CENTRAL OFFICE OF THE DIOCESE OF MANCHESTER

MANCHESTER, NEW HAMPSHIRE

JUNE 30, 2016 AND 2015

INDEPENDENT AUDITORS' REPORT

Most Reverend Peter A. Libasci
Roman Catholic Bishop of Manchester
Manchester, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the **Central Office of the Diocese of Manchester** (the Central Office), a nonprofit organization, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Central Office's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Central Office's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Office of the Diocese of Manchester as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As disclosed in Note 13, during 2016, the Central Office early adopted ASU 2015-07 to remove the requirement to categorize within the fair value hierarchy investments for which fair value is measured using the net asset value per share practical expedient and to limit the related disclosures. Our opinion is not modified with respect to this matter.

Howe, Riley & Howe, PLLC

Manchester, New Hampshire
November 17, 2016

CENTRAL OFFICE OF THE DIOCESE OF MANCHESTER
Statements of Financial Position
June 30, 2016 and 2015

ASSETS

	2016	2015
Cash and cash equivalents	11,511,026	8,361,576
Accounts receivable, net	712,317	684,145
Insurance receivable, net	43,604	125,341
Interest receivable	5,954	8,659
Prepaid expenses	315,710	208,354
Investments	56,961,077	57,505,610
Notes receivable, net of discounts and allowance for losses	10,264,937	10,715,226
Cash held for restrictive purposes	144,093	144,093
Assets held for restricted purposes	14,287,256	14,887,579
Fixed assets, net	305,254	308,616
Total assets	$ 94,551,228	$ 92,949,199

LIABILITIES AND NET ASSETS

	2016	2015
Accounts payable and accrued expenses	465,458	497,576
Funds held for others - special collections	575,436	579,426
Insurance liabilities	3,234,906	3,844,719
Deposits payable	53,863,953	51,928,036
Mortgage note payable	3,228,354	3,481,967
Priest retirement benefit obligation	16,483,956	17,284,190
Total liabilities	77,852,063	77,615,914
NET ASSETS		
Unrestricted:		
Designated	3,839,356	3,743,709
Undesignated	(14,176)	(1,859,676)
	3,825,180	1,884,033
Temporarily restricted	4,733,016	5,413,498
Permanently restricted	8,140,969	8,035,754
Total net assets	16,699,165	15,333,285
Total	$ 94,551,228	$ 92,949,199

The accompanying notes are an integral part
of these financial statements.

CENTRAL OFFICE OF THE DIOCESE OF MANCHESTER
Statement of Activities
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES:				
Program revenue and assessments	6,678,285	-	-	6,678,285
Donations and bequests	815,053	116,457	110,026	1,041,536
Insurance	5,341,448	-	-	5,341,448
Miscellaneous	289,460	-	-	289,460
Net assets released from restriction	567,117	(567,117)	-	-
Total revenues	13,691,363	(450,660)	110,026	13,350,729
EXPENSES:				
Program:				
Christian formation	2,874,214	-	-	2,874,214
Pastoral services	1,299,604	-	-	1,299,604
Seminary	408,534	-	-	408,534
Missions	291,910	-	-	291,910
Tribunal	435,624	-	-	435,624
Donations	301,021	-	-	301,021
Other programs	1,291,325	-	-	1,291,325
Periodic pension cost - Diocesan Priests	1,015,658	-	-	1,015,658
Total program expenses	7,917,890	-	-	7,917,890
Administrative and support expenses:				
Insurance expenses	2,718,226	-	-	2,718,226
Operating expenses	2,671,192	-	-	2,671,192
Total program and administrative and support expenses	13,307,308	-	-	13,307,308
Retirement-related changes other than net periodic retirement costs	(1,779,952)	-	-	(1,779,952)
Change in net assets before net investment income and interest expense	2,164,007	(450,660)	110,026	1,823,373
INVESTMENT INCOME (LOSS), NET	390,917	(224,105)	(4,528)	162,284
TRANSFERS	-	283	(283)	-
INTEREST EXPENSE	(613,777)	(6,000)	-	(619,777)
CHANGE IN NET ASSETS	1,941,147	(680,482)	105,215	1,365,880
NET ASSETS - beginning of year	1,884,033	5,413,498	8,035,754	15,333,285
NET ASSETS - end of year	$ 3,825,180	$ 4,733,016	$ 8,140,969	$ 16,699,165

The accompanying notes are an integral part
of these financial statements.

CENTRAL OFFICE OF THE DIOCESE OF MANCHESTER
Statement of Activities
For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES:				
Program revenue and assessments	6,716,315	-	-	6,716,315
Donations and bequests	158,923	32,938	60,504	252,365
Insurance	5,323,268	-	-	5,323,268
Miscellaneous	280,771	-	-	280,771
Net assets released from restriction	668,302	(668,302)	-	-
Total revenues	13,147,579	(635,364)	60,504	12,572,719
EXPENSES:				
Program:				
Christian formation	3,024,596	-	-	3,024,596
Pastoral services	1,287,494	-	-	1,287,494
Seminary	301,428	-	-	301,428
Missions	313,358	-	-	313,358
Tribunal	417,810	-	-	417,810
Donations	167,784	-	-	167,784
Other programs	1,212,204	-	-	1,212,204
Periodic pension cost - Diocesan Priests	863,918	-	-	863,918
Total program expenses	7,588,592	-	-	7,588,592
Administrative and support expenses:				
Insurance expenses	2,311,249	-	-	2,311,249
Operating expenses	2,769,312	-	-	2,769,312
Total program and administrative and support expenses	12,669,153	-	-	12,669,153
Retirement-related changes other than net periodic retirement costs	(205,622)	-	-	(205,622)
Change in net assets before net investment income and interest expense	684,048	(635,364)	60,504	109,188
INVESTMENT INCOME (LOSS), NET	1,396,385	19,588	(30,145)	1,385,828
TRANSFERS	-	(35,000)	35,000	-
INTEREST EXPENSE	(636,448)	(6,850)	-	(643,298)
CHANGE IN NET ASSETS	1,443,985	(657,626)	65,359	851,718
NET ASSETS - beginning of year	440,048	6,071,124	7,970,395	14,481,567
NET ASSETS - end of year	$ 1,884,033	$ 5,413,498	$ 8,035,754	$ 15,333,285

The accompanying notes are an integral part
of these financial statements.

