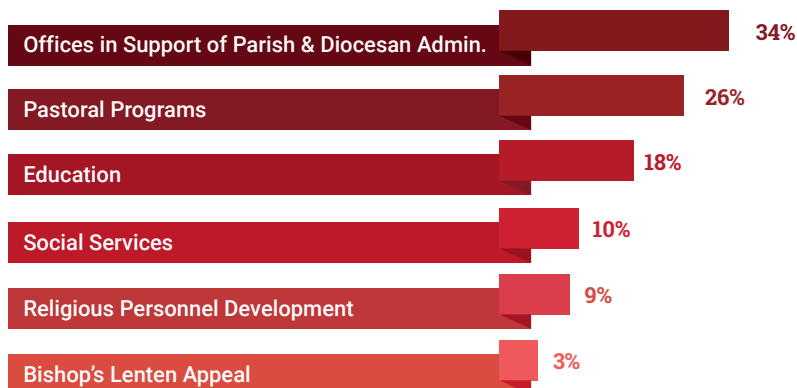
SOCIAL SERVICES include the diocesan subsidy to Catholic Charities, the Office of Child Protection and Safety and other charitable causes.



OFFICES IN SUPPORT OF THE PARISHES AND DIOCESE INCLUDE:

- **Office of the Bishop**, which supports the Bishop in his pastoral care and administration of the Diocese
- **Employee Benefits and Human Resources**, which serve the nearly 4,300 employees of our parishes, schools and diocesan offices
- **Office of Planning, Construction and Facilities**, 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
- **Office of the 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

OPERATING EXPENSES



TOTAL EXPENSES FOR OPERATIONS \$ 36,999,888

PARISH FINANCIAL INFORMATION

Total parish revenue from all sources, including parish schools, was in excess of \$235 million. Over 94% of our parishes and missions ended the year with an operating surplus. Your continued generosity enables the Church to carry out Her mission.

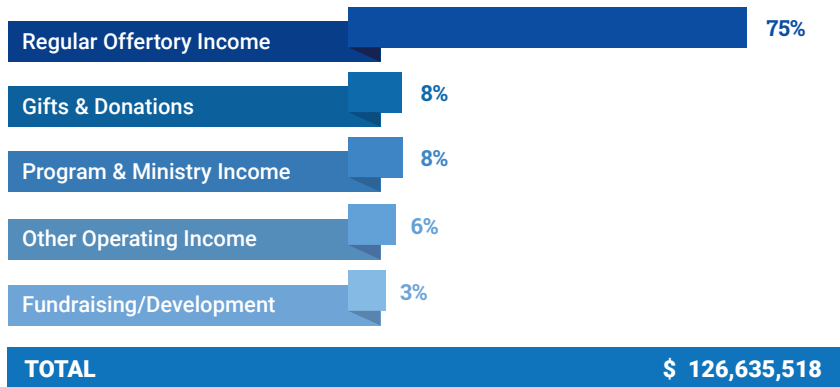
COMPARATIVE COMBINED STATEMENT OF PARISH FINANCIAL ACTIVITIES (UNAUDITED)

	CHURCH	SCHOOL	TOTAL PARISH	
FOR FISCAL YEAR ENDED JUNE 30	2016	2016	2016	2015
Regular Offertory/Tuition Related Income	95,026,855	70,461,003	165,487,858	161,351,616
Other Income/Donations	31,608,663	23,879,190	55,487,853	54,664,618
TOTAL OPERATING INCOME	126,635,518	94,340,193	220,975,711	216,016,234
Personnel Expense	46,873,059	71,455,887	118,328,946	114,834,486
Other Operating Expense	63,470,967	20,255,872	83,726,839	83,683,308
TOTAL OPERATING EXPENSES	110,344,026	91,711,759	202,055,785	198,517,794
OPERATING SURPLUS	\$ 16,291,492	\$ 2,628,434	\$ 18,919,926	17,498,440
Capital Campaign/Other Extraordinary Income	14,444,750	263,967	14,708,717	16,371,164
Capital Improvement/Major Renovation Expense	18,133,010	2,317,799	20,450,809	17,492,699
NET OTHER INCOME (EXPENSE)	(3,688,260)	(2,053,832)	(5,742,091)	(1,121,535)
NET SURPLUS	\$ 12,603,232	\$ 574,602	\$ 13,177,835	16,376,905

