

Financial Statements and
Report of Independent Certified Public Accountants
**Central Administrative Office of the
Roman Catholic Diocese of San Jose**
June 30, 2002 and 2001

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Report of Independent Certified Public Accountants

Most Reverend Patrick J. McGrath
The Roman Catholic Bishop of San Jose

We have audited the accompanying statements of financial position of the Central Administrative Office of the Roman Catholic Diocese of San Jose as of June 30, 2002 and 2001, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Administrative Office of the Roman Catholic Diocese of San Jose at June 30, 2002 and 2001, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

San Jose, California
September 25, 2002

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

NOTES TO FINANCIAL STATEMENTS

June 30, 2002 and 2001

NOTE A - ORGANIZATION

The Roman Catholic Bishop of San Jose, a California Corporation Sole, was incorporated on March 19, 1981 and commenced financial operations on July 1, 1981 as the Roman Catholic Diocese of San Jose ("Diocese").

The financial statements include only those funds for which the Central Administrative Office ("CAO") maintains direct operational control. All significant inter-organizational and interfund balances and transactions have been eliminated. Those entities not included in these statements are the parish churches, elementary and secondary schools, The Catholic Charities of San Jose, The Roman Catholic Seminary Corporation of San Jose ("Seminary"), Jeanne d'Arc Manor, Giovanni Center, Charities Housing Development Corporation of Santa Clara County, San Tomas/Charities Housing Corporation, Sierra Vista/Charities Housing Corporation, Sunset Housing Corporation and Stoney Pine. The financial statements do include funds raised for a new high school (South County High School) and expenditures to date on this project. Upon completion, the assets of the high school will be transferred to the books of the high school.

Following is a description of the fund groups included in net assets:

Unrestricted net assets

- Current Funds

- Operating Fund

- This fund contains the unrestricted resources available for the support of the CAO and resources held for parishes and institutions. This includes the land, buildings and equipment held for use by the CAO, St. Joseph's Cathedral and sites held for sale and for future parishes and institutions.

- Newspaper Fund

- This fund contains the resources available for Newspaper operations.

- Service Funds

- Payroll Fund

- This fund contains resources held by the CAO to operate a central payroll system for parishes and institutions. They are billed for their respective shares of the periodic payrolls and the system's costs.

- Benefit Fund

- This fund collects and disburses monies for benefit programs.

- Comprehensive Insurance Fund

- This fund collects and disburses monies for liability, general property and workers' compensation insurance. The net assets are designated for potential claims.

NOTE A - ORGANIZATION (continued)

- Cemetery Fund

- The Roman Catholic Cemeteries of San Jose are contained in this fund.

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002 and 2001

- Deposit and Loan Fund

This fund contains deposits held by the CAO for parishes and institutions which are held for investment and/or loaned to other parishes and institutions. Interest rates applied to deposits are 55% - 65% of prime rate on April 1 of each year. At June 30, 2002, the effective rate was 4.4% - 5.2%. Interest rate applied to loans was 6.78%.

- Employee Loans Fund

This fund has been established for loans to employees and priests of the Diocese. At June 30, 2002, the interest rate on loans was 6.78%. At June 1, 2001, loans to priest were included in the deposit and loan fund in the amount of \$367,670.

- Endowment and Similar Funds

A portion of this fund has been designated by the CAO as quasi-endowment and may be used for any purpose.

- Priest Retirement Fund

This fund has been established to provide support for retired priests. Specific assets have been designated for this purpose from the Annual Diocesan Appeal, parish payments and potential claims and a Medicare supplemental plan for priests.

- Fundraising Fund

This fund has been established for general fundraising expenses for the general diocesan operations.

Temporarily restricted net assets consist of assets, the use of which has been restricted by the donor.

- Annual Appeal Fund

This fund contains the operations of the Annual Diocesan Appeal. The annual appeal funds raised in February through June are treated as temporarily restricted revenues and are released from restriction in the following year, which is the period for which the funds are collected from the parishes. Associated fund raising costs are expensed as incurred.

- Endowment and Similar Funds

In addition to unrestricted and permanently restricted net assets, this fund contains resources that are temporarily restricted in accordance with trust or other donor agreements.

NOTE A - ORGANIZATION (continued)

- Capital Campaign Fund

This fund has been established to raise money for the Diocese of San Jose to be used for a number of needs including priest retirement, bond repayment, scholarships and new parishes.

- Cemetery Fund

In addition to unrestricted net assets, this fund also contains the proceeds from the sale of Old Kell Cemetery which have been restricted for the use of the Cemeteries and are invested within the pooled investment fund.

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002 and 2001

Permanently restricted net assets consist of assets, the use of which has been restricted for investment in perpetuity. The income from these assets is available for either general operations or specific programs as specified by the donor.

- Endowment and Similar Funds

In addition to unrestricted and temporarily restricted net assets, this fund contains restricted resources, the income from which is to be used principally for priest education and retirement and scholarships and are invested within the pooled investment fund.

Also included in the statement of financial position is the following fund:

- Investment Pool Fund

This fund contains investments of the CAO as well as those investments held for parishes and institutions. Ownership by specific funds or entities is accounted for by use of a pooling method based on market values. Revenues and expenses of the Pool are reflected as net asset changes in the fund or entity for which the assets are held.

NOTE B - SUMMARY OF ACCOUNTING POLICIES

The accounting policies of the CAO conform to accounting principles generally accepted in the United States of America applicable to religious organizations.

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows:

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002 and 2001

NOTE B - SUMMARY OF ACCOUNTING POLICIES (continued)

- Fund Accounting

The accounts of the CAO are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded by fund group. However, for the financial statements, transactions are reported by the net asset categories described in Note A.

- Accrual Basis

The financial statements of the CAO have been prepared on the accrual basis of accounting.

- Cash and Cash Equivalents

All highly liquid debt instruments purchased with a maturity of three months or less are considered cash equivalents, and may include short-term commercial paper and repurchase agreements.

A significant portion of the cash balances held at various banks at June 30, 2002 and 2001 are in excess of federally insured limits.

- Pledges Receivable

Pledges receivable are generated from the Annual Diocesan Appeal campaign drive. The donor-imposed restriction permits the CAO to expend the donated assets in the following fiscal year and the restriction is satisfied by the passage of time. Also included in pledges receivable are restricted funds raised as a result of a capital campaign drive.

- Marketable Securities

Marketable securities are presented in the financial statements at fair value.

- Inventories

Cemetery inventories consist of graves, crypts, cremains, niches, landscaping and irrigation surrounding the sites and site development. Inventories are valued at the lower of cost (based on average cost) or market.

- Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost, or, in the case of cemetery properties acquired directly from the Archdiocese of San Francisco, at approximate market value at the time of transfer. Depreciation expense is calculated principally on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred.

NOTE B - SUMMARY OF ACCOUNTING POLICIES (continued)

- Deferred Revenue

Deferred revenue consists principally of rental income, which is recognized on a straight-line basis over the term of the lease, and pre-need cemetery sales of future goods and services.

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002 and 2001

- Tax Exempt Status

The Diocese has been granted tax exempt status by the Internal Revenue Service and the California Franchise Tax Board under code Sections 501(c)(3) and 23701(d), respectively. The Diocese has received a ruling that it is not a private foundation.

- Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value:

- Cash, Receivables and Payables

The carrying amount approximates fair value because of the short maturity of those investments.

- Marketable Securities

The fair value of marketable securities is estimated based on quoted market prices for those or similar investments.

- Notes Payable

The carrying value of notes payable approximates the fair value as the carrying value is calculated using discounted cash flow analyses, based on the CAO's incremental borrowing rate.

- Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting period. Actual results could differ from those estimates.

The CAO's allowances for doubtful receivables totaling \$1,363,909 and \$1,398,695, in 2002 and 2001, respectively, are particularly significant estimates. The determination of the balance in this account is based on an analysis of the receivables and reflects an amount which, in management's judgment, is adequate to provide for potential losses after giving consideration to the character of the receivables, current economic conditions, past collection experience and such other factors that deserve current recognition in estimating losses.

NOTE B - SUMMARY OF ACCOUNTING POLICIES (continued)

- Trusts

The CAO has been named trustee for two unitrusts. The donor is the income beneficiary until death, at which time the property transfers to the designated beneficiary. The CAO is not the beneficiary and, therefore, records an asset and a corresponding liability.

- Bond Issuance Costs

Costs incurred in connection with the issuance of debentures are being amortized over the life of the debentures.

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002 and 2001

- Reclassifications

Certain 2001 amounts have been reclassified in order to conform to the 2002 financial statement presentation.

NOTE C - MARKETABLE SECURITIES

Marketable securities at June 30, 2002 and 2001 consist of the following:

	<u>2002</u>	<u>2001</u>
Corporate stocks	\$ 7,652,634	\$ 8,005,683
Corporate bonds	2,002,726	2,591,047
Mutual funds	320,243	324,539
U.S. Government securities	5,663,052	3,566,007
Other	<u>1,642,730</u>	<u>3,217,444</u>
Total	<u>\$ 17,281,385</u>	<u>\$ 17,704,720</u>

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002 and 2001

NOTE C - MARKETABLE SECURITIES (continued)

Investment income consists of the following:

	Year Ended June 30,	
	2002	2001
Interest and dividends	\$ 526,764	\$ 553,834
Realized and unrealized losses, net	(1,451,517)	(1,621,157)
Total loss	(924,753)	(1,067,323)
Portfolio manager and custodian fees	(256,173)	(95,203)
Net loss from investment pool activities	(1,180,926)	(1,162,526)
Investment income – cash management and other	940,598	2,243,725
Total earnings from investment activities	(240,328)	1,081,199
Less income (loss) attributed to custodian and similar funds:		
Interest and dividends (net of manager fees of \$56,402 in 2002 and \$25,399 in 2001)	89,322	122,357
Realized and unrealized losses, net	(479,145)	(432,499)
Total earnings from investment activities excluding custodian and similar funds	\$ 149,495	\$ 1,391,341

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002 and 2001

NOTE D - PLEDGES RECEIVABLE AND PAYABLE

Pledges receivable are as follows at June 30:

	2002	2001
Capital Campaign		
Due within one year	\$ 735,583	\$ 1,303,143
Less provision for uncollectible pledges	388,750	714,952
	346,833	588,191
Annual Appeal		
Due within one year	1,554,198	1,652,473
Less provision for uncollectible pledges	50,000	60,000
	1,504,198	1,592,473
	<u>\$ 1,851,031</u>	<u>\$ 2,180,664</u>
Annual and capital campaign pledges payable from CAO to parishes and other organizations at June 30:	<u>\$ 1,223,013</u>	<u>\$ 1,694,991</u>

NOTE E - LOANS RECEIVABLE

Aggregate collections of loans receivable as of June 30, 2002 are as follows:

Year ending June 30,

2003	\$ 1,248,928
2004	1,216,980
2005	1,249,707
2006	1,229,184
2007	1,119,943
Thereafter	7,747,857
	13,822,599
Loans with payment plans pending completion of construction	27,395,695
Total	<u>\$ 41,218,294</u>

The CAO advances funds for construction projects to parishes and schools but does not set terms of repayment until these projects are complete. As of June 30, 2002, there are \$27,395,695 of these loans outstanding at an interest rate of 6.75%. Undisbursed commitments to loan totaled \$7,378,505 at June 30, 2002.