CENTRAL OFFICE OF THE DIOCESE OF MANCHESTER
Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	1,365,880	851,718
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	86,741	99,515
Loss on disposal of fixed assets	2,833	2,225
Reinvested investment income	-	(1,195,550)
Net realized and unrealized losses on investments	1,102,810	333,190
Provision for losses on notes receivable	359,101	398,053
Provision for losses on accounts receivable	70,473	164,423
Adjustment for losses on notes receivable	61,022	-
Non-cash donations	(110,000)	-
Non-cash grants	128,825	-
Change in loan discounts	55,260	50,052
Decrease (increase) in:		
Accounts receivable	(290,570)	(199,559)
Insurance receivable	81,737	234,393
Interest receivable	2,705	(17)
Prepaid expenses	(107,356)	88,567
Increase (decrease) in:		
Accounts payable and accrued expenses	(32,118)	(9,970)
Funds held for others - special collections	(3,990)	59,932
Insurance liabilities	(609,813)	(291,762)
Priest retirement benefit obligation	(800,234)	455,282
Net cash provided by operating activities	1,363,306	1,040,492
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(32,080,186)	(149,974,315)
Proceeds from sale of investments	32,007,617	150,248,265
Amounts advanced on notes receivable	(2,175,897)	(2,696,647)
Collections on notes receivable	2,213,903	1,086,141
Purchase of fixed assets	(86,212)	(53,464)
Net cash used for investing activities	(120,775)	(1,390,020)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (decrease) in deposits payable, net	2,160,532	(2,227,488)
Repayments of mortgage note payable	(253,613)	(258,408)
Net cash provided by (used for) financing activities	1,906,919	(2,485,896)

(Continued)

CENTRAL OFFICE OF THE DIOCESE OF MANCHESTER
Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

(Continued)

	2016	2015
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,149,450	(2,835,424)
CASH AND CASH EQUIVALENTS - beginning of year	8,361,576	11,197,000
CASH AND CASH EQUIVALENTS - end of year	$ 11,511,026	$ 8,361,576
SUPPLEMENTAL DISCLOSURES:		
Interest paid (including interest paid on deposits payable)	$ 613,777	$ 636,448

During the years ended June 30, 2016 and 2015, accounts and interest receivable from parishes in the amounts of $191,925 and $302,143, respectively, were transferred to notes receivable.

For the years ended June 30, 2016 and 2015, net realized and unrealized losses on funds held for related entities, which are included in deposits payable, were $224,615 and $17,949, respectively.

The accompanying notes are an integral part
of these financial statements.

Note 1 - Summary of Significant Accounting Policies

The Central Office of the Diocese of Manchester (the Central Office) provides certain programs and administrative support functions for the Diocese of Manchester (the Diocese), which encompasses the State of New Hampshire. Included in these financial statements are the assets, liabilities, net assets and financial activities of program offices and departments of the Diocese described below that are fiscally responsible to the Bishop and referred to herein as the Central Office.

The accompanying financial statements reflect the application of the accounting policies described in this note.

(A) Basis of Presentation

The accompanying financial statements include the assets, liabilities and activities of the Operating Fund, the Central Fund and the Insurance Fund, as well as the Temporarily and Permanently Restricted Funds of the Diocese. The Operating Fund includes program, administrative and support services of the Central Office which are comprised of Christian formation, pastoral services, seminary, missionary, finance, real estate, insurance and administrative support services. The Central Fund holds in trust and manages the deposits of the various affiliates of the Diocese of Manchester as described in Note 5 ($53,863,953 in 2016 and $51,928,036 in 2015). The Insurance Fund administers the insurance program for the Diocese of Manchester as described in Note 8. Revenues are derived primarily from assessments charged to the various affiliates.

The accompanying financial statements exclude the assets, liabilities, net assets and financial activities of various affiliates which maintain separate financial records and carry on their own services and programs, including the individual parishes, schools, cemeteries, camps, New Hampshire Catholic Charities, diocesan housing entities, the Aquinas House and Catholic Student Center, and various diocesan employee benefit plans. Consequently, these financial statements do not present the assets, liabilities, net assets, or changes therein, of the Diocese of Manchester taken as a whole.

(B) Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the reporting period. Actual results could differ from those estimates. Significant estimates used by the Central Office include those used to determine the projected retirement benefit obligation (Note 7), the liability for unpaid insurance claims (Note 8), losses on accounts, notes and insurance receivable (Notes 1, 3, and 8).

Note 1 - (C) Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Central Office considers certificates of deposit and other highly liquid debt instruments with a maturity of three months or less from the date of purchase to be cash equivalents.

The Central Office considers money market accounts and other highly liquid marketable securities managed by its investment advisors as investments and not as cash equivalents, since it is the Central Office's intention to invest these funds for long-term purposes.

The Central Office customarily maintains amounts on deposit in various bank accounts in excess of the Federal deposit insurance coverage amounts. Deposits totaling approximately $11,530,000 (prior to outstanding items clearing the bank) at June 30, 2016 are not covered by Federal deposit insurance.

(D) Accounts Receivable

Accounts receivable are reported at estimated net collectible amounts. The accounts receivable arise in the normal course of the operation of the Central Office and are primarily due from the parishes of the Diocese of Manchester. Credit is generally extended on a short-term basis; thus accounts receivable do not bear interest. The Central Office periodically reviews the outstanding accounts receivable for the purposes of establishing an allowance for uncollectible accounts based on the average bad debt write-offs experienced in the past and its current knowledge of the accounts. It is management's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Accounts receivable at June 30, 2016 and 2015 are reported net of an allowance for uncollectible accounts of $312,241 and $241,768, respectively. Aggregate accounts receivable past due 90 days or more were approximately $428,000 and $423,000 as of June 30, 2016 and 2015, respectively. Delinquency status is based on normal credit terms. The Central Office does not generally require collateral for the extension of credit.

Included in accounts receivable at June 30, 2016 and 2015 were unconditional promises to give valued at $88,374 and $45,000, respectively, which are receivable in less than one year.

(E) Investments

Investments represent marketable securities as well as units owned in a hedge fund portfolio. Investments in marketable securities are valued at their fair values in the statements of financial position. The measurement of fair value is made using the fair value hierarchy established under current accounting standards (Note 11). Net asset value (NAV) is used as a practical expedient to estimate fair value of the hedge funds (Note 11).

Purchases and sales of securities are recorded on a trade-date basis. Interest is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the statements of activities.

Note 1 - (F) Notes Receivable

The Central Office has notes receivable from diocesan entities (see Note 3). These receivables are evaluated for impairment annually and are placed on non-accrual status on a case by case basis. Interest income on non-accrual loans is recognized only to the extent that cash payments are received. Loans are classified as impaired, when they are greater than 60 days past due, on non-accrual status, or additional borrowing is needed due to operational deficits. Generally, loans are restored to performing status when the obligation is brought current, has performed in accordance with contractual terms for a reasonable period of time as determined by the Central Office, and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

The Central Office reviews each outstanding note receivable from diocesan entities and has provided an allowance for losses at a level that the Central Office believes to be representative of inherent losses estimated on the basis of factors such as the risk characteristics of the borrower, average historical bad debt write-offs, and current economic conditions that may affect the borrower's ability to pay. Delinquency status is determined based on contractual terms. It is the Central Office's policy to charge off uncollectible notes receivable when management determines the receivable will not be collected. Additionally, on the aggregate remaining balance of notes receivable, including priest and seminarian notes receivable, the Central Office estimates an additional allowance covering those amounts not specifically identified (see Note 3).