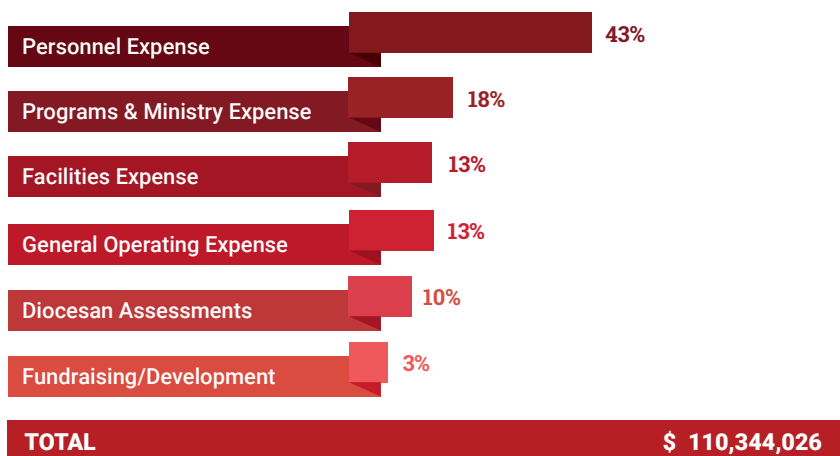
CHURCHES

INCOME AND EXPENSES

Church Operating Revenue



Church Operating Expenses



Diocesan churches reported an operating surplus of \$16.2 million on \$126.6 million in operating revenue. Parishes reporting a surplus are able to build reserves for future capital expenditures. 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 \$915K or 1%. Other Income increased by \$1.2 million or 3.9%, yielding a 1.7% overall increase in total Church operating income. Total operating expenses increased by \$1.1 million or 1.0%.



Let us take this moment and consider with renewed zeal our own call to evangelize and to bring back those who are lost or longing for the Lord. *Let us live lives with hearts aflame, ready to accept the Lord's call to be missionaries of love, a call given to each one of us.*

—Bishop Emeritus Paul Loverde

PARISH FINANCIAL INFORMATION CONTINUED

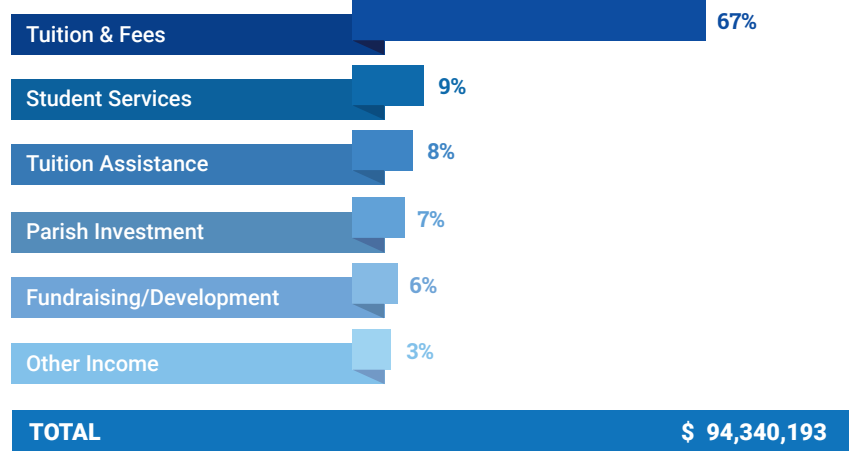
ELEMENTARY SCHOOLS

Parish schools' operating revenue for 2016 totaled \$94.3 million; direct tuition, parish investment in school, and tuition assistance make up more than 82% of the revenues in our elementary schools. Total tuition assistance for 2016 was \$7.2 million. The Diocesan Tuition Assistance Program funded \$2.2 million, Tuition Endowment \$850K, Tax Credit Scholarship \$945K and the additional \$3.2 million was funded through the parish, school or other sources. The parish investment in school, included in other income/donations, amounted to 7.2% of total school income or \$6.8 million. Total operating expenses increased by \$2.4 million or 2.7%.