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002 and 2001

NOTE F - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following at June 30:

	2002	2001
Cemetery Fund		
Buildings and improvements	\$ 2,475,096	\$ 2,377,747
Furniture and fixtures	695,352	602,899
Vehicles	1,103,820	993,509
Turf equipment	225,298	225,298
Tools and equipment	326,837	253,048
Office plans	21,333	21,333
Other improvements	188,391	104,280
	5,036,127	4,578,114
Less accumulated depreciation	2,474,467	2,276,650
	2,561,660	2,301,464
Land	426,102	426,102
Construction in progress	186,624	28,393
	\$ 3,174,386	\$ 2,755,959
	2002	2001
Priest Retirement Fund		
Leasehold improvements	\$ 400,058	\$ 400,058
Less accumulated depreciation	400,058	400,058
	-	-
Operating Fund		
Buildings and improvements	28,812,820	28,797,146
Furniture and equipment	1,430,223	1,422,940
Vehicles	41,977	41,977
	30,285,020	30,262,063
Less accumulated depreciation	5,641,957	5,030,318
	24,643,063	25,231,745
Land		
Sites for future parishes and institutions	3,463,820	3,237,198
Land held for sale	117,000	117,000
Land under operating lease (see Note J)	613,558	616,554
Operating properties	560,331	527,929
	4,754,709	4,498,681
	29,397,772	29,730,426
	\$ 32,572,158	\$ 32,486,385

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002 and 2001

NOTE G - UNSECURED DEBENTURES

On December 1, 1999, the CAO concluded the sale of unsecured debentures with proceeds totaling \$19,420,000 and issuance costs of \$995,590. Proceeds from the sale of the unsecured debentures are to be used to loan to Holy Spirit Elementary School, to finance earthquake retrofit improvements at various parish and school facilities, for general corporate purposes and to pay costs of issuance. Principal and interest on the unsecured debentures will be paid from contributions of the membership.

The first sinking fund category for \$7,525,000 has various maturity dates which began in 2002 and conclude in 2012 with coupon rates ranging from 7% to 8%. The second sinking fund category, for \$6,545,000 has various maturity dates which begin in 2012 and conclude in 2017 with a coupon rate of 8%. The third sinking fund category, for \$5,350,000 has various maturity dates which begin in 2017 and conclude in 2020 with a coupon rate of 8.25%. The first interest payment date was on June 1, 2000. Thereafter, interest is payable semiannually June 1 and December 1, until the unsecured debentures have been paid in full.

The second and third sinking fund category are subject to a pro-rata mandatory sinking fund redemption, on June 1, 2012 and June 1, 2017, respectively, and on each June 1 and December 1 thereafter at 100% of the principal amount thereof, plus accrued interest to the redemption date, from mandatory sinking fund payments.

Optional Redemptions

Before December 1, 2004, the first sinking fund category shall not be subject to call or redemption. Beginning December 1, 2004, the debentures of all maturities from 2005 to 2012 shall be subject to call and redemption on a pro-rata basis in inverse chronological order at par plus accrued interest, upon 30 days notice.

The second sinking fund category shall be subject to prior redemption beginning December 1, 2004, at par plus accrued interest upon 30 days notice, provided that all other debentures have been redeemed.

After the issue date, the third sinking fund category shall be subject to call and redemption at par plus accrued interest upon 30 days notice and without penalty from any source other than borrowed funds. Beginning December 1, 2004, the third series shall be subject to call and redemption at par plus accrued interest upon 30 days notice and without penalty from any source.

Covenants

The CAO of the Roman Catholic Diocese of San Jose must comply with covenants including maintenance of specific ratios and timely submission of audited financial statements. The Diocese was in compliance with these requirements at June 30, 2002.

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002 and 2001

NOTE G - UNSECURED DEBENTURES (continued)

Aggregate maturities of the unsecured debentures as of June 30, 2002 are as follows:

Year ending June 30.

2003	\$ 555,000
2004	590,000
2005	635,000
2006	690,000
2007	730,000
Thereafter	<u>15,960,000</u>
Total	<u>\$ 19,160,000</u>

NOTE H - NOTES PAYABLE

Notes payable consist of the following at June 30:

	<u>2002</u>	<u>2001</u>
Non-interest bearing obligation to The Archdiocese of San Francisco, payable in annual installments of \$100,000 through 2021. The fair value of this note has been determined based on an imputed interest rate of 5.5%	\$ 1,191,301	\$ 1,222,257
4% note payable in monthly installments of \$343, plus interest, through 2007, collateralized by a deed of trust	14,445	16,995
3.35% equipment loan payable in monthly installments of \$4,108, plus interest, through 2002	-	32,459
4.50% equipment loan payable in monthly installments of \$2,064, plus interest, through 2004	57,354	63,940
14.4% equipment loan payable in monthly installments of \$3,100, plus interest, through 2002	<u>-</u>	<u>44,868</u>
	<u>\$ 1,263,100</u>	<u>\$ 1,380,519</u>

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002 and 2001

NOTE H - NOTES PAYABLE (continued)

Aggregate maturities of notes payable as of June 30, 2002 are as follows:

Year ending June 30.

2003	\$	142,900
2004		122,688
2005		104,116
2006		102,097
2007		100,000
Thereafter		<u>1,531,868</u>
		2,103,669
Less amount representing imputed interest		<u>(840,569)</u>
Total		<u>\$ 1,263,100</u>

NOTE I - RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following as of June 30:

		<u>2002</u>		<u>2001</u>
Current Funds:				
Operating (time and purpose restrictions)	\$	1,022,263	\$	455,132
New high school (purpose restricted)		84,854		585,141
Priest Retirement Funds:				
Post Retirement (purpose restriction)		-		13,923
Cemetery Fund:				
Future Cemetery expenditures (purpose restriction)		-		371,088
Fund Raising Funds:				
Annual Appeal programs and general operations (time restriction)		4,583,003		4,767,747
Capital Campaign priest retirement, scholarships, new parishes (time and purpose restrictions)		812,623		934,183
Endowment Fund:				
Trust agreements and scholarships (purpose restrictions)		<u>2,902,401</u>		<u>3,320,504</u>
		<u>\$ 9,405,144</u>		<u>\$ 10,447,718</u>

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002 and 2001

NOTE I - RESTRICTED NET ASSETS (continued)

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support the following at June 30:

	2002	2001
Priest education and retirement	\$ 764,009	\$ 764,009
Scholarships	1,887,250	1,887,250
General operations	29,790	29,790
	\$ 2,681,049	\$ 2,681,049

NOTE J - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets released from restrictions during 2002 and 2001 consisted of the following:

	2002	2001
Purpose restrictions accomplished	\$ 1,109,850	\$ 2,099,253
Time restrictions expired	5,227,593	4,664,447
Total restrictions released	\$ 6,337,443	\$ 6,763,700

NOTE K - FUTURE MINIMUM RENTAL RECEIPTS

In October 1987, the CAO entered into an 85 year lease which allowed the lessee to build and operate a continuing care retirement home on land owned by the CAO. First year base rent of \$480,000 was paid in October 1987. Base rent of \$600,000 was paid in October 1988, for the second year. Lease payments of \$7,180,000 were received during 1990. Lease payments of \$1,000,000 were due each October 1 from 1995 through 1999. The payments received in 1990 and later years are being recognized as income ratably (approximately \$144,000 annually) over the remaining term of the lease. Amounts to be recognized in future periods are recorded as deferred revenue.

The CAO is the lessor of certain other rental properties. Future minimum rental receipts from long-term noncancelable operating leases as of June 30, 2002 for the year ended June 30,:

2003	\$ 63,380
2004	26,408
	\$ 89,788

Rental income recognized for 2002 and 2001 totaled \$208,962 and \$234,367, respectively.

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002 and 2001

NOTE L - COMMITMENTS AND CONTINGENCIES

The CAO conducts its operations in leased facilities under operating leases. In addition to the minimum rental payments, the CAO must pay a proportionate share of the operating expenses of the facilities. Rent expense for the years ended June 30, 2002 and 2001 was \$781,879 and \$796,904, respectively.

Future minimum rental payments are as follows:

Year ending June 30.

2003	\$ 862,595
2004	914,950
2005	788,388
2006	834,410
2007	862,073
Thereafter	<u>1,811,915</u>
Total	<u>\$ 6,074,331</u>

The accompanying statements of activities reflect rent expense on a straight-line basis over the term of the lease obligation with a difference between rent expense and rent paid of \$348,856 and \$215,385 for 2002 and 2001, respectively.

The CAO has entered into several construction agreements on behalf of various parishes and schools. At June 30, 2002, construction commitments are \$36,270,943. The total amount expended as of June 30, 2002 on these commitments was \$22,379,286. All expenditures incurred with respect to these construction agreements are expenditures of the various parishes and schools.

On August 15, 2001, December 1, 2001 and April 1, 2002, the CAO entered into an agreement with Notre Dame High School – San Jose and the Bank of Cherry Creek as a guarantor for the sale of Series 2001A, 2001B and 2002 First Mortgage Bonds (“the Bonds”) with proceeds totaling \$3,375,000, \$4,150,000 and \$2,475,000 and issuance costs of \$92,500, \$83,000 and \$49,500, respectively. The Bonds are unconditionally guaranteed as to principal and interest by the Diocese. Proceeds from the sale of the bonds are to finance the construction and expansion of the High School, for general corporate purposes and to pay costs of issuance.

The Diocese was named in a lawsuit filed after the end of the fiscal year involving allegations of sexual abuse from a priest, now deceased. The Diocese also understands a number of individuals have made allegations against this and other priests related to the Diocese, concerning possible sexual abuse. Because of a recent change in California law, there is a possibility other claims for sexual abuse may be filed against the Diocese involving acts which may have occurred many years ago. With respect to these matters, the Diocese is not able to evaluate the probability of an unfavorable outcome or make a reasonable estimate of any losses, at this time.

The CAO is party to various other litigation matters in the normal course of business. Management believes that the resolution of these matters will not have a material adverse effect on the financial condition of the CAO.