Priest and seminarian notes are recorded net of applicable discounts and an allowance for losses equal to the remaining balance of the notes as the Central Office estimates that a substantial portion of these notes may not be collected.

(G) Fixed Assets

It is the Central Office's policy to capitalize fixed assets with a cost of at least $1,000. Lesser amounts are charged to operations.

Fixed assets are recorded at cost, if purchased, or at estimated fair market value as of the date of donation, if donated. The composition of net fixed assets at June 30, 2016 and 2015 is as follows:

	2016	2015
Land	2,129	2,129
Buildings	651,646	651,646
Building improvements	1,259,791	1,238,439
Furniture and other equipment	363,892	358,173
Computer equipment and software	326,282	310,172
	2,603,740	2,560,559
Less: accumulated depreciation	2,298,486	2,251,943
Fixed assets, net	$ 305,254	$ 308,616

Note 1 - (G) Fixed Assets (Continued)

The Central Office provides for depreciation on the straight-line method by charges to income in amounts estimated to amortize the cost or donated value of the assets over the periods of their useful lives.

Depreciation expense was $86,741 and $99,515 during 2016 and 2015, respectively.

Included in fixed assets in the accompanying statements of financial position are assets with a net book value of $50,648 and $49,091 as of June 30, 2016 and 2015, respectively, which are restricted by the donor for use as the Bishop's residence.

(H) Restricted Support

The Central Office reports gifts of cash, fixed assets and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities. In the absence of donor-imposed stipulations regarding how long donated fixed assets must be used, the Central Office has adopted a policy of reporting the expiration of donor restrictions when the donated or acquired long-lived assets are placed in service. The Central Office has also adopted a policy of treating restricted donations received, whose restrictions are met within the same year, as unrestricted donations. The Central Office has a similar policy with respect to investment income earned on these funds.

Designated net assets represent net assets that have been designated by the Central Office for the following purposes at June 30, 2016 and 2015:

	2016	2015
Missionary support	797,520	838,254
School education fund	348,318	313,529
Priests continuing formation	641,600	609,482
Medical needs of priests	737,032	784,717
Worship and world youth day	10,070	10,070
Campus ministry	124,925	124,925
Youth ministry	442,705	442,705
St. Joseph Cathedral	144,334	146,303
Permanent Deaconate Continuing Formation	592,852	473,724
	$ 3,839,356	$ 3,743,709

Note 1 - (H) Restricted Support (Continued)

Temporarily restricted net assets are available for the following purposes at June 30, 2016 and 2015:

	2016	2015
Seminarians	693,624	784,212
Missionary support	61,084	62,209
Parish masses	321,379	328,099
For specific schools	162,946	166,043
Education	1,082,579	1,122,907
For specific parishes	316,590	398,496
Missionary, Catholic education, retired priests and parish support	1,407,521	1,784,464
Non-capital purposes	211,546	223,491
For specific geographical region	214,468	228,741
Other various purposes	261,279	314,836
	$ 4,733,016	$ 5,413,498

Permanently restricted net assets are restricted to investment in perpetuity and were as follows at June 30, 2016 and 2015:

	2016	2015
Missionary, Catholic education, retired priests and parish support	4,338,143	4,338,143
Seminarians	638,295	638,295
Care of gravesites	34,417	34,417
Scholarships, education and tuition	2,083,120	1,977,648
Care of needy	12,672	12,672
General purposes for specific parishes	821,775	821,775
Other various purposes	212,547	212,804
	$ 8,140,969	$ 8,035,754

The income from permanently restricted net assets is expendable for the purposes described above.

(I) Salary and Expense Allocations

The Central Office allocates the salary of each diocesan employee to various salary expense classifications. This allocation is based on an estimate made by management of the percentage of time each individual devotes to each type of service. The percentages used to allocate salaries in each year vary depending upon the Central Office's estimate. The Central Office also allocates administrative expenses to the various programs based on estimates determined by the Central Office.

Note 1 - (J) Federal and State Income Taxes

The Diocese is exempt from Federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Diocese must, however, pay income taxes on the net profit from its unrelated business activities, if any.

The Central Office recognizes the tax benefit of an uncertain tax position only if management determines that it is more likely than not that the tax position would be sustained upon examination by taxing authorities based on the technical merit of the position. Management has determined that through June 30, 2016, the Central Office did not take any material tax positions which do not meet the criteria for recognition.

Note 2 - Investments

The Central Office and its affiliated agencies and funds deposit money into the Central Fund. The Central Fund pools all of the money received for the purpose of making loans (Note 3) and investing in marketable securities and hedge funds, primarily consisting of money market funds, equities, fixed income securities, and alternative investments.

The Central Office's policy is to invest in a manner consistent with teachings of the Roman Catholic Church as expressed in guidelines published by the US Conference of Catholic Bishops, in order to preserve capital and realize a sufficient return with minimal risk. In general, the Central Office's current policy is to maintain the following allocations:

Equity securities - domestic	22%
Equity securities – international and emerging markets	16%
Fixed income securities	35%
Alternative investments	20%
Private equities	5%
Money market funds	2%

The Diocese is the sole remainder beneficiary of an irrevocable charitable remainder trust. Under the terms of the trust, the income beneficiaries of the trust receive a unitrust amount equal to 8% of the fair market value of the trust assets determined annually, paid in equal monthly installments. Upon the death of the surviving income beneficiary, the trustee is to distribute all remaining principal and income of the trust to the Diocese to be used to establish a scholarship fund to benefit students in Catholic regional schools within New Hampshire. The net present value of the beneficial interest in the trust is included in assets held for restricted purposes in the accompanying financial statements using an assumed rate of return of 6.5% in 2016 and 2015 and discounted at 3.5% in 2016 and 4.33% in 2015 ($943,656 and $837,289 at June 30, 2016 and 2015, respectively). The fair value of the trust assets was $1,542,561 and $1,565,694 at June 30, 2016 and 2015, respectively.

The investments reported in the statements of financial position include the securities and hedge funds held in the Central Fund and the beneficial interest in the trust, in addition to other marketable securities held by the Central Office and the temporarily and permanently restricted funds.

