

CENTRAL ADMINISTRATIVE OFFICE OF THE
ROMAN CATHOLIC DIOCESE OF SAN JOSE
JUNE 30, 2009 AND 2008

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INDEPENDENT AUDITOR'S REPORT

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 ("CAO") as of June 30, 2009 and 2008, 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 as established by the American Institute of Certified Public Accountants. 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 as of June 30, 2009 and 2008 and the changes in its net assets and in its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Berger/Lewis Accountancy Corporation".

BERGER/LEWIS ACCOUNTANCY CORPORATION
San Jose, California
October 21, 2009

CENTRAL ADMINISTRATIVE OFFICE OF THE ROMAN CATHOLIC DIOCESE OF SAN JOSE
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - ALL FUNDS
JUNE 30, 2009 and 2008

ASSETS	2009	2008
Cash and cash equivalents	\$ 30,044,591	\$ 34,333,066
Marketable securities	14,678,306	18,494,212
Receivables		
Receivables from parishes and institutions (net of allowance for doubtful accounts of \$90,340 in 2009 and \$1,054 in 2008)	424,069	169,468
Pledges (net of allowance for doubtful accounts and valuation reserves of \$84,028 in 2009 and \$41,249 in 2008)	1,753,537	1,523,857
Other (net of allowance for doubtful accounts and valuation reserves of \$960,045 in 2009 and \$799,414 in 2008)	5,377,578	2,980,920
Deposits and prepaid expenses	215,326	434,562
Inventory	8,852,333	9,264,237
Loans receivable from parishes and institutions in Deposit and Loan Fund (net of allowance for doubtful accounts and valuation reserves of \$3,694,889 in 2009 and \$3,992,555 in 2008)	23,123,209	24,561,066
Debt issuance costs (net of accumulated amortization of \$58,533 in 2009 and \$42,924 in 2008)	409,739	425,349
Marketable securities held for long term purposes	3,682,807	3,596,036
Investment in real estate	839,216	839,216
Assets held in trust	2,797,258	1,286,191
Land, buildings and equipment (net of accumulated depreciation of \$15,966,107 in 2009 and \$17,037,777 in 2008)	52,188,854	45,770,817
Total Assets	\$ 144,386,823	\$ 143,678,997
LIABILITIES & NET ASSETS		
Liabilities		
Accounts Payable	\$ 2,094,446	\$ 1,528,248
Pledges Payable to Parishes	1,060,639	1,075,051
Accrued Liabilities	23,585,816	20,539,083
Deposits Payable - Parishes	29,688,858	29,292,826
Debentures Payable	24,166,486	23,276,201
Notes Payable	1,936,552	2,338,540
Trust Assets Held for Parish	2,797,258	1,286,191
Held for Parishes/Institutions	6,574,678	8,174,652
Deferred Revenue	15,647,500	13,508,520
Total Liabilities	107,552,232	101,019,313
Net Assets		
Unrestricted		
Undesignated	9,679,812	15,113,717
Designated	8,049,104	7,135,749
Designated-Cemetery Long-Term Care	6,435,463	5,738,255
Total unrestricted assets	24,164,378	27,987,721
Temporarily restricted	8,873,085	11,052,383
Permanently restricted	3,797,128	3,619,580
Total net assets	36,834,591	42,659,684
Total liabilities and net assets	\$ 144,386,823	\$ 143,678,997