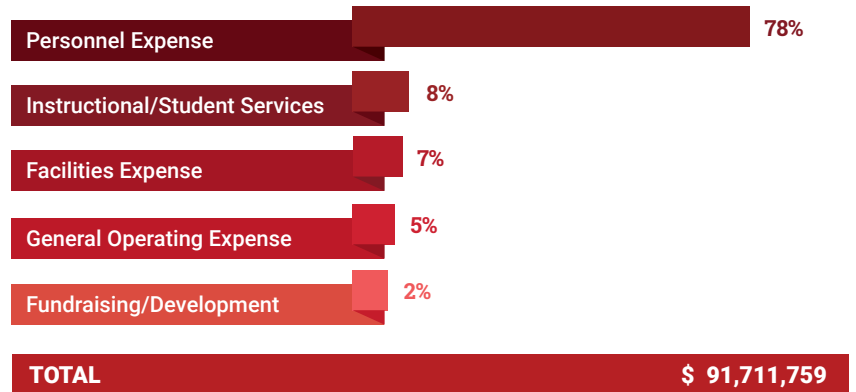


INCOME AND EXPENSES

School Operating Revenue



School Operating Expenses



PARISH AND DIOCESAN GROWTH

Partial List of Capital Projects Recently Completed, Under Development, and Actively Being Planned

- Corpus Christi, South Riding
- Paul VI Catholic H.S., Loudoun County
- Sacred Heart of Jesus, Winchester
- St. Ambrose, Annandale
- St. Anthony Mission, King George
- St. Francis de Sales, Purcellville
- St. Francis of Assisi, Triangle
- St. Jude, Fredericksburg
- St. Katharine Drexel Mission, Haymarket
- St. Leo the Great, Fairfax
- St. Mary of Sorrows, Fairfax
- St. Patrick, Spotsylvania
- St. Rose of Lima Priests' Retirement Villa, Annandale
- St. Timothy, Chantilly
- St. Veronica, Chantilly



DIAL CORP AND DIOCESAN GOVERNANCE

ARLINGTON DIOCESAN INVESTMENT AND LOAN CORPORATION (DIAL CORP)

STATEMENTS OF FINANCIAL POSITION

	June 30, 2015	June 30, 2016
Cash and cash equivalents	5,406,342	5,033,129
Investments	115,927,221	122,819,412
DIAL loans receivables	43,198,541	44,098,189
Other receivables	256,313	263,985
TOTAL ASSETS	\$ 164,788,417	\$ 172,214,715
DIAL deposits payable	144,225,387	154,269,879
TOTAL LIABILITIES	\$ 144,225,387	\$ 154,269,879
Unrestricted net assets	20,563,030	17,944,836
TOTAL LIABILITIES AND NET ASSETS	\$ 164,788,417	\$ 172,214,715

STATEMENTS OF ACTIVITIES

	June 30, 2015	June 30, 2016
Interest Income		
Interest income - participant loans	2,316,471	2,367,874
Other investment income	1,676,054	1,939,839
Interest expense - participant deposits	(3,504,230)	(3,991,921)
NET INTEREST INCOME	\$ 488,295	\$ 315,792
Realized & unrealized gains (losses) on investments	871,380	(2,820,536)
General and administrative expenses	(113,052)	(113,450)
INCREASE (DECREASE) IN NET ASSETS	\$ 1,246,623	\$ (2,618,194)

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, 2016, 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 although significant at \$18 million was impacted by current year unrealized losses, reflective of the general market conditions. Approximately \$82 million of investments as of June 30, 2016, are invested with the Catholic Diocese of Arlington (CDA) Investment 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. This investment allocation provides for sufficient liquidity to meet depositor demands, while allowing remaining investments to be used for long term growth.

DIAL Corp has experienced an increase in deposits, which are more than adequate to meet the current demands for construction and improvement loans. During Fiscal Year 2016, \$8.9 million dollars were loaned to fund building and renovation projects, and \$12 million in loans have been approved which will fund construction and renovation projects in the coming year.

2016 DIOCESAN GOVERNANCE (as of June 30, 2016)

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Rev. Lewis Fiorelli	Rev. Lee R. Roos	Rev. Matthew H. Zuberbueler

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Rev. Robert J. Rippy, J.V.	Mr. Paul S. Stevens
Rev. Kevin Larsen	Mr. Mark E. Herrmann, Esq.
Mrs. Joan M. Biehler	Rev. Thomas P. Ferguson, V.G.

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Mr. Timothy R. Cotnoir, C.P.A.—Secretary/Treasurer
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Mr. Michael Donovan
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Mr. William Hummel	

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