Note 2 - Investments (Continued)

Investments are included in the accompanying financial statements as follows:

	2016	2015
Investments	56,961,077	57,505,610
Assets held for restricted purposes	14,287,256	14,887,579
	$ 71,248,333	$ 72,393,189

Net investment income in the statements of activities is comprised of the following:

	2016	2015
Dividends, interest and other income	1,401,714	1,706,873
Realized and unrealized losses, net	(1,102,810)	(333,190)
Investment fees paid, net	(136,620)	12,145
Total investment income, net	$ 162,284	$ 1,385,828

Investment income is accounted for in the fund holding the assets, except for certain income from investments of permanently restricted funds, which is accounted for as unrestricted revenue or, if subject to donor restrictions, as temporarily restricted revenue until the terms of the restriction have been met. The Central Office follows the guidance established by the Financial Accounting Standards Board when accounting for losses in permanently restricted endowment funds (see Note 12).

See Note 11 for fair value measurements and the fair value of investments classified by major type.

Note 3 - Notes Receivable

Notes receivable from diocesan entities (parishes, cemeteries, and schools) are unsecured and are reported at their unpaid principal balances less an allowance for losses. Interest on notes receivable is recognized over the term of the loan and is calculated using either the simple interest method or the amortization method on principal amounts outstanding. Notes to certain diocesan entities are non-interest bearing or are at a reduced rate of interest. These notes generally have been recorded net of applicable discounts to reflect the present value of the notes, based on the interest rates normally charged on other notes (4.00% in 2016 and 2015).

Interest income on notes receivable was $457,336 in 2016 (including new loan discounts, amortization due to the passage of time and adjustments of ($55,260)). Interest income was $416,847 in 2015 (including new loan discounts, amortization due to the passage of time and adjustments of ($50,052)).

Notes receivable from priests and seminarians are unsecured, non-interest bearing and have no specific payment terms. Repayment of seminarian notes is generally scheduled to commence when the seminarian is ordained.

Note 3 - Notes Receivable (Continued)

Due to the nature of the relationships with Diocesan entities, the Central Office has been willing, under appropriate circumstances, to make concessions for borrowers whose payments were not current or to refinance outstanding obligations. At the time of restructuring, the loan is evaluated for an allowance for credit losses. The Central Office continues to specifically reevaluate the loan in subsequent periods, regardless of the borrower's performance under the modified terms. There were no troubled debt restructurings for the years ended June 30, 2016 and 2015. During the year ended June 30, 2016, one borrower was granted a concession for the forbearance of principal payments. Since the borrower continues to make interest payments, management has determined there is no effect to the financial statements for modifying the loan.

In assessing performance of notes receivables on an annual basis, the Central Office considers notes receivable less than 30 days past due to be current and classified as performing. The Central Office also classifies loans which have contractual terms that require no payments in a given year as current and performing. Performing notes receivables as of June 30, 2016 and 2015 were $10,708,208 and $10,868,509, respectively. Non-performing notes receivables as of June 30, 2016 and 2015 were $6,993,706 and $6,869,332, respectively.

The following reflects the age analysis of notes receivable as of June 30, 2016 and 2015, respectively:

	Age Analysis - 2016		
	Diocesan Entity Notes	Priest and Seminarian Notes	Total
Current	10,708,208	-	10,708,208
30 - 59 days	81,310	-	81,310
60 - 89 days	76,593	-	76,593
90+ days	1,515,826	5,319,977	6,835,803
Total notes receivable	$ 12,381,937	$ 5,319,977	$ 17,701,914
Total notes receivable on non-accrual status	$ 1,896,759	$ 5,319,977	$ 7,216,736
Notes receivable 90+ days past due and still accruing	$ 145,632	$ -	$ 145,632

Note 3 - Notes Receivable (Continued)

	Age Analysis - 2015		
	Diocesan Entity Notes	Priest and Seminarian Notes	Total
Current	10,868,509	-	10,868,509
30 - 59 days	-	-	-
60 - 89 days	4,377	-	4,377
90+ days	1,869,113	4,995,842	6,864,955
Total notes receivable	$ 12,741,999	$ 4,995,842	$ 17,737,841
Total notes receivable on non-accrual status	$ 1,787,561	$ 4,995,842	$ 6,783,403
Notes receivable 90+ days past due and still accruing	$ 487,353	$ -	$ 487,353

The following provides informative data at June 30, 2016 and 2015, and for the years then ended separately presented based on whether or not management has recognized an allowance for credit losses with respect to the impaired loans:

	Impaired Loans - 2016		
	Diocesan Entity Notes	Priest and Seminarian Notes	Total
Impaired loans for which no allowance for credit losses is recognized:			
Recorded investment	$ 3,282,381	$ -	$ 3,282,381
Unpaid principal balance	3,282,381	-	3,282,381
Average recorded investment	2,682,883	-	2,682,883
Interest income recognized while impaired	87,232	-	87,232
Impaired loans for which an allowance for credit losses is recognized:			
Recorded investment	2,369,568	3,991,714	6,361,282
Unpaid principal balance	2,369,568	5,319,977	7,689,545
Average recorded investment	2,298,407	3,870,164	6,168,571
Interest income recognized while impaired	51,733	-	51,733

Note 3 - Notes Receivable (Continued)

	Impaired Loans - 2015		
	Diocesan Entity Notes	Priest and Seminarian Notes	Total
Impaired loans for which no allowance for credit losses is recognized:			
Recorded investment	$ 2,083,386	$ -	$ 2,083,386
Unpaid principal balance	2,109,159	-	2,109,159
Average recorded investment	2,703,724	-	2,703,724
Interest income recognized while impaired	33,075	-	33,075
Impaired loans for which an allowance for credit losses is recognized:			
Recorded investment	2,227,246	3,748,613	5,975,859
Unpaid principal balance	2,227,246	4,995,842	7,223,088
Average recorded investment	2,127,766	3,662,586	5,790,352
Interest income recognized while impaired	45,983	-	45,983

The following reflects the allowance for losses, discounts, and the related recorded investment in notes receivable as of June 30, 2016 and 2015, respectively:

	2016		
	Diocesan Entity Notes	Priest and Seminarian Notes	Total
Allowance for losses:			
Beginning balance	2,001,000	3,748,613	5,749,613
Provision	116,000	243,101	359,101
Ending balance	$ 2,117,000	$ 3,991,714	$ 6,108,714
Ending balance: individually evaluated for impairment	1,915,000	-	1,915,000
Ending balance: aggregate remaining balance evaluated for impairment	202,000	3,991,714	4,193,714
Ending balance	$ 2,117,000	$ 3,991,714	$ 6,108,714

Note 3 - Notes Receivable (Continued)