The Accompanying Notes are an Integral Part of these Financial Statements

CENTRAL ADMINISTRATIVE OFFICE OF THE ROMAN CATHOLIC DIOCESE OF SAN JOSE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
Gifts, Bequests, and Collections	\$ 2,964,239	\$ 5,897,213	\$ 177,548	\$ 9,039,001
Fees and Expense Reimbursement	2,851,723	-	-	2,851,723
Diocesan Assessment	3,043,488	-	-	3,043,488
Education Income	4,467,032	-	-	4,467,032
Rental Income	661,230	-	-	661,230
Investment Income	(2,265,825)	(365,929)	-	(2,631,754)
Interest Income from Loans	668,317	-	-	668,317
Cemetery Revenues	5,321,583	-	-	5,321,583
Insurance Premium Income	19,849,299	-	-	19,849,299
Newspaper Income	367,379	-	-	367,379
Other Income	302,653	-	-	302,653
Net assets released from restrictions	7,710,583	(7,710,583)	-	-
Total revenues	<u>45,941,702</u>	<u>(2,179,298)</u>	<u>177,548</u>	<u>43,939,951</u>
Expenses				
Pastoral	4,098,298	-	-	4,098,298
Religious and personnel development	3,020,197	-	-	3,020,197
Education	5,325,198	-	-	5,325,198
Pension, priest retirement	4,398,081	-	-	4,398,081
Administration	3,710,198	-	-	3,710,198
Depreciation expense	1,517,682	-	-	1,517,682
Interest expense	4,856,736	-	-	4,856,736
Insurance premiums and benefits	17,410,279	-	-	17,410,279
Newspaper expenses	452,520	-	-	452,520
Cemetery expenses	4,879,482	-	-	4,879,482
Fundraising expenses	1,108,323	-	-	1,108,323
Total expenses	<u>50,776,993</u>	<u>-</u>	<u>-</u>	<u>50,776,993</u>
Increase in Net Assets before effect of adoption of FASB Statement 158	(4,835,292)	(2,179,298)	177,548	(6,837,042)
Effect of adoption of FASB Statement 158 on prior period Net Assets	<u>1,011,949</u>	<u>-</u>	<u>-</u>	<u>1,011,949</u>
Increase (decrease) in Net Assets	(3,823,343)	(2,179,298)	177,548	(5,825,093)
Net Assets at the beginning of the year	<u>27,987,721</u>	<u>11,052,383</u>	<u>3,619,580</u>	<u>42,659,684</u>
Net Assets at the end of the year	<u>\$ 24,164,378</u>	<u>\$ 8,873,085</u>	<u>\$ 3,797,128</u>	<u>\$ 36,834,591</u>

The Accompanying Notes are an Integral Part of these Financial Statements

CENTRAL ADMINISTRATIVE OFFICE OF THE ROMAN CATHOLIC DIOCESE OF SAN JOSE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Gifts, Bequests, and Collections	\$ 2,434,358	\$ 5,670,980	\$ 154,366	\$ 8,259,704
Fees and Expense Reimbursement	2,471,418	-	-	2,471,418
Diocesan Assessment	2,924,868	-	-	2,924,868
Education Income	4,389,964	-	-	4,389,964
Rental Income	999,001	-	-	999,001
Investment Income	181,214	(618,463)	-	(437,249)
Interest Income from Loans	750,213	-	-	750,213
Cemetery Revenues	5,229,325	-	-	5,229,325
Insurance Premium Income	18,916,471	-	-	18,916,471
Newspaper Income	367,203	-	-	367,203
Other Income	201,952	-	-	201,952
Net assets released from restrictions	6,078,536	(6,078,536)	-	-
Total revenues	<u>44,944,522</u>	<u>(1,026,019)</u>	154,366	<u>44,072,869</u>
Expenses				
Pastoral	4,362,631	-	-	4,362,631
Religious and personnel development	2,794,155	-	-	2,794,155
Education	4,328,616	-	-	4,328,616
Pension, priest retirement	2,645,796	-	-	2,645,796
Administration	3,757,622	-	-	3,757,622
Depreciation expense	1,501,920	-	-	1,501,920
Interest expense	3,486,493	-	-	3,486,493
Insurance premiums and benefits	16,619,297	-	-	16,619,297
Newspaper expenses	396,525	-	-	396,525
Cemetery expenses	4,626,490	-	-	4,626,490
Fundraising expenses	1,018,259	-	-	1,018,259
Total expenses	<u>45,537,803</u>	<u>-</u>	<u>-</u>	<u>45,537,803</u>
Increase in Net Assets before effect of adoption of FASB Statement 158	(593,281)	(1,026,019)	154,366	(1,464,934)
Effect of adoption of FASB Statement 158 on prior period Net Assets	965,000	-	-	965,000
Increase (decrease) in Net Assets	371,719	(1,026,019)	154,366	(499,934)
Net Assets at the beginning of the year	27,616,002	12,078,402	3,465,214	43,159,618
Net Assets at the end of the year	<u>\$ 27,987,721</u>	<u>\$ 11,052,383</u>	<u>\$ 3,619,580</u>	<u>\$ 42,659,684</u>