NOTE M - POST-RETIREMENT BENEFITS

The CAO sponsors a post-retirement Medicare supplemental plan for retired priests who are eligible to receive Medicare.

The plan pays medical costs not covered by Parts A and B of Medicare. The plan assumes that the priest has full Medicare coverage. In addition, the plan pays 90% of prescription drug costs. The maximum annual payout is \$7,500.

**Central Administrative Office of the
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NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002 and 2001

An actuary performs an analysis of per capita claims costs and premiums on a calendar year basis. Since plan experience with regard to claims costs is limited due to the small size of the group, the actuary uses retiree premiums as the basis for estimating future claim costs.

The transition amount for the unrecognized net obligation is amortized on a straight-line basis over 17 years.

The entire accrued post-retirement benefit cost is recorded in accrued liabilities on the statement of financial position of the CAO.

The CAO has adopted Statement of Financial Accounting Standards No. 132 ("SFAS 132"), *Employers' Disclosures about Pensions and Other Postretirement Benefits*, which sets forth employers' financial statement disclosure requirements regarding pension and other post retirement benefit plans.

	2002	2001
Benefit obligation at June 30	\$ 1,705	\$ 867
Accumulated post-retirement benefit obligation in excess of plan assets	1,705	867
Accrued post-retirement benefit cost	\$ (343)	\$ (198)

Weighted average assumptions as of June 30:

	2002	2001
Discount rate	7.00%	7.38%
Expected return on plan assets	8.00%	8.00%
Expected future increase	5.00%	3.75%

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002 and 2001

NOTE N - PENSION PLANS

Lay Pension Plan

The CAO participates in a defined benefit pension plan operated by the Diocese. All full-time lay employees who have completed at least one year of service are eligible.

The plan provides benefits based on the highest final average salary and all years and months of service, counting partial months as whole months.

Although the Diocese is exempt from the funding requirements of ERISA, it has been the Diocese's practice to make contributions annually to the plan that are not less than the ERISA minimum funding requirement as applicable to churches, and not in excess of the amount that could be deducted for federal income tax purposes, assuming the Diocese was not exempt from taxation. In general, it has been the policy of the Diocese to fund any unfunded past service liability over 30 years.

Approximately 44% of the plan assets are invested in common stock, 37% of plan assets are invested in Treasury and corporate bonds, and 19% of plan assets are invested in cash equivalents.

Only the CAO's portion of the accrued benefit cost is reflected in the statement of financial position as part of accrued liabilities.

Priest Retirement Plan

The CAO also sponsors a defined benefit pension plan for all Diocesan priests who are ordained for or incardinated in the Diocese and in good standing and not on probation.

The plan provides benefits based on a flat benefit prorated for years and months of service less than 35 years.

Since the CAO is exempt from the funding requirements of ERISA, it has been the CAO's practice to make contributions annually to the plan based on actuarial principles. In general, it has been the CAO's policy to fund any unfunded past service liability over 30 years.

Approximately 55% of the plan assets are invested in common stock and 43% of plan assets are invested in Treasury and corporate bonds. The balance is invested in cash equivalents.

Priest Supplemental Plan

The CAO sponsors a nonqualified supplemental defined benefit pension plan for certain priests listed in the Appendix A and B of the plan document.

Benefits for priests in Appendix A are based on the excess of their benefit calculated under the regular retirement plan with additional years of service over their actual retirement plan benefit. Benefits for priests in Appendix B are based on the excess of their benefit calculated according to the formula defined in Appendix B over their actual regular retirement plan benefit.

Since the plan is exempt from the funding requirements of ERISA, it has been the CAO's practice to make contributions annually to the plan not less than that required to pay benefits for that year.

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002 and 2001

NOTE N - PENSION PLANS (continued)

Approximately 98% of the plan assets are invested in mutual funds. The balance is invested in cash equivalents.

	(\$ in thousands)		
	Lay	Priest Retirement	Priest Supplemental
<u>2002</u>			
Benefit obligation at June 30, 2002	\$ 66,270	\$ 7,610	\$ 1,160
Plan assets at fair value	35,853	4,428	588
Funded status	(30,417)	(3,182)	(572)
Accrued benefit cost for the plan as a whole for the Diocese of San Jose	(30,417)	(3,182)	(572)
Accrued benefit cost for the Central Administrative Office	(1,839)	(3,182)	(572)
Discount rate	7.00%	7.00%	7.00%
Expected return on plan assets	8.50%	8.00%	8.00%
Expected future increases	5.00%	2.00%	2.00%
Net pension cost for plan as a whole	\$ 6,810	\$ 734	\$ 135
Net pension cost for the Central Administrative Office	292	734	135
Employer contributions	2,788	389	54
Benefits paid	1,711	508	146

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002 and 2001

NOTE N - PENSION PLANS (continued)

	(\$ in thousands)		
	<u>Lay</u>	<u>Priest Retirement</u>	<u>Priest Supplemental</u>
<u>2001</u>			
Benefit obligation at June 30, 2001	\$ 54,240	\$ 7,122	\$ 1,170
Plan assets at fair value	<u>38,884</u>	<u>4,846</u>	<u>659</u>
Funded status	(15,356)	(2,276)	(511)
Accrued benefit cost for the plan as a whole	(15,356)	(2,276)	(511)
Accrued benefit cost for the Central Administrative Office	(399)	(2,276)	(511)
Discount rate	7.4%	7.4%	7.4%
Expected return on plan assets	9.0%	8.0%	8.0%
Expected future increases	5.3%	2.0%	2.0%
Net pension cost for plan as a whole	\$ 3,993	\$ 591	\$ 112
Net pension cost for the Central Administrative Office	240	591	112
Employer contributions	3,899	301	55
Benefits paid	1,424	486	111

NOTE O - RELATED PARTY TRANSACTIONS

The CAO performs various administrative services, including payroll processing, for several related entities. Fees received for these services were \$338,558 and \$438,346 for the year ending June 30, 2002 and 2001, respectively.

During fiscal years 2002 and 2001, \$50,000 and \$250,000, respectively, were paid by the CAO to St. Joseph's Cathedral parish to support the operations of the Cathedral.

During fiscal years 2002 and 2001, \$73,333 and 83,333, respectively, were paid by the CAO to support the operations of Mitty High School.

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2002 and 2001

NOTE P – SELF-INSURED RISK RETENTION GROUPS

The Diocese is self-insured with respect to its general liability coverage through its participation with other dioceses in several western states in a risk retention group, incorporated in Vermont. Membership in the risk retention group requires a minimum participation of five years. Each member's participation in the risk retention group is fully assessable and each member is responsible for its share of the risk retention group's liabilities.

The Diocese is also self-insured with respect to its earthquake insurance coverage through its participation with other dioceses in the California Interdiocesan Earthquake Insurance pooling agreement.

NOTE Q – FUNCTIONAL EXPENSE CLASSIFICATIONS

The expenses of the CAO are classified on a functional basis among its program and supporting services as follows:

	June 30,	
	2002	2001
Program:		
Pastoral	\$ 4,220,437	\$ 3,983,507
Religious personnel development	1,715,633	1,604,416
Education	1,091,183	1,152,255
Priest retirement	2,388,204	1,287,878
Insurance premiums and benefits	10,304,907	8,516,786
Newspaper	500,922	462,059
Cemetery	3,708,550	3,325,593
Deposit and loan activities	3,843,952	3,524,826
	27,773,788	23,857,320
Supporting:		
Administrative	2,728,463	2,526,585
Fundraising	995,747	604,194
	3,724,210	3,130,779
	\$ 31,497,998	\$ 26,988,099

SUPPLEMENTARY INFORMATION

**Report of Independent Certified Public Accountants
on Supplementary Information**

Most Reverend Patrick J. McGrath
The Roman Catholic Bishop of San Jose

Our audits were made for the purpose of forming an opinion on the basic financial statements, taken as a whole, of the Central Administrative Office of the Roman Catholic Diocese of San Jose for the years ended June 30, 2002 and 2001, which are presented in the preceding section of this report. The supplementary information presented hereinafter is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

San Jose, California
September 25, 2002

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

STATEMENTS OF FINANCIAL POSITION

June 30,

	2002	2001
ASSETS		
Cash and cash equivalents	\$ 20,920,457	\$ 33,171,420
Marketable securities	17,281,385	17,704,720
Receivables		
Loans to parishes and institutions (net of allowance for doubtful accounts of \$367,000 in 2002 and \$516,541 in 2001)	265,001	383,568
Mortgages and notes (net of allowance for doubtful accounts of \$184,312 in 2002 and \$0 in 2001)	609,587	527,370
Pledges (net of allowance for doubtful accounts of \$438,750 in 2002 and \$774,952 in 2001)	1,851,031	2,180,664
Other (net of allowance for doubtful accounts of \$600,570 in 2002 and \$107,202 in 2001)	1,895,906	1,338,374
Deposits and prepaid expenses	2,025,741	1,537,679
Inventories	7,097,373	5,674,355
Loans receivable from parishes and institutions in deposit and loan fund	41,218,294	35,456,842
Bond issuance costs (net of accumulated amortization)	866,992	916,772
Investment in real estate	839,216	839,216
Assets held in trust	989,323	965,472
Land, buildings and equipment (net of accumulated depreciation)	32,572,158	32,486,385
Total assets	\$ 128,432,464	\$ 133,182,837

See accompanying notes to financial statements.

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

STATEMENTS OF FINANCIAL POSITION (continued)

June 30,

LIABILITIES AND NET ASSETS

	<u>2002</u>	<u>2001</u>
Accounts payable	\$ 3,763,328	\$ 2,142,530
Pledges payable to parishes and others	1,223,013	1,694,991
Accrued liabilities	8,844,244	5,925,649
Deposits payable to parishes, schools and others	29,801,581	34,493,190
Unsecured debentures payable	19,160,000	19,420,000
Notes payable	1,263,100	1,380,519
Trust assets held for parish	989,323	965,472
Held for parishes and institutions	7,290,692	6,570,336
Deferred revenue	<u>11,015,777</u>	<u>11,171,555</u>
Total liabilities	83,351,058	83,764,242
Net assets		
Unrestricted		
Undesignated	25,691,470	29,383,353
Designated	4,476,227	4,416,900
Funds functioning as endowment - cemetery endowment care	<u>2,827,516</u>	<u>2,489,575</u>
	32,995,213	36,289,828
Temporarily restricted	9,405,144	10,447,718
Permanently restricted	<u>2,681,049</u>	<u>2,681,049</u>
Total net assets	<u>45,081,406</u>	<u>49,418,595</u>
Total liabilities and net assets	<u>\$ 128,432,464</u>	<u>\$ 133,182,837</u>

See accompanying notes to financial statements.