	2016		
	Diocesan Entity Notes	Priest and Seminarian Notes	Total
Discounts:			
Beginning balance	25,773	1,247,229	1,273,002
Provision	(25,773)	81,034	55,261
Ending balance	$ -	$ 1,328,263	$ 1,328,263
Ending balance: individually evaluated for impairment	-	-	-
Ending balance: aggregate remaining balance evaluated for impairment	-	1,328,263	1,328,263
Ending balance	$ -	$ 1,328,263	$ 1,328,263
Recorded investment in notes receivable:			
Ending balance: individually evaluated for impairment	5,651,948	-	5,651,948
Ending balance: aggregate remaining balance evaluated for impairment	6,729,989	5,319,977	12,049,966
Ending balance	$ 12,381,937	$ 5,319,977	$ 17,701,914

	2015		
	Diocesan Entity Notes	Priest and Seminarian Notes	Total
Allowance for losses:			
Beginning balance	1,775,000	3,576,560	5,351,560
Provision	226,000	172,053	398,053
Ending balance	$ 2,001,000	$ 3,748,613	$ 5,749,613
Ending balance: individually evaluated for impairment	1,748,832	-	1,748,832
Ending balance: aggregate remaining balance evaluated for impairment	252,168	3,748,613	4,000,781
Ending balance	$ 2,001,000	$ 3,748,613	$ 5,749,613

Note 3 - Notes Receivable (Continued)

	2015		
	Diocesan Entity Notes	Priest and Seminarian Notes	Total
Discounts:			
Beginning balance	33,072	1,189,878	1,222,950
Provision	(7,299)	57,351	50,052
Ending balance	$ 25,773	$ 1,247,229	$ 1,273,002
Ending balance: individually evaluated for impairment	25,773	-	25,773
Ending balance: aggregate remaining balance evaluated for impairment	-	1,247,229	1,247,229
Ending balance	$ 25,773	$ 1,247,229	$ 1,273,002
Recorded investment in notes receivable:			
Ending balance: individually evaluated for impairment	4,336,405	-	4,336,405
Ending balance: aggregate remaining balance evaluated for impairment	8,405,594	4,995,842	13,401,436
Ending balance	$ 12,741,999	$ 4,995,842	$ 17,737,841

There were no changes to the accounting policy for notes receivable for the years ended June 30, 2016 and 2015. There were no purchases, sales, or reclassifications of notes receivables for the years ended June 30, 2016 and 2015.

Note 4 - Related Party Transactions

Since January 2014, the Central Office rents space at the property located at the St. Joseph Cathedral Parish, a Diocesan entity, for the purpose of storing its archive files. Prior to that time, the Central Office rented space at the Diocesan Bureau of Housing, Inc. for that purpose. The total rent paid was $4,320 in 2016 and 2015.

The Central Office enters into various transactions with New Hampshire Catholic Charities, also a Diocesan entity, which has its main office located in facilities owned and shared by the Central Office. Below is a summary of rent and program related expenses paid to New Hampshire Catholic Charities:

	2016	2015
Rent received	$ 113,700	$ 108,660
Program costs paid	32,400	35,600

Note 4 - Related Party Transactions (Continued)

The Central Office receives assessment revenue from parishes for specific programs and administrative and other services. In addition, the Central Office receives revenue from affiliates (parishes, schools, cemeteries, diocesan employee benefit plans, diocesan housing entities, and New Hampshire Catholic Charities) for insurance coverage and provides grants and subsidies to certain parishes, schools and mission churches to support their programs. A summary of these transactions is as follows:

	2016	2015
Assessments received (excluding insurance)	$ 6,019,701	$ 6,015,147
Insurance revenue (see Note 8)	5,341,448	5,323,268
Grants, subsidies and donations paid	1,887,988	2,111,688
Investment management fees earned	205,873	236,721

Amounts due from the parishes and other affiliates, primarily for assessments, insurance and interest (net of allowance) was $623,943 and $639,145 at June 30, 2016 and 2015, respectively. Amounts due to the parishes and other affiliates at June 30, 2016 and 2015 were $191,341 and $180,761, respectively.

Assets of the Central Fund (Note 2) are held for the benefit of other related entities and funds as described in Note 5.

The Central Office participates in the Roman Catholic Bishop of Manchester Employee Benefit Plan and Trust (the Plan) which is managed and overseen by the Diocese. The Plan provides health, dental, life and disability insurance benefits. Total expense incurred and paid to the Plan during 2016 and 2015 was approximately $361,000 and $379,000, respectively.

The Central Office provides certain administrative services related to the operation of the Plan. The amount billed to the Plan was $84,000 in 2016 and 2015.

Note 5 - Deposits Payable

The Central Office holds deposits from its various parishes, schools and other entities within the Diocese. Interest is paid on these deposits at a rate of 1.0% in 2016 and 2015. Amounts are due on demand. Interest expense on deposits was $406,651 and $414,763 for 2016 and 2015, respectively. In addition, the Central Office maintains the pooled investments on behalf of the Sick Priests Fund and on behalf of various parishes. The deposits payable at June 30, 2016 and 2015 consist of the following:

	2016	2015
Due to:		
Parishes	32,118,342	30,663,518
Cemeteries	9,788,223	9,105,302
Schools	8,064,360	8,667,573
Sick Priests Fund	2,436,021	2,199,573
Other Diocesan entities	1,457,007	1,292,070
	$ 53,863,953	$ 51,928,036

Note 6 - Mortgage Note Payable

The Central Office has issued a 15-year mortgage note to an insurance company which is payable in equal monthly installments for principal and interest of $37,974 through October 2025. The note bears interest at 6% and is collateralized by a first mortgage interest in certain real estate owned by the Diocese.

Interest expense for this loan amounted to $202,072 and $216,805 during 2016 and 2015, respectively. The principal balance due was $3,228,354 and $3,481,967, at June 30, 2016 and 2015, respectively.

The scheduled future principal payments due on this note are as follows:

Fiscal year	
2017	269,286
2018	285,895
2019	303,528
2020	322,249
2021	342,125
Thereafter	1,705,271
	$ 3,228,354

Note 7 - Retirement Benefits

(A) Diocesan Administration Employees

The Central Office has a tax-deferred annuity plan under Internal Revenue Code Section 403(b) for the benefit of its eligible diocesan administration employees. Contributions to the plan are based on 3% of eligible wages. Total contributions to this plan during 2016 and 2015 amounted to $81,966 and $84,750, respectively.