The Accompanying Notes are an Integral Part of these Financial Statements

CENTRAL ADMINISTRATIVE OFFICE OF THE ROMAN CATHOLIC DIOCESE OF SAN JOSE
STATEMENTS OF CASH FLOWS
JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets after effect of FASB 158	\$ (5,825,093)	\$ (499,933)
Effect of FASB 158	<u>(1,011,949)</u>	<u>(965,000)</u>
Change in net assets from operations prior to effect of FASB 158	(6,837,042)	(1,464,933)
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,517,682	1,500,101
Provision for losses on loans and receivables	(4,970)	831,257
Amortization of bond issuance costs	15,609	15,609
Investment (gains)/ losses	3,332,720	1,760,233
Accrued cost unfunded pension liability	3,060,653	872,670
Gain on re-allocation of lay pension liability	1,982,181	864,006
Changes in operating assets and liabilities:		
Receivables	(3,173,635)	(2,457,405)
Inventories	411,905	(503,154)
Deposits and prepaid expenses	219,236	30,963
Trust assets held for parish	1,511,067	(99,012)
Accounts payable and pledges payable	551,785	1,483,967
Accrued liabilities	998,029	2,908,979
Deposits payable	(1,511,067)	99,012
Assets held in trust	(1,599,974)	(771,308)
Held for parishes and institutions	2,138,980	862,939
Deferred revenue	<u>(86,771)</u>	<u>(154,366)</u>
Net cash provided by (used in) operating activities	2,526,388	5,779,558
Cash flows from investing activities:		
Purchase of plant assets	(7,935,720)	(290,970)
Proceeds from repayment of loans receivable	1,771,398	2,976,390
Advances for loans receivable	(35,884)	(115,889)
Purchase of marketable securities and distributions	(799,952)	(2,673,744)
Proceeds from sale of marketable securities and receipt of funds for investment	<u>1,196,377</u>	<u>632,412</u>
Net cash used in investing activities	(5,803,782)	528,199
Cash flows from financing activities:		
Deposits payable	396,032	1,423,221
Payments on notes and bonds payable	(1,493,884)	(1,858,766)
Contributions restricted for investment in permanent endowments	<u>86,771</u>	<u>154,366</u>
Net cash used in financing activities	<u>(1,011,081)</u>	<u>(281,179)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,288,475)	6,026,578
Cash and cash equivalents at beginning of period	<u>34,333,066</u>	<u>28,306,488</u>
Cash and cash equivalents at end of period	<u>\$ 30,044,591</u>	<u>\$ 34,333,066</u>
SUPPLEMENTAL DISCLOSURE FOR CASH PAID FOR:		
Interest	<u>\$ 2,862,368</u>	<u>\$ 2,622,558</u>
Taxes	<u>\$ 12,600</u>	<u>\$ -</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**CENTRAL ADMINISTRATIVE OFFICE OF THE
ROMAN CATHOLIC DIOCESE OF SAN JOSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 1 -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, certain elementary and secondary schools, The Roman Catholic Welfare Corporation, The Catholic Foundation of Santa Clara County, The Catholic Charities of Santa Clara County, The Roman Catholic Seminary Corporation of San Jose ("Seminary"), the Cathedral Foundation, 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.

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

Unrestricted Net Assets – This net asset class is not subject to donor-imposed stipulations. The following funds have 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. The operating fund also holds funds raised and spent for acquisition of a site for a future parish. A portion of unrestricted net assets of the operating fund has been designated for certain initiatives. The Newspaper Fund was closed and all operations are now included in the Operating Fund.

- 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 employee 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.

**CENTRAL ADMINISTRATIVE OFFICE OF THE
ROMAN CATHOLIC DIOCESE OF SAN JOSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 1 - ORGANIZATION (Continued)

- Cemetery Fund

The activities of the Roman Catholic Cemeteries of San Jose are maintained in this fund. Amounts set aside for perpetual cemetery care are designated as funds functioning as long-term care in the unrestricted net asset category.

- Employee Loan Fund

This fund has been established for loans to employees and priests of the Diocese. At June 30, 2009 and 2008, the interest rate on loans was 5.0%. As of May 31, 2009 no new loans were being made from this Fund pending revision of the loan policies.