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

STATEMENT OF ACTIVITIES

Year ended June 30, 2002

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
Gifts, bequests and collections	\$ 603,279	\$ 5,642,850	\$ -	\$ 6,246,129
Fees and expense reimbursements	2,027,797	-	-	2,027,797
Rental income	208,962	40,195	-	249,157
Investment income (loss)	537,671	(388,176)	-	149,495
Interest income from loans	2,692,568	-	-	2,692,568
Insurance premiums	11,087,891	-	-	11,087,891
Newspaper income	404,946	-	-	404,946
Cemetery revenues	4,088,871	-	-	4,088,871
Other income	213,955	-	-	213,955
Net assets released from restrictions	<u>6,337,443</u>	<u>(6,337,443)</u>	<u>-</u>	<u>-</u>
Total revenues	28,203,383	(1,042,574)	-	27,160,809
Expenses				
Pastoral	4,029,529	-	-	4,029,529
Religious personnel development	1,715,633	-	-	1,715,633
Education	1,091,183	-	-	1,091,183
Pension, priest retirement	2,175,409	-	-	2,175,409
Depreciation expense	806,382	-	-	806,382
Interest expense	3,290,123	-	-	3,290,123
Insurance premiums and benefits	10,304,907	-	-	10,304,907
Newspaper expenses	500,922	-	-	500,922
Cemetery expenses	3,526,846	-	-	3,526,846
Other	68,271	-	-	68,271
Administrative	2,993,042	-	-	2,993,042
Fundraising expenses	<u>995,751</u>	<u>-</u>	<u>-</u>	<u>995,751</u>
Total expenses	<u>31,497,998</u>	<u>-</u>	<u>-</u>	<u>31,497,998</u>
CHANGE IN NET ASSETS	(3,294,615)	(1,042,574)	-	(4,337,189)
Net assets at beginning of year	<u>36,289,828</u>	<u>10,447,718</u>	<u>2,681,049</u>	<u>49,418,595</u>
Net assets at end of year	<u>\$ 32,995,213</u>	<u>\$ 9,405,144</u>	<u>\$ 2,681,049</u>	<u>\$ 45,081,406</u>

See accompanying notes to financial statements.

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

STATEMENT OF ACTIVITIES

Year ended June 30, 2001

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Gifts, bequests and collections	\$ 543,869	\$ 5,411,893	\$ -	\$ 5,955,762
Fees and expense reimbursements	1,926,706	-	-	1,926,706
Rental income	272,152	-	-	272,152
Investment income (loss)	1,751,114	(359,773)	-	1,391,341
Interest income from loans	2,299,990	-	-	2,299,990
Insurance premiums	9,218,730	-	-	9,218,730
Newspaper income	366,921	-	-	366,921
Cemetery revenues	4,174,813	-	-	4,174,813
Other income	304,125	-	-	304,125
Net assets released from restrictions	6,763,700	(6,763,700)	-	-
Total revenues	27,622,120	(1,711,580)	-	25,910,540
Expenses				
Pastoral	3,764,087	-	-	3,764,087
Religious personnel development	1,604,416	-	-	1,604,416
Education	1,152,255	-	-	1,152,255
Pension, priest retirement	1,105,466	-	-	1,105,466
Depreciation expense	588,871	-	-	588,871
Interest expense	3,233,456	-	-	3,233,456
Insurance premiums and benefits	8,516,786	-	-	8,516,786
Newspaper expenses	462,059	-	-	462,059
Cemetery expenses	3,211,486	-	-	3,211,486
Other	41,286	-	-	41,286
Administrative	2,703,737	-	-	2,703,737
Fundraising expenses	604,194	-	-	604,194
Total expenses	26,988,099	-	-	26,988,099
CHANGE IN NET ASSETS	634,021	(1,711,580)	-	(1,077,559)
Net assets at beginning of year	35,655,807	12,159,298	2,681,049	50,496,154
Net assets at end of year	\$ 36,289,828	\$ 10,447,718	\$ 2,681,049	\$ 49,418,595

See accompanying notes to financial statements.

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

STATEMENTS OF CASH FLOWS

Years ended June 30,

	2002	2001
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ (4,337,189)	\$ (1,077,559)
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	806,382	588,871
Provision for losses on receivables	191,937	96,176
Amortization of bond issuance costs	49,780	49,780
Realized and unrealized investment losses	1,451,517	1,621,157
Changes in operating assets and liabilities:		
Receivables	(383,486)	279,689
Inventories	(1,423,018)	(1,789,156)
Deposits and prepaid expenses	(488,062)	(1,437,823)
Trust assets held for parish	(23,851)	36,732
Accounts payable and pledges payable	1,148,820	(1,800,515)
Accrued liabilities	2,925,386	1,870,384
Deposits payable	(4,691,609)	4,921,743
Assets held in trust	23,851	(36,732)
Held for parishes and institutions	720,356	(165,487)
Deferred revenue	(155,778)	(72,801)
Net cash used in operating activities	(4,184,964)	3,084,459
Cash flows from investing activities:		
Proceeds from sale of plant assets	3,842	-
Purchase of plant assets	(895,997)	(2,156,429)
Proceeds from repayment of loans receivable	2,127,430	3,021,496
Advances for loans receivable	(7,888,882)	(12,265,997)
Purchase of marketable securities	(6,679,461)	(3,347,101)
Proceeds from sale of marketable securities	5,651,279	1,705,122
Net cash used in investing activities	(7,681,789)	(13,042,909)
Cash flows from financing activities:		
Principal payments on capital lease obligation	(6,791)	(6,791)
Payments on notes and bonds payable	(377,419)	(93,611)
Net cash used in financing activities	(384,210)	(100,402)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,250,963)	(10,058,852)
Cash and cash equivalents at beginning of year	33,171,420	43,230,272
Cash and cash equivalents at end of year	\$ 20,920,457	\$ 33,171,420

See accompanying notes to financial statements.

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

STATEMENTS OF CASH FLOWS (continued)

Years ended June 30,

	<u>2002</u>	<u>2001</u>
<u>Supplemental disclosure of cash paid for:</u>		
Interest	\$ 3,397,808	\$ 3,282,283

Supplemental disclosure of noncash investing activity

The Diocese financed the purchase of equipment with equipment loans of \$0 and \$119,270 in 2002 and 2001, respectively.

See accompanying notes to financial statements.

Central Administrative Office of the Roman Catholic Diocese of San Jose

BALANCE SHEET - ALL FUNDS

June 30, 2002

ASSETS	Current Funds	Service Funds	Cemetery Fund	Deposit and Loan Fund	Pooled Investment Fund	Fundraising Fund	Priest Retirement Fund	Endowment Fund	Elimination	Total
Cash and cash equivalents	\$ 1,148,136	\$ 2,643,828	\$ 1,718,578	\$ 10,726,715	\$ -	\$ 4,544,260	\$ 238,038	\$ 1,237,648	\$ (1,336,746)	\$ 20,920,457
Marketable securities	1,249,968	-	3,571,815	-	5,704,577	-	649,583	6,105,442	-	17,281,385
Receivables										
Parishes and institutions (net of allowance for doubtful accounts of \$367,000)	-	265,001	-	-	-	-	-	-	-	265,001
Mortgages and notes (net of allowance for doubtful accounts of \$184,312)	211,000	-	-	398,587	-	-	-	-	-	609,587
Pledges (net of allowance for doubtful accounts of \$438,750)	-	-	-	-	-	1,851,031	-	-	-	1,851,031
Other (net of allowance for doubtful accounts of \$600,570)	674,519	-	299,389	237,991	-	-	153,516	530,491	-	1,895,906
Deposits and prepaid expenses	685,015	1,208,448	39,112	-	-	76,322	16,844	-	-	2,025,741
Inventories	-	-	7,097,373	-	-	-	-	-	-	7,097,373
Loans receivable from parishes and institutions	-	-	-	41,218,294	-	-	-	-	-	41,218,294
Bond issuance costs	-	-	-	866,992	-	-	-	-	-	866,992
Investment in real estate	-	-	607,144	-	-	-	-	232,072	-	839,216
Assets held in trust	989,323	-	-	-	-	-	-	-	-	989,323
Land, buildings and equipment (net of accumulated depreciation)	<u>29,397,772</u>	<u>-</u>	<u>3,174,386</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,572,158</u>
Total assets	<u>\$ 34,355,733</u>	<u>\$ 4,117,277</u>	<u>\$ 16,507,797</u>	<u>\$ 53,448,579</u>	<u>\$ 5,704,577</u>	<u>\$ 6,471,613</u>	<u>\$ 1,057,981</u>	<u>\$ 8,105,653</u>	<u>\$ (1,336,746)</u>	<u>\$ 128,432,464</u>

Central Administrative Office of the Roman Catholic Diocese of San Jose

BALANCE SHEET - ALL FUNDS (continued)

June 30, 2002

LIABILITIES AND NET ASSETS	Current Funds	Service Funds	Cemetery Fund	Deposit and Loan Fund	Pooled Investment Fund	Fundraising Fund	Priest Retirement Fund	Endowment Fund	Elimination	Total
Liabilities										
Accounts payable	\$ 310,501	\$ 194,832	\$ 593,598	\$ 2,603,958	\$ -	\$ 26,145	\$ 6,784	\$ 27,510	\$ -	\$ 3,763,328
Pledges payable to parishes and others	-	-	-	-	-	1,223,013	-	-	-	1,223,013
Accrued liabilities	1,839,856	616,618	684,256	126,038	-	88,311	5,489,165	-	-	8,844,244
Bond payable	-	-	-	19,160,000	-	-	-	-	-	19,160,000
Notes payable	14,445	-	1,248,655	-	-	-	-	-	-	1,263,100
Deposits payable	-	-	-	31,138,327	-	-	-	-	(1,336,746)	29,801,581
Trust assets held for parish	989,323	-	-	-	-	-	-	-	-	989,323
Held for parishes and institutions	1,586,115	-	-	-	5,704,577	-	-	-	-	7,290,692
Deferred revenue	10,050,859	714,639	250,279	-	-	-	-	-	-	11,015,777
Due to (from) other funds	419,811	(531,473)	(400,000)	321,366	-	-	(22,295)	212,591	-	-
Total liabilities	15,210,910	994,616	2,376,788	53,349,689	5,704,577	1,337,469	5,473,654	240,101	(1,336,746)	83,351,058
Net assets (deficit)										
Unrestricted										
Undesignated	17,536,151	3,109,279	9,624,305	98,890	-	(261,482)	(4,415,673)	-	-	25,691,470
Designated	501,555	13,382	1,679,188	-	-	-	-	2,282,102	-	4,476,227
Funds functioning as endowment - cemetery endowment care	-	-	2,827,516	-	-	-	-	-	-	2,827,516
Temporarily restricted	1,107,117	-	-	-	-	5,395,626	-	2,902,401	-	9,405,144
Permanently restricted	-	-	-	-	-	-	-	2,681,049	-	2,681,049
Total net assets (deficit)	19,144,823	3,122,661	14,131,009	98,890	-	5,134,144	(4,415,673)	7,865,552	-	45,081,406
Total liabilities and net assets	\$ 34,355,733	\$ 4,117,277	\$ 16,507,797	\$ 53,448,579	\$ 5,704,577	\$ 6,471,613	\$ 1,057,981	\$ 8,105,653	\$ (1,336,746)	\$ 128,432,464