(B) Diocesan Priests

On June 27, 2007, the Diocese established the Diocesan Priest Retirement Plan (the Plan) and the Diocesan Priest Retirement Trust Fund (the Trust) for the purpose of funding the retirement benefits of retired priests incardinated in the Diocese of Manchester who are granted permission by the Bishop of Manchester to retire. Under the Plan, retired priests receive a monthly stipend, medical and dental coverage, and are eligible for personal automobile insurance reimbursement. Priests born on or before 1948 are eligible to request retirement from the Bishop of Manchester at the earlier of attainment of age 68 or completion of 40 years of service; priests born between 1949 and 1956 (inclusive) are eligible to request retirement at age 70; priests born between 1957 and 1970 (inclusive) are eligible to request retirement at age 71; priests born during or after 1971 are eligible to request retirement at age 72. Earlier retirement is permitted only with the approval

Note 7 - (B) Diocesan Priests (Continued)

of the Bishop. In accordance with the terms of the Plan, the Central Office assumed the obligations of the Plan, including the unfunded benefit obligation as of the date the Plan was established. In addition, the Central Office has recognized the unfunded obligation of the retirement plan in its statements of financial position in accordance with accounting principles generally accepted in the United States of America.

In addition to the benefits provided by the Trust, the Diocese also provides prescription drug coverage through its Medical Insurance Fund. Benefits are paid from the unrestricted (designated) assets of the Central Office and not from the Diocesan Priest Retirement Fund.

The Diocese also established a sustenance program (the Sustenance Program) for priests ineligible for public ecclesiastical ministry for whom the Diocese retains a responsibility of sustenance. These priests receive a monthly stipend, medical and dental coverage and are eligible for personal automobile insurance reimbursement. Benefits are paid from the unrestricted (undesignated) assets of the Central Office, not from the Diocesan Priest Retirement Fund or Diocesan assessment revenue from parishes.

Effective July 1, 2015, the monthly stipend increased from $1,550 to $1,600 for retired priests and from $1,950 to $2,000 for retired Bishops. This resulted in an increase of $490,985 to the priest retirement benefit obligation.

The actuarial assumptions for the mortality, discount rates, and trend rates were changed during the year ended June 30, 2016. The changes in these actuarial assumptions increased the priest retirement obligation by approximately $1,207,000.

The actuarial assumptions for the mortality and discount rate were changed during the year ended June 30, 2015. The changes in these actuarial assumptions increased the priest retirement benefit obligation by approximately $2,005,000.

The following information relates to the Diocesan Priest Retirement Plan, Medical Insurance Fund and Sustenance Program, and includes amounts determined as of June 30, 2016 and 2015 measurement dates:

	2016			2015		
	Diocesan Priests Retirement Plan	Medical Insurance Fund	Sustenance Program	Diocesan Priests Retirement Plan	Medical Insurance Fund	Sustenance Program
Projected benefit obligation	(22,592,224)	(1,712,315)	(1,897,659)	(22,719,711)	(1,657,771)	(1,933,599)
Fair value of plan assets	9,718,242	-	-	9,026,891	-	-
Funded status	$ (12,873,982)	$(1,712,315)	$(1,897,659)	$ (13,692,820)	$(1,657,771)	$(1,933,599)

Note 7 - (B) Diocesan Priests (Continued)

The accrued postretirement benefit expense for the Diocesan Priest Retirement Plan at June 30, 2016 and 2015 is as follows:

	2016	2015
Funded status	(12,873,982)	(13,692,820)
Unrecognized prior service cost	1,697,617	1,818,546
Unrecognized net loss	3,951,407	3,572,853
Accrued postretirement benefit expense	$ (7,224,958)	$ (8,301,421)

Significant assumptions at June 30, 2016 and 2015 include:

	2016			2015		
	Diocesan Priests Retirement Plan	Medical Insurance Fund	Sustenance Program	Diocesan Priests Retirement Plan	Medical Insurance Fund	Sustenance Program
Discount rate	3.50%	3.50%	3.50%	4.13%	4.13%	4.13%
Expected return on plan assets	6.5%	N/A	N/A	6.5%	N/A	N/A
Annual cost increases:						
Medical and dental	6.0% trending to 4%	6.0% trending to 4%	6.0% trending to 4%	5.5% trending to 4%	5.5% trending to 4%	5.5% trending to 4%
Automobile insurance premiums	3%	N/A	3%	3%	N/A	3%
Year that the rate reaches the ultimate trend rate	2020	2020	2020	2018	2018	2018
Rate of compensation increase	N/A	N/A	N/A	N/A	N/A	N/A
Mortality	RP-2014 Mortality Table projected fully generational with scale MP-2015			RP-2014 Mortality Table projected fully generational with scale MP-2014		
Benefit cost	961,114	54,544	136,995	814,776	49,143	(14,847)
Employer contributions and donations	1,806,737	-	172,935	1,644,192	-	188,167
Participant contributions	51,250	-	-	52,600	-	-
Benefits paid	1,124,863	32,769	172,935	1,249,506	46,333	188,167

The net periodic pension cost consists of:

	2016	2015
Diocesan Priest Retirement Plan:		
Amortization of prior service costs	120,929	93,000
Investment return	(555,507)	(542,681)
Current service cost	396,880	355,198
Interest cost	908,410	904,494
Amortization of gains or losses	90,402	4,764
Medical insurance fund	54,544	49,143
Total	$ 1,015,658	$ 863,918

Note 7 - (B) Diocesan Priests (Continued)

Retirement-related changes for the Diocesan Priest Retirement Plan other than net periodic pension costs consist of:

	2016	2015
Amortization of prior service costs	(120,929)	(93,000)
Current year net (gain) loss not yet recognized	(534,160)	1,136,884
Funding by affiliates	(1,124,863)	(1,249,506)
	$ (1,779,952)	$ (205,622)

The accumulated benefit obligations were as follows:

	Diocesan Priests Retirement Plan	Medical Insurance Fund	Sustenance Program
June 30, 2016	$ 20,000,910	$ 983,600	$ 1,656,690
June 30, 2015	$ 20,299,855	$ 993,685	$ 1,686,496

The Central Office expects to contribute approximately $1,694,000 to the Retirement Plan during the year ending June 30, 2017. Benefits expected to be paid during the ensuing five years and five years thereafter are as follows:

	Diocesan Priests Retirement Plan	Medical Insurance Fund	Sustenance Program
2017	$ 1,398,000	$ 67,405	$ 149,739
2018	1,436,000	72,569	143,806
2019	1,419,000	74,826	166,024
2020	1,404,000	76,860	159,500
2021	1,369,000	77,465	152,518
2022 - 2026	6,923,000	426,567	652,950

Assets of the Trust are invested with other marketable securities and hedge funds of the Central Office and its affiliated agencies (Note 2). The Central Office's investment policy with respect to assets of the Trust is consistent with the policy outlined in Note 2.

The expected rate of return on Plan assets was developed in consultation with the Plan's investment advisors and is based upon their assessment of expected future returns.

See Note 11 for a discussion of the fair value measurements of the Diocesan Priest Retirement Plan investments.