- Endowment Fund

The unrestricted portion of this fund has been designated by the CAO as quasi-endowment and may be used for any purpose. The balance of the fund is currently used for scholarships for high school and elementary school students in Catholic schools in the Diocese and for priest retirement and seminarian education.

- Priest Retirement Fund

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

- 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. Since July 1, 2004, deposit interest rates were maintained at the same rates as for fiscal year 2004 and have not varied with changes in the prime rate. At June 30, 2009 and 2008, the effective rate was 2.2% - 4.0%, depending on term of the deposit. The variable interest rates applied to loans range from 2.25% to 5.0% as of June 30, 2009 and 2008.

The Deposit and Loan Fund had \$29,688,858 and \$29,292,826 of deposits from parishes and schools as of June 30, 2009 and 2008, respectively.

The source and term of deposits is shown in the following tables:

As of June 30, 2009	By Term			
	<1 Year	1 - 2 Years	6 Years	Total
Parishes	\$ 13,708,586	\$ 1,880,488	\$ 4,014,090	\$ 19,603,164
Schools	7,701,936	245,229	2,138,529	10,085,694
	<u>\$ 21,410,522</u>	<u>\$ 2,125,717</u>	<u>\$ 6,152,619</u>	<u>\$ 29,688,858</u>
Percent	72%	7%	21%	100%

**CENTRAL ADMINISTRATIVE OFFICE OF THE
ROMAN CATHOLIC DIOCESE OF SAN JOSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 1 - ORGANIZATION (Continued)

As of June 30, 2008	By Term			
	<1 Year	1 - 2 Years	6 Years	Total
Parishes	\$ 15,987,719	\$ 2,476,555	\$ 2,361,150	\$ 20,825,424
Schools	5,583,025	1,212,499	1,671,878	8,467,402
	<u>\$ 21,570,744</u>	<u>\$ 3,689,054</u>	<u>\$ 4,033,028</u>	<u>\$ 29,292,826</u>
Percent	74%	12%	14%	100%

- Fundraising Fund

This fund has been established for general fundraising activities for the support of Diocesan general operations.

- Holy Spirit School

Holy Spirit School, a Diocesan elementary school, is contained in this fund. The CAO has a substantial investment in the school and has an active oversight in monitoring the operations of the school. Because of this significantly closer affiliation with Holy Spirit School which became effective July 1, 2002, the financial statements of the School have been combined with those of the CAO. All significant interfund balances and transactions have been eliminated.

Temporarily Restricted Net Assets - This net asset class includes gifts for which donor imposed purpose restrictions or time restrictions have not been met.

- Operating Fund

In addition to unrestricted net assets, this fund also includes uncollected donor bequests and trusts and other donor-restricted gifts which are classified as temporarily restricted net assets.

- 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 and budgeted for use in operations. Associated fund raising costs are expensed as incurred.

- Endowment Fund

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

- Holy Spirit School

In addition to unrestricted and permanently restricted net assets, this fund also contains resources that are restricted for scholarships, as well as pledges receivable that are temporarily restricted by a time restriction until the cash is collected on these pledges.

**CENTRAL ADMINISTRATIVE OFFICE OF THE
ROMAN CATHOLIC DIOCESE OF SAN JOSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 1 - ORGANIZATION (Continued)

Permanently Restricted Net Assets -This net asset class consists 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 Fund

This fund is currently used for scholarships for high school and elementary school students in Catholic schools in the Diocese and for priest retirement and seminarian education.

- Holy Spirit School

In addition to unrestricted and temporarily restricted net assets, this fund also contains permanently restricted resources, the income from which is to be used for scholarships.

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

- Pooled Investment 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 utilizing a pooling method based on market values. Revenues and expense of the pool are reflected as net asset changes in the fund or entity for which the assets are held.

NOTE 2 - SUMMARY OF SIGNIFICANT 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 consistently in the preparation of the accompanying financial statements follows:

- 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 1.

- Accrual Basis

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

**CENTRAL ADMINISTRATIVE OFFICE OF THE
ROMAN CATHOLIC DIOCESE OF SAN JOSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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.