Central Administrative Office of the Roman Catholic Diocese of San Jose

BALANCE SHEET - ALL FUNDS

June 30, 2001

ASSETS	Current Funds	Service Funds	Cemetery Fund	Deposit and Loan Fund	Pooled Investment Fund	Fundraising Fund	Priest Retirement Fund	Endowment Fund	Elimination	Total
Cash and cash equivalents	\$ 3,079,417	\$ 2,451,797	\$ 2,263,661	\$ 20,476,635	\$ -	\$ 5,244,190	\$ 281,911	\$ 1,135,663	\$ (1,761,854)	\$ 33,171,420
Marketable securities	1,436,537	-	4,176,509	-	4,723,334	-	650,008	6,718,332	-	17,704,720
Receivables										
Parishes and institutions (net of allowance for doubtful accounts of \$367,000)	-	383,568	-	-	-	-	-	-	-	383,568
Mortgages and notes	160,000	-	-	367,370	-	-	-	-	-	527,370
Pledges (net of allowance for doubtful accounts of \$774,952)	-	-	-	-	-	2,180,664	-	-	-	2,180,664
Other (net of allowance for doubtful accounts of \$107,202)	69,166	-	453,131	177,048	-	-	152,204	486,825	-	1,338,374
Deposits and prepaid expenses	421,646	1,087,574	17,720	-	-	958	9,781	-	-	1,537,679
Inventories	-	-	5,674,355	-	-	-	-	-	-	5,674,355
Loans receivable from parishes and institutions (net of allowance for doubtful accounts of \$149,541)	-	-	-	35,456,842	-	-	-	-	-	35,456,842
Bond issuance costs	-	-	-	916,772	-	-	-	-	-	916,772
Investment in real estate	-	-	607,144	-	-	-	-	232,072	-	839,216
Assets held in trust	965,472	-	-	-	-	-	-	-	-	965,472
Land, buildings and equipment (net of accumulated depreciation)	29,730,426	-	2,755,959	-	-	-	-	-	-	32,486,385
Deposits held in (for) other funds	25,000	(38,296)	13,296	-	-	-	-	-	-	-
Total assets	\$ 35,887,664	\$ 3,884,643	\$ 15,961,775	\$ 57,394,667	\$ 4,723,334	\$ 7,425,812	\$ 1,093,904	\$ 8,572,892	\$ (1,761,854)	\$ 133,182,837

Central Administrative Office of the Roman Catholic Diocese of San Jose

BALANCE SHEET - ALL FUNDS (continued)

June 30, 2001

LIABILITIES AND NET ASSETS	Current Funds	Service Funds	Cemetery Fund	Deposit and Loan Fund	Pooled Investment Fund	Fundraising Fund	Priest Retirement Fund	Endowment Fund	Elimination	Total
Liabilities										
Accounts payable	\$ 525,294	\$ 88,273	\$ 517,827	\$ 974,483	\$ -	\$ 10,509	\$ 6,000	\$ 20,144	\$ -	\$ 2,142,530
Pledges payable to parishes and others	-	-	-	-	-	1,694,991	-	-	-	1,694,991
Accrued liabilities	1,108,973	580,245	434,320	126,354	-	19,394	3,656,363	-	-	5,925,649
Bond payable	-	-	-	19,420,000	-	-	-	-	-	19,420,000
Notes payable	16,995	-	1,363,524	-	-	-	-	-	-	1,380,519
Deposits payable	-	-	-	36,255,044	-	-	-	-	(1,761,854)	34,493,190
Trust assets held for parish	965,472	-	-	-	-	-	-	-	-	965,472
Held for parishes and institutions	1,406,912	440,090	-	-	4,723,334	-	-	-	-	6,570,336
Deferred revenue	10,188,055	739,198	244,302	-	-	-	-	-	-	11,171,555
Due to (from) other funds	905,455	(1,167,956)	(400,000)	321,366	-	-	(25,060)	366,195	-	-
Total liabilities	15,117,156	679,850	2,159,973	57,097,247	4,723,334	1,724,894	3,637,303	386,339	(1,761,854)	83,764,242
Net assets (deficit)										
Unrestricted										
Undesignated	19,608,320	3,132,141	9,132,253	68,973	-	(1,012)	(2,557,322)	-	-	29,383,353
Designated	121,915	72,652	1,808,886	228,447	-	-	-	2,185,000	-	4,416,900
Funds functioning as										
endowment - cemetery endowment care	-	-	2,489,575	-	-	-	-	-	-	2,489,575
Temporarily restricted	1,040,273	-	371,088	-	-	5,701,930	13,923	3,320,504	-	10,447,718
Permanently restricted	-	-	-	-	-	-	-	2,681,049	-	2,681,049
Total net assets (deficit)	20,770,508	3,204,793	13,801,802	297,420	-	5,700,918	(2,543,399)	8,186,553	-	49,418,595
Total liabilities and net assets	\$ 35,887,664	\$ 3,884,643	\$ 15,961,775	\$ 57,394,667	\$ 4,723,334	\$ 7,425,812	\$ 1,093,904	\$ 8,572,892	\$ (1,761,854)	\$ 133,182,837

Central Administrative Office of the Roman Catholic Diocese of San Jose

Schedule 3

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - ALL FUNDS

Year ended June 30, 2002

	Current Funds	Service Funds	Cemetery Fund	Deposit and Loan Fund	Pooled Investment Fund	Fundraising Fund	Priest Retirement Fund	Endowment Fund	Total
Revenues									
Gifts, bequests and collections	\$ 1,172,800	\$ -	\$ -	\$ -	\$ -	\$ 5,067,329	\$ 6,000	\$ -	\$ 6,246,129
Fees and expense reimbursements	1,228,876	338,558	-	-	-	-	460,363	-	2,027,797
Rental income	190,690	-	-	-	-	-	-	58,467	249,157
Investment income (loss)	173,533	30,778	(162,500)	452,856	-	-	12,572	(357,744)	149,495
Interest income from loans	-	-	-	2,692,568	-	-	-	-	2,692,568
Insurance premiums	-	11,087,891	-	-	-	-	-	-	11,087,891
Newspaper income	404,946	-	-	-	-	-	-	-	404,946
Cemetery revenues	-	-	4,088,871	-	-	-	-	-	4,088,871
Other income (loss)	2,870	94,211	124,427	-	-	-	9,578	(17,131)	213,955
Total revenues	3,173,715	11,551,438	4,050,798	3,145,424	-	5,067,329	488,513	(316,408)	27,160,809
Expenses									
Pastoral	3,758,581	-	-	-	-	86,963	183,985	-	4,029,529
Religious personnel development	1,715,633	-	-	-	-	-	-	-	1,715,633
Education	1,091,183	-	-	-	-	-	-	-	1,091,183
Pension, priest retirement	-	-	-	-	-	-	2,175,409	-	2,175,409
Administrative	1,611,003	822,361	-	550,981	-	5,276	-	3,421	2,993,042
Depreciation expense	598,457	4,284	194,745	-	-	8,896	-	-	806,382
Interest expense	18,909	2,018	-	3,265,811	-	-	1,024	2,361	3,290,123
Insurance premiums and benefits	-	10,304,907	-	-	-	-	-	-	10,304,907
Newspaper expense	500,922	-	-	-	-	-	-	-	500,922
Cemetery expense	-	-	3,526,846	-	-	-	-	-	3,526,846
Fundraising expense	9,000	-	-	-	-	986,751	-	-	995,751
Other	13,325	-	-	27,162	-	-	27,784	-	68,271
Total expenses	9,317,013	11,133,570	3,721,591	3,843,954	-	1,087,886	2,388,202	5,782	31,497,998
Excess (deficiency) of revenues and other additions over expenses and other deductions before transfers	(6,143,298)	417,868	329,207	(698,530)	-	3,979,443	(1,899,689)	(322,190)	(4,337,189)
Transfers									
Annual appeal transfer	4,262,577	-	-	-	-	(4,262,577)	-	-	-
Annual appeal distribution	86,400	-	-	-	-	-	(86,400)	-	-
Other	168,636	(500,000)	-	500,000	-	(283,640)	113,815	1,189	-
Total transfers	4,517,613	(500,000)	-	500,000	-	(4,546,217)	27,415	1,189	-
INCREASE (DECREASE) IN NET ASSETS	(1,625,685)	(82,132)	329,207	(198,530)	-	(566,774)	(1,872,274)	(321,001)	(4,337,189)
Net assets (deficit) at beginning of year	20,770,508	3,204,793	13,801,802	297,420	-	5,700,918	(2,543,399)	8,186,553	49,418,595
Net assets (deficit) at end of year	\$ 19,144,823	\$ 3,122,661	\$ 14,131,009	\$ 98,890	\$ -	\$ 5,134,144	\$ (4,415,673)	\$ 7,865,552	\$ 45,081,406

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

**BALANCE SHEET
SERVICE FUNDS**

June 30, 2002

ASSETS	Payroll Fund	Benefit Fund	Compre- hensive Insurance Fund	Total
Cash and cash equivalents	\$ 846,942	\$ 1,368,770	\$ 428,116	\$ 2,643,828
Receivables				
Parishes (net of allowance for doubtful accounts of \$367,000)	66,939	184,675	13,387	265,001
Deposits and prepaid expenses	<u>-</u>	<u>587,326</u>	<u>621,122</u>	<u>1,208,448</u>
Total assets	<u>\$ 913,881</u>	<u>\$ 2,140,771</u>	<u>\$ 1,062,625</u>	<u>\$ 4,117,277</u>
LIABILITIES AND NET ASSETS				
Accounts payable	\$ (862)	\$ 10,744	\$ 184,950	\$ 194,832
Accrued liabilities	386,940	147,217	82,461	616,618
Deferred revenue	-	507,428	207,211	714,639
Due to (from) other funds	<u>136,483</u>	<u>(667,956)</u>	<u>-</u>	<u>(531,473)</u>
Total liabilities	522,561	(2,567)	474,622	994,616
Net assets				
Unrestricted				
Undesignated	391,320	2,129,956	588,003	3,109,279
Designated	<u>-</u>	<u>13,382</u>	<u>-</u>	<u>13,382</u>
Total net assets	<u>391,320</u>	<u>2,143,338</u>	<u>588,003</u>	<u>3,122,661</u>
Total liabilities and net assets	<u>\$ 913,881</u>	<u>\$ 2,140,771</u>	<u>\$ 1,062,625</u>	<u>\$ 4,117,277</u>