Note 7 - (B) Diocesan Priests (Continued)

The following table sets forth by level, within the fair value hierarchy, the valuation techniques used to determine the fair value of these investments as of June 30, 2016 and 2015:

	2016				
	Level 1	Level 2	Level 3	Net Asset Value*	Total
Money market funds	-	406,040	-	-	406,040
Equity securities:					
Domestic	2,302,161	-	-	-	2,302,161
International and emerging markets	1,236,187	-	-	-	1,236,187
Fixed income securities:					
Corporate bonds	-	2,172,837	-	-	2,172,837
Government securities	-	336,623	-	-	336,623
Certificates of deposit	-	948,061	-	-	948,061
Preferred stock	2,853	-	-	-	2,853
Alternative investments:					
Real estate investment trusts	395,580	-	-	-	395,580
Total assets in the fair value hierarchy	3,936,781	3,863,561	-	-	7,800,342
Hedge funds	-	-	-	1,708,791	1,708,791
Investments at fair value	$ 3,936,781	$ 3,863,561	$ -	1,708,791	$ 9,509,133

	2015				
	Level 1	Level 2	Level 3	Net Asset Value*	Total
Money market funds	-	438,318	-	-	438,318
Equity securities:					
Domestic	2,367,634	-	-	-	2,367,634
International and emerging markets	1,006,874	-	-	-	1,006,874
Fixed income securities:					
Corporate bonds	-	1,690,398	-	-	1,690,398
Government securities	-	1,084,118	-	-	1,084,118
Certificates of deposit	-	370,055	-	-	370,055
Preferred stock	2,695	-	-	-	2,695
Alternative investments:					
Real estate investment trusts	339,517	-	-	-	339,517
Total assets in the fair value hierarchy	3,716,720	3,582,889	-	-	7,299,609
Hedge funds	-	-	-	1,682,314	1,682,314
Investments at fair value	$ 3,716,720	$ 3,582,889	$ -	1,682,314	$ 8,981,923

* In accordance with current accounting standards certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position (see Note 11).

Note 8 - Insurance

The Diocese is partially self-insured for claims incurred, with respect to property, liability and automobile insurance coverage which is administered by the Central Office. The Diocese was self-insured for workers' compensation from September 1972 through June 1997. Included in cash held for restricted purposes is approximately $129,000, which is on deposit with a fiduciary and is bound by a Security Deposit Agreement in accordance with New Hampshire state law.

In consultation with its actuary, the Central Office has obtained policies with certain deductibles from commercial insurers to reduce financial exposure to risk, however, the Central Office remains primarily responsible to affiliated entities for the payment of claims. The Central Office pays claims on all losses arising from a single occurrence. Insurers then reimburse the portion of any claim in excess of the retention limit, subject to limits stated in the policy.

The Central Office records a liability for unpaid claims based on amounts due on settlements, and case base estimates of reported losses, plus supplemental amounts for incurred but not reported losses (IBNR) calculated based on loss projections using actuarial analysis and studies of historical loss experience. Amounts due from insurance companies on settled claims were $43,604 and $125,341 at June 30, 2016 and 2015, respectively, and have been recorded as insurance receivable in the accompanying statements of financial position.

The following summarizes the estimated liability for unpaid claims at June 30, 2016 and 2015:

	2016		
Type	Claims Payable, net	IBNR	Total
Liability	561,641	235,978	797,619
Property	85,388	312,721	398,109
Workers' compensation	2,039,178	-	2,039,178
	$ 2,686,207	$ 548,699	$ 3,234,906

	2015		
Type	Claims Payable, net	IBNR	Total
Liability	800,424	406,818	1,207,242
Property	178,626	245,132	423,758
Workers' compensation	2,213,719	-	2,213,719
	$ 3,192,769	$ 651,950	$ 3,844,719

While the Central Office believes that the amounts reported represent its best estimate of the amount necessary to cover the ultimate cost of these claims, these estimates are subject to change. Any change in estimates is made in consultation with an actuary and is recorded in the year the change is determined.

Claims and legal expense paid for all of the above coverages amounted to approximately $1,505,000 and $751,000 in 2016 and 2015, respectively.

Note 9 - Contingencies

Through June 30, 2016, numerous claims and lawsuits have been filed against the Diocese of Manchester in connection with reports of sexual misconduct with minors by some priests and others associated with the Diocese.

The Diocese has entered into settlement agreements with a substantial number of the complainants. Under the terms of the agreements through June 30, 2016, the Diocese has agreed to pay $26,237,717 to the complainants, and the complainants have agreed to withdraw their claims. The cost of the settlements, including a provision for pending settlements, net of estimated insurance recoveries of approximately $8,813,000, has been provided for as an expense in the year in which the liability for payment was determined to be probable and the amount was subject to reasonable estimation.

The accompanying financial statements include an estimated liability for the remaining reported claims and an estimate of the liability relating to unreported claims. As discussed in Note 8, it is possible that these estimates will change in the near term, and these changes may be material to the financial statements.

Note 10 - Risk and Uncertainties

The Central Office invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balances.

Note 11 - Fair Value Measurements

Accounting principles generally accepted in the United States of America establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, observable inputs other than quoted market prices or inputs that are derived principally from or corroborated by observable market data by correlation or other means; and Level 3 inputs consist of inputs that are unobservable and significant to the fair value measurement and have the lowest priority. The Central Office uses appropriate valuation techniques based on available inputs to measure the fair value of its investments. An asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques must maximize the use of observable inputs and minimize the use of unobservable inputs.

Note 11 - Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the valuation techniques used to determine the fair value of the Central Office's assets as of June 30, 2016 and 2015.

	2016				
	Level 1	Level 2	Level 3	Net Asset Value*	Total
Money market funds	-	2,988,493	-	-	2,988,493
Equity securities:					
Domestic	17,090,628	-	213,398	-	17,304,026
International and emerging markets	9,082,441	-	-	-	9,082,441
Fixed income securities:					
Corporate bonds	-	15,961,081	-	-	15,961,081
Government securities	-	2,474,874	-	-	2,474,874
Certificates of deposit	-	6,968,913	-	-	6,968,913
Preferred stock	21,138	-	-	-	21,138
Exchange-traded and closed-end funds	38,386	-	-	-	38,386
Alternative investments:					
Real estate investment trusts	2,907,612	-	-	-	2,907,612
Beneficial interest in charitable remainder trust	-	-	943,656	-	943,656
Total assets in the fair value hierarchy	29,140,205	28,393,361	1,157,054	-	58,690,620
Hedge funds	-	-	-	12,557,713	12,557,713
Investments at fair value	$ 29,140,205	$28,393,361	$ 1,157,054	$12,557,713	$71,248,333