- Revenue Recognition

The CAO records earned revenue on the accrual basis. Diocesan Assessments paid by parishes are based on parish collections for the second prior fiscal year. Diocesan Assessments, insurance and other fees are billed to the parishes and schools by the CAO on a monthly basis.

Sales of developed cemetery property and at-need services and merchandise are recognized when the contracts are executed and the property and services are delivered. Revenues and costs associated with cemetery property sold on a pre-developed basis are deferred and recognized in accordance with the retail land sales provisions of Statement of Financial Accounting Standards (SFAS) No. 66, Accounting for the Sales of Real Estate. This method generally provides for the recognition of revenue in the period in which the customer's cumulative payments exceed 10% of the contract price related to the real estate.

- Contributions and Pledges

Contributions are recognized as pledges receivable in the Statement of Financial Position at the time a donor makes a promise to give to the CAO that is, in substance, unconditional. Contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donation. When the donor restriction expires, stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted assets are reclassified to unrestricted assets and reported in the Statement of Activities as net assets released from restriction.

- Marketable Securities

Marketable securities are presented in the financial statements at fair value based on quoted market prices provided by the investment brokers. Dividends and interest are accrued as earned and recorded as unrestricted revenue unless income is restricted by the donor. Any unrealized gains or losses for the current period are reported as investment income.

- Fair Value Measurements

The Organization adopted the provisions of SFAS No. 157, Fair Value Measurements, effective July 1, 2008. Under SFAS No. 157, fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

SFAS No. 157 establishes a hierarchy to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3).

**CENTRAL ADMINISTRATIVE OFFICE OF THE
ROMAN CATHOLIC DIOCESE OF SAN JOSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Observable inputs are those market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available under the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

- Trade Receivables

Trade receivables are principally generated from the operations of the Cemeteries and from billings from the CAO to the various parishes and schools within the Diocese for insurances, payroll, pension and other costs. The CAO provides an allowance for doubtful accounts provision for those receivables in excess of 90 days past due and considers the financial position and payment history of the parish or school when estimating the allowance for doubtful accounts. Trade receivables are non-interest bearing and unsecured. Receivables are determined to be past due based on contractual terms. Receivables are unsecured and non-interest bearing.

- Loans Receivable

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal, net of the allowance for present value discount and loan losses. Interest on loans is calculated by using the simple interest method on the balance of the outstanding principle and interest. These loans are unsecured.

However, the CAO has the ability to collect all unpaid amounts from the proceeds of sale of parish or school property upon their disposal.

A loan is identified as impaired when it is probable that interest and principle will not be collected according to the contracted terms of the loan agreement.

The accrual of interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. Interest income is subsequently recognized only to the extent cash payments are received and where the future collection of principle is probable.

**CENTRAL ADMINISTRATIVE OFFICE OF THE
ROMAN CATHOLIC DIOCESE OF SAN JOSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Allowance for Loan Losses in Deposit and Loan Fund

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes that the collectability of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb losses inherent in existing loans and commitments to extend credit, based on evaluations of the collectability and prior loss experience of loans and commitments to extend credit. The evaluation takes into consideration such factors as changes in the nature and volume of the portfolio, the discounted value of loans for those loans on a zero interest rate, overall portfolio quality, loan concentrations, specific problem loans, commitments and current and anticipated economic conditions that may affect the borrowers' ability to pay.

- 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.

- 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.

- 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. However, it is subject to tax on unrelated business income resulting from building lease income and newspaper advertising income received.

- Comparative Information

Certain amounts reflected in the CAO's prior year financial statements have been reclassified in these financial statements to reflect current year presentation.

**CENTRAL ADMINISTRATIVE OFFICE OF THE
ROMAN CATHOLIC DIOCESE OF SAN JOSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Fair Value of Financial Instruments

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

- Cash and Equivalents

The carrying amount approximates fair value because of the short maturity of those instruments. The Organization maintains its cash in bank deposit accounts which, at times, may exceed Federally insured limits. The Organization has not experienced any losses in such accounts. Management believes the organization is not exposed to any significant risk on cash accounts.

- Receivables

Receivables expected to be received in more than one year are reported at the present value of estimated cash flows, using rates commensurate with the risk involved at the date the receivable originates.