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

**BALANCE SHEET
PRIEST RETIREMENT FUNDS**

June 30, 2002

	ASSETS			
	Priest Retirement Fund	Supplemental Plan Fund	Post Retirement Fund	Total
Cash and cash equivalents	\$ 225,924	\$ 46,178	\$ (34,064)	\$ 238,038
Other receivables	16,524	2,500	134,492	153,516
Investments	-	-	649,583	649,583
Deposits and prepaid expenses	-	-	16,844	16,844
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 242,448</u>	<u>\$ 48,678</u>	<u>\$ 766,855</u>	<u>\$ 1,057,981</u>
LIABILITIES AND NET DEFICIT				
Accounts payable	\$ 6,014	\$ -	\$ 770	\$ 6,784
Accrued liabilities	3,202,114	582,051	1,705,000	5,489,165
Due from other funds	(22,295)	-	-	(22,295)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	3,185,833	582,051	1,705,770	5,473,654
Net deficit				
Unrestricted	<u>(2,943,385)</u>	<u>(533,373)</u>	<u>(938,915)</u>	<u>(4,415,673)</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total net deficit	<u>(2,943,385)</u>	<u>(533,373)</u>	<u>(938,915)</u>	<u>(4,415,673)</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 242,448</u>	<u>\$ 48,678</u>	<u>\$ 766,855</u>	<u>\$ 1,057,981</u>

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

**BALANCE SHEET
PRIEST RETIREMENT FUNDS**

June 30, 2001

	ASSETS			
	Priest Retirement Fund	Supplemental Plan Fund	Post Retirement Fund	Total
Cash and cash equivalents	\$ 236,870	\$ 44,452	\$ 589	\$ 281,911
Other receivables	273	2,499	149,432	152,204
Investments	-	-	650,008	650,008
Deposits and prepaid expenses	-	-	9,781	9,781
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 237,143</u>	<u>\$ 46,951</u>	<u>\$ 809,810</u>	<u>\$ 1,093,904</u>
LIABILITIES AND NET ASSETS (DEFICIT)				
Accounts payable	\$ 6,000	\$ -	\$ -	\$ 6,000
Accrued liabilities	2,276,098	513,265	867,000	3,656,363
Due from other funds	(25,060)	-	-	(25,060)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	2,257,038	513,265	867,000	3,637,303
Net assets (deficit)				
Unrestricted	(2,019,895)	(466,314)	(71,113)	(2,557,322)
Temporarily restricted	-	-	13,923	13,923
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total net deficit	<u>(2,019,895)</u>	<u>(466,314)</u>	<u>(57,190)</u>	<u>(2,543,399)</u>
Total liabilities and net assets	<u>\$ 237,143</u>	<u>\$ 46,951</u>	<u>\$ 809,810</u>	<u>\$ 1,093,904</u>

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PRIEST RETIREMENT FUNDS**

Year ended June 30, 2002

	Priest Retirement Fund	Supplemental Plan Fund	Post Retirement Fund	Total
Revenues				
Gifts, bequests and collections	\$ -	\$ 6,000	\$ -	\$ 6,000
Fees and expense reimbursements	459,744	619	-	460,363
Investment income	11,260	1,227	85	12,572
Other income	7,383	2,195	-	9,578
Total revenues	478,387	10,041	85	488,513
Expenses				
Pastoral	-	136,638	47,347	183,985
Pension, priest retirement	1,308,374	(15,421)	882,456	2,175,409
Interest expense	918	99	7	1,024
Other	24,000	3,784	-	27,784
Total expenses	1,333,292	125,100	929,810	2,388,202
Deficiency of revenues and other additions over expenses and other deductions before transfers	(854,905)	(115,059)	(929,725)	(1,899,689)
Transfers				
Annual appeal distribution	(86,400)			(86,400)
Other	17,815	48,000	48,000	113,815
	(68,585)	48,000	48,000	27,415
DECREASE IN NET ASSETS	(923,490)	(67,059)	(881,725)	(1,872,274)
Net deficit at beginning of year	(2,019,895)	(466,314)	(57,190)	(2,543,399)
Net deficit at end of year	\$ (2,943,385)	\$ (533,373)	\$ (938,915)	\$ (4,415,673)

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PRIEST RETIREMENT FUNDS**

Year ended June 30, 2001

	Priest Retirement Fund	Supplemental Plan Fund	Post Retirement Fund	Total
Revenues				
Gifts, bequests and collections	\$ -	\$ 7,428	\$ -	\$ 7,428
Fees and expense reimbursements	408,572	193	-	408,765
Investment income	<u>19,555</u>	<u>3,066</u>	<u>2,809</u>	<u>25,430</u>
Total revenues	428,127	10,687	2,809	441,623
Expenses				
Pastoral	-	111,223	45,672	156,895
Pension, priest retirement	793,320	62,258	249,888	1,105,466
Interest expense	630	98	84	812
Other	<u>21,924</u>	<u>2,781</u>	<u>-</u>	<u>24,705</u>
Total expenses	<u>815,874</u>	<u>176,360</u>	<u>295,644</u>	<u>1,287,878</u>
Deficiency of revenues and other additions over expenses and other deductions before transfers	(387,747)	(165,673)	(292,835)	(846,255)
Transfers				
Annual appeal distribution	(59,257)			(59,257)
Other	<u>(55,542)</u>	<u>47,000</u>	<u>250,350</u>	<u>241,808</u>
	<u>(114,799)</u>	<u>47,000</u>	<u>250,350</u>	<u>182,551</u>
DECREASE IN NET ASSETS	(502,546)	(118,673)	(42,485)	(663,704)
Net deficit at beginning of year	<u>(1,517,349)</u>	<u>(347,641)</u>	<u>(14,705)</u>	<u>(1,879,695)</u>
Net deficit at end of year	<u>\$ (2,019,895)</u>	<u>\$ (466,314)</u>	<u>\$ (57,190)</u>	<u>\$ (2,543,399)</u>

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

**BALANCE SHEET
FUNDRAISING FUNDS**

June 30, 2002

ASSETS				
	Annual Appeal Fund	Capital Campaign Fund	Fundraising Fund	Total
Cash and cash equivalents	\$ 4,272,450	\$ 263,415	\$ 8,395	\$ 4,544,260
Receivables				
Pledges (net of allowance for doubtful accounts of \$438,750)	1,504,198	346,833	-	1,851,031
Deposits and prepaid expenses	5,699	-	70,623	76,322
Total assets	<u>\$ 5,782,347</u>	<u>\$ 610,248</u>	<u>\$ 79,018</u>	<u>\$ 6,471,613</u>
LIABILITIES AND NET ASSETS (DEFICIT)				
Accounts payable	\$ -	\$ -	\$ 26,145	\$ 26,145
Pledges payable to parishes and others	1,173,307	49,706	-	1,223,013
Accrued liabilities	26,037	-	62,274	88,311
Total liabilities	1,199,344	49,706	88,419	1,337,469
Net assets (deficit)				
Unrestricted				
Undesignated	-	(252,081)	(9,401)	(261,482)
Temporarily restricted	4,583,003	812,623	-	5,395,626
Total net assets (deficit)	4,583,003	560,542	(9,401)	5,134,144
Total liabilities and net assets	<u>\$ 5,782,347</u>	<u>\$ 610,248</u>	<u>\$ 79,018</u>	<u>\$ 6,471,613</u>

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

**BALANCE SHEET
FUNDRAISING FUNDS**

June 30, 2001

ASSETS				
	Annual Appeal Fund	Capital Campaign Fund	Fundraising Fund	Total
Cash and cash equivalents	\$ 4,422,140	\$ 779,439	\$ 42,611	\$ 5,244,190
Receivables				
Pledges (net of allowance for doubtful accounts of \$774,952)	1,592,473	588,191	-	2,180,664
Deposits and prepaid expenses	958	-	-	958
Total assets	<u>\$ 6,015,571</u>	<u>\$ 1,367,630</u>	<u>\$ 42,611</u>	<u>\$ 7,425,812</u>
LIABILITIES AND NET ASSETS (DEFICIT)				
Accounts payable	\$ -	\$ -	\$ 10,509	\$ 10,509
Pledges payable to parishes and others	1,247,164	447,827	-	1,694,991
Accrued liabilities	660	-	18,734	19,394
Total liabilities	1,247,824	447,827	29,243	1,724,894
Net assets (deficit)				
Unrestricted				
Undesignated	-	(14,380)	13,368	(1,012)
Temporarily restricted	4,767,747	934,183	-	5,701,930
Total net assets (deficit)	4,767,747	919,803	13,368	5,700,918
Total liabilities and net assets	<u>\$ 6,015,571</u>	<u>\$ 1,367,630</u>	<u>\$ 42,611</u>	<u>\$ 7,425,812</u>

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FUNDRAISING FUNDS**

Year ended June 30, 2002

	Annual Appeal Fund	Capital Campaign Fund	Fundraising Fund	Total
Revenues				
Gifts, bequests and collections	\$ 5,042,850	\$ 24,479	\$ -	\$ 5,067,329
Total revenues	<u>5,042,850</u>	<u>24,479</u>	<u>-</u>	<u>5,067,329</u>
Expenses				
Pastoral	-	86,963	-	86,963
Administrative	5,276	-	-	5,276
Depreciation expense	-	-	8,896	8,896
Fundraising expense	549,741	13,137	423,873	986,751
Total expenses	<u>555,017</u>	<u>100,100</u>	<u>432,769</u>	<u>1,087,886</u>
Excess (deficiency) of revenues and other additions over expenses and other deductions before transfers	4,487,833	(75,621)	(432,769)	3,979,443
Transfers				
Annual appeal transfer	(4,262,577)	-	-	(4,262,577)
Annual appeal distribution	(410,000)	-	410,000	-
Other	-	(283,640)	-	(283,640)
	<u>(4,672,577)</u>	<u>(283,640)</u>	<u>410,000</u>	<u>(4,546,217)</u>
DECREASE IN NET ASSETS	(184,744)	(359,261)	(22,769)	(566,774)
Net assets at beginning of year	<u>4,767,747</u>	<u>919,803</u>	<u>13,368</u>	<u>5,700,918</u>
Net assets (deficit) at end of year	<u>\$ 4,583,003</u>	<u>\$ 560,542</u>	<u>\$ (9,401)</u>	<u>\$ 5,134,144</u>