	2015				
	Level 1	Level 2	Level 3	Net Asset Value*	Total
Money market funds	-	3,468,461	-	-	3,468,461
Equity securities:					
Domestic	18,971,288	-	213,398	-	19,184,686
International and emerging markets	7,969,862	-	-	-	7,969,862
Fixed income securities:					
Corporate bonds	-	13,385,282	-	-	13,385,282
Government securities	-	8,580,606	-	-	8,580,606
Certificates of deposit	-	2,931,580	-	-	2,931,580
Preferred stock	20,822	-	-		20,822
Alternative investments:					
Real estate investment trusts	2,696,915	-	-	-	2,696,915
Beneficial interest in charitable remainder trust	-	-	837,289	-	837,289
Total assets in the fair value hierarchy	29,658,887	28,365,929	1,050,687	-	59,075,503
Hedge funds	-	-	-	13,317,686	13,317,686
Investments at fair value	$ 29,658,887	$28,365,929	$ 1,050,687	$13,317,686	$72,393,189

Note 11 - Fair Value Measurements (Continued)

* In accordance with current accounting standards, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

The following table shows a summary of changes in the fair value of the Central Office's Level 3 assets for the years ended June 30, 2016 and 2015:

	2016		
	Investment in Insurance Company	Charitable Remainder Trust	Total
Balance, beginning of year	213,398	837,289	1,050,687
Unrealized losses	-	(3,633)	(3,633)
Purchases	-	110,000	110,000
	$ 213,398	$ 943,656	$ 1,157,054

	2015		
	Investment in Insurance Company	Charitable Remainder Trust	Total
Balance, beginning of year	213,398	867,529	1,080,927
Unrealized losses	-	(30,240)	(30,240)
	$ 213,398	$ 837,289	$ 1,050,687

Level 1 and 2 assets are valued using a market approach. Level 1 equity securities, fixed income securities, exchange traded and closed-end funds and alternative investments are valued based on published quotations of securities traded on active markets. Level 2 money market funds and fixed income securities are valued using quoted prices for identical or similar assets in markets that are not active.

The method of valuing the level 3 charitable remainder trust is described in Note 2. The investment in the insurance company is valued at cost, which management has determined approximates fair value.

Investments measured at net asset value (NAV) represent units owned in a hedge fund portfolio, with varying investment strategies. Valuation of the hedge funds within the portfolio are at the NAV of the underlying investments held by the individual funds. NAV is used as the practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the Central Office will sell the investment for an amount different from the reported NAV. Hedge funds investing in more liquid assets are valued daily using published market prices, whereas hedge funds investing in less liquid assets are valued at least monthly using prices for identical or similar assets in markets that are not active. The redemption frequency and redemption notice period varies between the individual hedge funds within the portfolio. If the Central Office initiates a full redemption, the investment advisor requires 30 days of notice. This redemption notice period is applicable only to the Central Office.

Note 11 - Fair Value Measurements (Continued)

There were no changes in the valuation techniques during the current year. The inputs or valuation methodology used for valuing securities are not necessarily indicative of the risk associated with investing in those securities.

Note 12 - Donor-Designated Endowments

The Central Office follows the accounting guidance established by the Financial Accounting Standards Board for the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The guidance also requires certain disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA. The State of New Hampshire enacted UPMIFA effective July 1, 2008, the provisions of which apply to endowment funds existing on or established after that date. The Central Office has determined that permanently restricted net assets meet the definition of endowment funds under UPMIFA.

The Central Office's endowments consist of funds established for the benefit of the programs of the Diocese (see Note 1 (H)). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Central Office has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the gift of donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Central Office classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Central Office in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Central Office considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Central Office, and (7) the Central Office's investment policies.

Note 12 - Donor-Designated Endowments (Continued)

Endowment net asset composition as of June 30, 2016 and 2015 and changes in endowment net assets for the years ended June 30, 2016 and 2015 are as follows:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	(243)	3,909,407	8,035,754	11,944,918
Contributions	-	150	110,025	110,175
Transfers	-	283	(283)	-
Interest and dividends	-	137	-	137
Net depreciation in value of investments	(1,120)	(205,032)	(4,528)	(210,680)
Amounts appropriated for expenditure	-	(491,052)	-	(491,052)
Endowment net assets, end of year	$ (1,363)	$ 3,213,893	$ 8,140,968	$11,353,498

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	-	4,442,072	7,970,395	12,412,467
Contributions	-	800	60,504	61,304
Transfers	-	(35,000)	35,000	-
Interest and dividends	80	38,530	-	38,610
Net depreciation in value of investments	(323)	(15,357)	(30,145)	(45,825)
Amounts appropriated for expenditure	-	(521,638)	-	(521,638)
Endowment net assets, end of year	$ (243)	$ 3,909,407	$ 8,035,754	$11,944,918

Funds with Deficiencies. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Central Office to retain as a fund of perpetual duration. No significant deficiencies were reported in temporarily restricted or unrestricted net assets as of June 30, 2016.

Note 12 - Donor-Designated Endowments (Continued)

Investment Return Objectives, Risk Parameters and Strategies. The Central Office has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution not exceeding 5%, while growing the funds if possible. Therefore, the Central Office expects its endowment assets, over time, to produce a rate of return sufficient to provide for the annual distribution. Investment risk is measured in terms of the total endowment funds. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. The Central Office has a policy of appropriating for distribution each year up to 5% of its endowment fund's average fair value of the previous three years. In addition, in the event that an amount in excess of the 5% threshold is required for any single year in order to accomplish the purposes for which a particular donor restricted fund has been established, the proposed appropriation shall be reviewed by the Diocesan Finance Council, which will then make a recommendation to the Bishop as to its concurrence or nonconcurrence with the proposed appropriation. For fiscal year ending June 30, 2017, a 4% distribution was recommended by the Diocese Finance Council and approved by the Bishop. In establishing this policy, the Central Office considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, some of which must be maintained in perpetuity because of donor-restrictions, the possible effects of inflation, and the provisions of SPMIFA.

Note 13 - Change in Accounting Principle

During 2016, the FASB issued ASU 2015-07 for investments measured at net asset value (NAV). The guidance removes the requirement to categorize within the fair value hierarchy investments for which fair value is measured using the NAV per share practical expedient and limits the related disclosures. Management believes the accounting principle change is preferable because it more closely aligns the investment disclosures with the needs of the primary users of the financial statements. The accounting guidance is effective for fiscal years beginning after December 15, 2016. The guidance is to be applied retrospectively. Management has elected to early adopt the guidance in 2016.

Note 14 - Subsequent Events

Management has evaluated subsequent events through November 17, 2016, the date when the financial statements were available to be issued.