- Marketable Securities

The fair value of investments is based on quoted market prices for those or similar assets. The CAO holds various investments which may include mutual funds, equities, fixed income contracts and government securities. These securities are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in value, it is a least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the value of these investments reported in the accompanying financial statements.

- Loans

In the case of interest bearing loans, interest is charged at variable market rates. For non-interest bearing loans, the fair value has been discounted, using rates for similar loans, to reflect the net present value of these loans.

- 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.

**CENTRAL ADMINISTRATIVE OFFICE OF THE
ROMAN CATHOLIC DIOCESE OF SAN JOSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Fair values of certain assets measured on a recurring basis at June 30, 2009 are:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Securities	\$18,361,113	\$18,361,113	\$ -	\$ -
Non-accrual Loans	25,591,979	-	-	25,591,979
Interest Rate Swap	2,846,187	-	-	2,846,187
Charitable Remainder Trust	175,226	-	-	175,226
<u>Total</u>	<u>\$46,974,505</u>	<u>\$18,361,113</u>	<u>\$ -</u>	<u>\$ 28,613,392</u>

- 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 present value adjustments and doubtful receivables, pledges and loans totaling \$4,829,302 for 2009 and \$4,834,272 for 2008 are particularly sensitive estimates. The determination of the balances in these accounts is based on an analysis of the receivables and loans and reflects amounts which in management's judgment, are adequate to provide for potential losses after giving consideration to the character of the receivables and loan portfolio, current economic conditions, past collection experience and such other factors that deserve current recognition in estimating losses.

- Assets Held for Others

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 (diocesan parishes or schools are) and, therefore, records an asset and a corresponding liability.

- Bond Issuance Costs

Costs incurred in connection with the refinancing of previously issued debentures are being amortized over the remaining life of the refinanced instrument.

**CENTRAL ADMINISTRATIVE OFFICE OF THE
ROMAN CATHOLIC DIOCESE OF SAN JOSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Liquidity

In fiscal 2009 liquid assets (Cash and Marketable Securities) decreased by \$7,979,183. Approximately 55% of the decrease was due to the purchase of land for a future high school, the interior and other building improvements to the office building owned at 1150 N. First St., San Jose, that is now primarily used as the Chancery offices, and by a \$3,260,000 decrease in the value of the Marketable Securities. These uses of funds were offset by a reduction in loans by parishes and schools and by additional deposits to the Deposit and Loan Fund by parishes and schools.

At June 30, 2009, \$2,268,999 of net construction commitments were outstanding, a decrease of \$6,273,000 from \$8,542,000 at June 30, 2008. The majority of commitments are fully funded by Parishes and Schools with deposits in the Deposit and Loan fund. In addition, the CAO provided a standby commitment of \$350,000 to one parish to cover unforeseen cost overruns on construction of a parish hall. As of June 30, 2009 this commitment had not been funded.

During 2008 the CAO cancelled its line of credit for \$2,500,000 from a bank. The CAO had not borrowed on this account.

During 2007 the Cemeteries, through the CAO, completely drew down on an unsecured line of credit of \$1,740,000 to finance the construction of a new mausoleum and converted the borrowings to a fully amortizing five year term loan. As of June 30, 2009 there was \$957,000 outstanding on this loan.

During fiscal year 2009, the Organization purchased land in southern Santa Clara County for \$4,000,000 for the construction of a secondary school. The Organization also acquired an option, at a cost of \$50,000, to purchase an additional 20 acres for \$3,700,000.

In fiscal 2003, the CAO instituted a Diocesan Assessment from the parishes based on 10% of Offertory collected in the prior fiscal year. In fiscal 2009, \$3,043,488 and in fiscal 2008, \$2,924,868 of revenue was raised from this Assessment. It is anticipated that this source of revenue will decrease in fiscal 2010, not due to a change in the assessment rate, but due to decreases in overall Offertory collections in the parishes by over 3.0% in fiscal 2009. These funds are used to cover some of the fixed operating expenses of the CAO.