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FUNDRAISING FUNDS**

Year ended June 30, 2001

	Annual Appeal Fund	Capital Campaign Fund	Fundraising Fund	Total
Revenues				
Gifts, bequests and collections	\$ 5,411,891	\$ 214,470	\$ -	\$ 5,626,361
Total revenues	5,411,891	214,470	-	5,626,361
Expenses				
Pastoral	-	59,016	-	59,016
Administrative	23,962	242,746	741	267,449
Fundraising expense	359,115	13,128	209,951	582,194
Total expenses	383,077	314,890	210,692	908,659
Excess (deficiency) of revenues and other additions over expenses and other deductions before transfers	5,028,814	(100,420)	(210,692)	4,717,702
Transfers				
Annual appeal transfer	(4,415,214)	-	-	(4,415,214)
Annual appeal distribution	(225,930)	-	225,930	-
Other	-	(165,748)	-	(165,748)
	(4,641,144)	(165,748)	225,930	(4,580,962)
INCREASE (DECREASE) IN NET ASSETS	387,670	(266,168)	15,238	136,740
Net assets (deficit) at beginning of year	4,380,077	1,185,971	(1,870)	5,564,178
Net assets at end of year	\$ 4,767,747	\$ 919,803	\$ 13,368	\$ 5,700,918

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

**BALANCE SHEET
DEPOSIT AND LOAN FUNDS**

June 30, 2002

	ASSETS		
	Deposit and Loan Fund	Employee Loan Fund	Total
Cash and cash equivalents	\$ 10,610,979	\$ 115,736	\$ 10,726,715
Receivables			
Mortgages and notes (net of allowance for doubtful accounts of \$184,312)	20,000	378,587	398,587
Other receivables (net of allowance for doubtful accounts of \$500,000)	237,991	-	237,991
Loans receivable from parishes and institutions	41,218,294	-	41,218,294
Bond issue costs	<u>866,992</u>	<u>-</u>	<u>866,992</u>
Total assets	<u>\$ 52,954,256</u>	<u>\$ 494,323</u>	<u>\$ 53,448,579</u>
LIABILITIES AND NET ASSETS			
Notes payable	\$ 19,160,000	\$ -	\$ 19,160,000
Accounts payable	2,603,958	-	2,603,958
Accrued liabilities	126,038	-	126,038
Deposit payable	31,138,327	-	31,138,327
Due to other funds	<u>321,366</u>	<u>-</u>	<u>321,366</u>
Total liabilities	53,349,689	-	53,349,689
Net assets			
Unrestricted			
Undesignated	<u>(395,433)</u>	<u>494,323</u>	<u>98,890</u>
Total net assets	<u>(395,433)</u>	<u>494,323</u>	<u>98,890</u>
Total liabilities and net assets	<u>\$ 52,954,256</u>	<u>\$ 494,323</u>	<u>\$ 53,448,579</u>

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

**BALANCE SHEET
DEPOSIT AND LOAN FUNDS**

June 30, 2001

ASSETS			
	Deposit and Loan Fund	Employee Loan Fund	Total
Cash and cash equivalents	\$ 20,476,635	\$ -	\$ 20,476,635
Receivables			
Mortgages and notes	367,370	-	367,370
Other receivables	177,048	-	177,048
Loans receivable from parishes and institutions (net of allowance for doubtful accounts of \$149,541)	35,456,842	-	35,456,842
Bond issue costs	916,772	-	916,772
Total assets	\$ 57,394,667	\$ -	\$ 57,394,667
LIABILITIES AND NET ASSETS			
Notes payable	\$ 19,420,000	\$ -	\$ 19,420,000
Accounts payable	974,483	-	974,483
Accrued liabilities	126,354	-	126,354
Deposit payable	36,255,044	-	36,255,044
Due to other funds	321,366	-	321,366
Total liabilities	57,097,247	-	57,097,247
Net assets			
Unrestricted			
Undesignated	68,973	-	68,973
Designated	228,447	-	228,447
Total net assets	297,420	-	297,420
Total liabilities and net assets	\$ 57,394,667	\$ -	\$ 57,394,667

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
DEPOSIT AND LOAN FUNDS**

Year ended June 30, 2002

	Deposit and Loan Fund	Employee Loan Fund	Total
Revenues			
Investment income	\$ 431,371	\$ 21,485	\$ 452,856
Interest income from loans	2,692,568	-	2,692,568
Total revenues	3,123,939	21,485	3,145,424
Expenses			
Administrative	550,981	-	550,981
Interest expense	3,265,811	-	3,265,811
Other	-	27,162	27,162
Total expenses	3,816,792	27,162	3,843,954
Deficiency of revenues over expenses before transfers	(692,853)	(5,677)	(698,530)
Transfers	-	500,000	500,000
INCREASE (DECREASE) IN NET ASSETS	(692,853)	494,323	(198,530)
Net assets at beginning of year	297,420	-	297,420
Net assets at end of year	\$ (395,433)	\$ 494,323	\$ 98,890

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
DEPOSIT AND LOAN FUNDS**

Year ended June 30, 2001

	Deposit and Loan Fund	Employee Loan Fund	Total
Revenues			
Investment income	\$ 1,137,247	\$ -	\$ 1,137,247
Interest income from loans	2,299,990	-	2,299,990
Other Income	<u>2,370</u>	<u>-</u>	<u>2,370</u>
Total revenues	3,439,607	-	3,439,607
Expenses			
Administrative	322,242	-	322,242
Interest expense	<u>3,202,584</u>	<u>-</u>	<u>3,202,584</u>
Total expenses	<u>3,524,826</u>	<u>-</u>	<u>3,524,826</u>
INCREASE (DECREASE) IN NET ASSETS	(85,219)	-	(85,219)
Net assets at beginning of year	<u>382,639</u>	<u>-</u>	<u>382,639</u>
Net assets at end of year	<u>\$ 297,420</u>	<u>\$ -</u>	<u>\$ 297,420</u>

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

**BALANCE SHEET
SERVICE FUNDS**

June 30, 2001

ASSETS	Payroll Fund	Benefit Fund	Compre- hensive Insurance Fund	Total
Cash and cash equivalents	\$ 512,658	\$ 1,583,900	\$ 355,239	\$ 2,451,797
Receivables				
Parishes (net of allowance for doubtful accounts of \$367,000)	72,854	68,425	242,289	383,568
Deposits and prepaid expenses	-	565,550	522,024	1,087,574
Deposit held for other funds	(38,296)	-	-	(38,296)
	<u>547,216</u>	<u>2,217,875</u>	<u>1,119,552</u>	<u>3,884,643</u>
Total assets				
	<u>\$ 547,216</u>	<u>\$ 2,217,875</u>	<u>\$ 1,119,552</u>	<u>\$ 3,884,643</u>
LIABILITIES AND NET ASSETS				
Accounts payable	\$ 1,104	\$ 5,145	\$ 82,024	\$ 88,273
Accrued liabilities	280,321	281,996	17,928	580,245
Held for parishes and institutions	440,090	-	-	440,090
Deferred revenue	-	453,429	285,769	739,198
Due from other funds	(500,000)	(667,956)	-	(1,167,956)
Total liabilities	221,515	72,614	385,721	679,850
Net assets (deficit)				
Unrestricted				
Undesignated	325,701	2,146,883	659,557	3,132,141
Designated	-	(1,622)	74,274	72,652
Total net assets	<u>325,701</u>	<u>2,145,261</u>	<u>733,831</u>	<u>3,204,793</u>
Total liabilities and net assets	<u>\$ 547,216</u>	<u>\$ 2,217,875</u>	<u>\$ 1,119,552</u>	<u>\$ 3,884,643</u>

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
SERVICE FUNDS**

Year ended June 30, 2002

	<u>Payroll Fund</u>	<u>Benefit Fund</u>	<u>Compre- hensive Insurance Fund</u>	<u>Total</u>
Revenues				
Fees and expense reimbursements	\$ 338,558	\$ -	\$ -	\$ 338,558
Investment income	-	25,113	5,665	30,778
Insurance premiums	-	8,654,571	2,433,320	11,087,891
Other income (loss)	-	(908)	95,119	94,211
Total revenues	<u>338,558</u>	<u>8,678,776</u>	<u>2,534,104</u>	<u>11,551,438</u>
Expenses				
Administrative	223,173	205,505	393,683	822,361
Depreciation	1,530	1,139	1,615	4,284
Interest expense	-	2,018	-	2,018
Insurance premiums and benefits	<u>48,236</u>	<u>7,972,037</u>	<u>2,284,634</u>	<u>10,304,907</u>
Total expenses	<u>272,939</u>	<u>8,180,699</u>	<u>2,679,932</u>	<u>11,133,570</u>
Excess (deficiency) of revenues over expenses before transfers	65,619	498,077	(145,828)	417,868
Transfers	<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>(500,000)</u>
INCREASE (DECREASE) IN NET ASSETS	65,619	(1,923)	(145,828)	(82,132)
Net assets at beginning of year	<u>325,701</u>	<u>2,145,261</u>	<u>733,831</u>	<u>3,204,793</u>
Net assets at end of year	<u>\$ 391,320</u>	<u>\$ 2,143,338</u>	<u>\$ 588,003</u>	<u>\$ 3,122,661</u>

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
SERVICE FUNDS**

Year ended June 30, 2001

	<u>Payroll Fund</u>	<u>Benefit Fund</u>	<u>Compre- hensive Insurance Fund</u>	<u>Total</u>
Revenues				
Fees and expense reimbursements	\$ 438,386	\$ -	\$ -	\$ 438,386
Investment income	-	103,407	14,335	117,742
Insurance premiums	-	7,054,431	2,164,299	9,218,730
Other income	<u>74,270</u>	<u>-</u>	<u>3,796</u>	<u>78,066</u>
Total revenues	512,656	7,157,838	2,182,430	9,852,924
Expenses				
Administrative	183,562	138,684	338,014	660,260
Interest expense	-	3,402	-	3,402
Insurance premiums and benefits	<u>25,264</u>	<u>7,020,487</u>	<u>1,471,035</u>	<u>8,516,786</u>
Total expenses	<u>208,826</u>	<u>7,162,573</u>	<u>1,809,049</u>	<u>9,180,448</u>
INCREASE (DECREASE) IN NET ASSETS	303,830	(4,735)	373,381	672,476
Net assets at beginning of year	<u>21,871</u>	<u>2,149,996</u>	<u>360,450</u>	<u>2,532,317</u>
Net assets at end of year	<u>\$ 325,701</u>	<u>\$ 2,145,261</u>	<u>\$ 733,831</u>	<u>\$ 3,204,793</u>

Central Administrative Office of the Roman Catholic Diocese of San Jose

Schedule 4

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - ALL FUNDS

Year ended June 30, 2001

	Current Funds	Service Funds	Cemetery Fund	Deposit and Loan Fund	Pooled Investment Fund	Fundraising Fund	Priest Retirement Fund	Endowment Fund	Total
Revenues									
Gifts, bequests and collections	\$ 321,973	\$ -	\$ -	\$ -	\$ -	\$ 5,626,361	\$ 7,428	\$ -	\$ 5,955,762
Fees and expense reimbursements	1,079,555	438,386	-	-	-	-	408,765	-	1,926,706
Rental income	187,573	-	-	-	-	-	-	84,579	272,152
Investment income (loss)	655,712	117,742	(245,449)	1,137,247	-	-	25,430	(299,341)	1,391,341
Interest income from loans	-	-	-	2,299,990	-	-	-	-	2,299,990
Insurance premiums	-	9,218,730	-	-	-	-	-	-	9,218,730
Newspaper income	366,921	-	-	-	-	-	-	-	366,921
Cemetery revenues	-	-	4,174,813	-	-	-	-	-	4,174,813
Other income (loss)	148,423	78,066	90,282	2,370	-	-	-	(15,016)	304,125
Total revenues	2,760,157	9,852,924	4,019,646	3,439,607	-	5,626,361	441,623	(229,778)	25,910,540
Expenses									
Pastoral	3,548,176	-	-	-	-	59,016	156,895	-	3,764,087
Religious personnel development	1,604,416	-	-	-	-	-	-	-	1,604,416
Education	1,152,255	-	-	-	-	-	-	-	1,152,255
Pension, priest retirement	-	-	-	-	-	-	1,105,466	-	1,105,466
Administrative	1,447,600	660,260	-	322,242	-	267,449	-	6,186	2,703,737
Depreciation expense	474,764	-	114,107	-	-	-	-	-	588,871
Interest expense	24,655	3,402	-	3,202,584	-	-	812	2,003	3,233,456
Insurance premiums and benefits	-	8,516,786	-	-	-	-	-	-	8,516,786
Newspaper expense	462,059	-	-	-	-	-	-	-	462,059
Cemetery expense	-	-	3,211,486	-	-	-	-	-	3,211,486
Fundraising expense	22,000	-	-	-	-	582,194	-	-	604,194
Other	16,581	-	-	-	-	-	24,705	-	41,286
Total expenses	8,752,506	9,180,448	3,325,593	3,524,826	-	908,659	1,287,878	8,189	26,988,099
Excess (deficiency) of revenues and other additions over expenses and other deductions before transfers	(5,992,349)	672,476	694,053	(85,219)	-	4,717,702	(846,255)	(237,967)	(1,077,559)
Transfers									
Annual appeal transfer	4,415,214	-	-	-	-	(4,415,214)	-	-	-
Annual appeal distribution	59,257	-	-	-	-	-	(59,257)	-	-
Other	200,325	-	-	-	-	(165,748)	241,808	(276,385)	-
Total transfers	4,674,796	-	-	-	-	(4,580,962)	182,551	(276,385)	-
INCREASE (DECREASE) IN NET ASSETS	(1,317,553)	672,476	694,053	(85,219)	-	136,740	(663,704)	(514,352)	(1,077,559)
Net assets (deficit) at beginning of year	22,088,061	2,532,317	13,107,749	382,639	-	5,564,178	(1,879,695)	8,700,905	50,496,154
Net assets (deficit) at end of year	\$ 20,770,508	\$ 3,204,793	\$ 13,801,802	\$ 297,420	\$ -	\$ 5,700,918	\$ (2,543,399)	\$ 8,186,553	\$ 49,418,595

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

**BALANCE SHEET
CURRENT FUNDS**

June 30, 2002

	Operating Fund	Newspaper Fund	Total
ASSETS			
Cash and cash equivalents	\$ 1,847,288	\$ (699,152)	\$ 1,148,136
Marketable securities	1,249,968	-	1,249,968
Receivables			
Mortgages and notes	211,000	-	211,000
Other receivables (net of allowance for doubtful accounts of \$33,434)	636,309	38,210	674,519
Deposits and prepaid expenses	678,844	6,171	685,015
Assets held in trust	989,323	-	989,323
Land, buildings and equipment (net of accumulated depreciation)	29,397,772	-	29,397,772
Total assets	\$ 35,010,504	\$ (654,771)	\$ 34,355,733
LIABILITIES AND NET ASSETS (DEFICIT)			
Notes payable	\$ 14,445	\$ -	\$ 14,445
Accounts payable	298,922	11,579	310,501
Accrued liabilities	1,685,352	154,504	1,839,856
Trust assets held for parish	989,323	-	989,323
Held for parishes and institutions	1,586,115	-	1,586,115
Deferred revenue	10,050,859	-	10,050,859
Due to (from) other funds	(104,596)	524,407	419,811
Total liabilities	14,520,420	690,490	15,210,910
Net assets (deficit)			
Unrestricted			
Undesignated	18,881,412	(1,345,261)	17,536,151
Designated	501,555	-	501,555
Temporarily restricted	1,107,117	-	1,107,117
Total net assets (deficit)	20,490,084	(1,345,261)	19,144,823
Total liabilities and net assets	\$ 35,010,504	\$ (654,771)	\$ 34,355,733

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

**BALANCE SHEET
CURRENT FUNDS**

June 30, 2001

	ASSETS		
	Operating Fund	Newspaper Fund	Total
Cash and cash equivalents	\$ 3,726,801	\$ (647,384)	\$ 3,079,417
Marketable securities	1,436,537	-	1,436,537
Receivables			
Mortgages and notes	160,000	-	160,000
Other receivables (net of allowance for doubtful accounts of \$33,434)	32,258	36,908	69,166
Deposits and prepaid expenses	415,610	6,036	421,646
Assets held in trust	965,472	-	965,472
Land, buildings and equipment (net of accumulated depreciation)	29,730,426	-	29,730,426
Deposits held in other funds	25,000	-	25,000
Total assets	<u>\$ 36,492,104</u>	<u>\$ (604,440)</u>	<u>\$ 35,887,664</u>
LIABILITIES AND NET ASSETS (DEFICIT)			
Notes payable	\$ 16,995	\$ -	\$ 16,995
Accounts payable	518,315	6,979	525,294
Accrued liabilities	1,003,556	105,417	1,108,973
Trust assets held for parish	965,472	-	965,472
Held for parishes and institutions	1,406,912	-	1,406,912
Deferred revenue	10,188,055	-	10,188,055
Due to other funds	381,048	524,407	905,455
Total liabilities	14,480,353	636,803	15,117,156
Net assets (deficit)			
Unrestricted			
Undesignated	20,849,563	(1,241,243)	19,608,320
Designated	121,915	-	121,915
Temporarily restricted	1,040,273	-	1,040,273
Total net assets (deficit)	<u>22,011,751</u>	<u>(1,241,243)</u>	<u>20,770,508</u>
Total liabilities and net assets	<u>\$ 36,492,104</u>	<u>\$ (604,440)</u>	<u>\$ 35,887,664</u>

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
CURRENT FUNDS**

Year ended June 30, 2002

	Operating Fund	Newspaper Fund	Total
Revenues			
Gifts, bequests and collections	\$ 1,172,800	\$ -	\$ 1,172,800
Fees and expense reimbursements	1,228,876	-	1,228,876
Rental income	190,690	-	190,690
Investment income	173,533	-	173,533
Newspaper income	-	404,946	404,946
Other Income	<u>2,640</u>	<u>230</u>	<u>2,870</u>
Total revenues	2,768,539	405,176	3,173,715
Expenses			
Pastoral	3,758,581	-	3,758,581
Religious personnel development	1,715,633	-	1,715,633
Education	1,091,183	-	1,091,183
Administrative	1,611,003	-	1,611,003
Depreciation expense	590,185	8,272	598,457
Interest expense	18,909	-	18,909
Fundraising expense	9,000	-	9,000
Newspaper expense	-	500,922	500,922
Other	<u>13,325</u>	<u>-</u>	<u>13,325</u>
Total expenses	<u>8,807,819</u>	<u>509,194</u>	<u>9,317,013</u>
Deficiency of revenues and other additions over expenses and other deductions before transfers	(6,039,280)	(104,018)	(6,143,298)
Transfers			
Annual appeal transfer	4,262,577	-	4,262,577
Annual appeal distribution	86,400	-	86,400
Other	<u>168,636</u>	<u>-</u>	<u>168,636</u>
Total transfers	<u>4,517,613</u>	<u>-</u>	<u>4,517,613</u>
DECREASE IN NET ASSETS	(1,521,667)	(104,018)	(1,625,685)
Net assets (deficit) at beginning of year	<u>22,011,751</u>	<u>(1,241,243)</u>	<u>20,770,508</u>
Net assets (deficit) at end of year	<u>\$ 20,490,084</u>	<u>\$ (1,345,261)</u>	<u>\$ 19,144,823</u>

**Central Administrative Office of the
Roman Catholic Diocese of San Jose**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
CURRENT FUNDS**

Year ended June 30, 2001

	Operating Fund	Newspaper Fund	Total
Revenues			
Gifts, bequests and collections	\$ 321,973	\$ -	\$ 321,973
Fees and expense reimbursements	1,079,555	-	1,079,555
Rental income	187,573	-	187,573
Investment income	655,712	-	655,712
Newspaper income	-	366,921	366,921
Other Income	<u>148,151</u>	<u>272</u>	<u>148,423</u>
Total revenues	2,392,964	367,193	2,760,157
Expenses			
Pastoral	3,548,176	-	3,548,176
Religious personnel development	1,604,416	-	1,604,416
Education	1,152,255	-	1,152,255
Administrative	1,444,969	2,631	1,447,600
Depreciation expense	474,764	-	474,764
Interest expense	24,655	-	24,655
Fundraising expense	22,000	-	22,000
Newspaper expense	-	462,059	462,059
Other	<u>16,581</u>	<u>-</u>	<u>16,581</u>
Total expenses	<u>8,287,816</u>	<u>464,690</u>	<u>8,752,506</u>
Deficiency of revenues and other additions over expenses and other deductions before transfers	(5,894,852)	(97,497)	(5,992,349)
Transfers			
Annual appeal transfer	4,415,214	-	4,415,214
Annual appeal distribution	59,257	-	59,257
Other	<u>200,325</u>	<u>-</u>	<u>200,325</u>
Total transfers	<u>4,674,796</u>	<u>-</u>	<u>4,674,796</u>
DECREASE IN NET ASSETS	(1,220,056)	(97,497)	(1,317,553)
Net assets (deficit) at beginning of year	<u>23,231,807</u>	<u>(1,143,746)</u>	<u>22,088,061</u>
Net assets (deficit) at end of year	<u>\$ 22,011,751</u>	<u>\$ (1,241,243)</u>	<u>\$ 20,770,508</u>