The Deposit and Loan Fund continues to be one source of existing and potential liquidity as well as liquidity problems for the CAO. At June 30, 2009, there were \$44,355,000 in deposits in the fund (before elimination of \$14,667,000 of Intra-fund deposits) an increase of \$2,003,000 or 5% from June 30, 2008. The net amount of growth in deposits, after eliminations, grew \$396,000 or 5%, from June 30, 2008. As shown in the tables in Note 1, the amount of deposits committed for terms of 1 year or more increased only slightly from 27% of total deposits to approximately 28% of the total.

The CAO anticipates having adequate cash resources over and above restricted cash to meet its obligations.

In the event that the CAO does not obtain sufficient cash from these aforementioned sources and strategies, additional cash could be obtained through the sales of unrestricted marketable securities.

**CENTRAL ADMINISTRATIVE OFFICE OF THE
ROMAN CATHOLIC DIOCESE OF SAN JOSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As of June 30, 2009 over \$9,756,540 of the outstanding loans of \$26,818,098 were on the equivalent of non-accrual of interest and another \$4,285,143 of the outstanding loans had a special amortization and loan rate different from standard loans because of the inability of the parishes to pay in accordance with the original terms and this is down slightly from the 2008 balances of over \$10 million of the outstanding loans of \$28,553,000 that were on the equivalent of non-accrual of interest and another \$4,423,000 of the outstanding loans that had a special amortization and loan rate different from standard loans because of the inability of the parishes to pay in accordance with the original terms. The CAO does not expect any principal losses on these loans that were made for the seismic retrofit of a parish church, the construction of a parish church and of a parish hall.

NOTE 3 - MARKETABLE SECURITIES

Marketable securities at June 30 consist of the following:

	2009	2008
Mutual Funds	\$ 18,295,055	\$ 21,907,510
Other	66,058	182,737
Total	<u>\$ 18,361,113</u>	<u>\$ 22,090,247</u>

Marketable securities were classified on the Statement of Assets, Liabilities and Net Assets as follows:

	2009	2008
Marketable Securities	\$ 14,678,306	\$ 18,494,211
Marketable Securities held for long term purposes	3,682,807	3,596,036
Total	<u>\$ 18,361,113</u>	<u>\$ 22,090,247</u>

**CENTRAL ADMINISTRATIVE OFFICE OF THE
ROMAN CATHOLIC DIOCESE OF SAN JOSE
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JUNE 30, 2009 AND 2008**

NOTE 3 - MARKETABLE SECURITIES (Continued)

Investment income for the years ended June 30 consists of the following:

	2009	2008
Interest and dividends	\$ 617,183	\$ 578,575
Realized gains (losses), net	(39,343)	(14,308)
Unrealized gains (losses), net	(4,337,357)	(2,314,368)
Total income	<u>(3,759,517)</u>	<u>(1,750,101)</u>
Less: Portfolio manager and custodian fees	(24,956)	(35,364)
Net income from investment pool activities	<u>(3,784,473)</u>	<u>(1,785,465)</u>
Investment income – cash management and other	212,372	919,078
Total income from investment activities	<u>(3,572,101)</u>	<u>(866,387)</u>
Less income attributed to custodian and similar funds:		
Interest and dividends (net of manager fees of \$6,181 in 2009 and \$9,311 in 2008)	146,527	139,310
Realized gains (losses)	(9,710)	(14,308)
Unrealized gains (losses)	(1,077,164)	(554,140)
	<u>(940,347)</u>	<u>(429,138)</u>
Total earnings from investment activities excluding custodian and similar funds	<u>\$ (2,631,754)</u>	<u>\$ (437,249)</u>

NOTE 4 - PLEDGES RECEIVABLE AND PAYABLE

Pledges receivable are as follows at June 30, 2009:

	Annual Appeal	Holy Spirit School	Total
Due within one year	\$ 1,780,316	\$ 44,337	\$ 1,837,566
Due in one to five years	-	12,913	-
	<u>1,780,316</u>	<u>57,250</u>	<u>1,837,566</u>
Less discount for present value	-	(1,367)	(1,367)
	<u>1,780,316</u>	<u>55,883</u>	<u>1,836,199</u>
Less allowance for doubtful accounts	(57,222)	(25,440)	(82,662)
Net pledges receivable	<u>\$ 1,723,094</u>	<u>\$ 30,443</u>	<u>\$ 1,753,537</u>
Annual campaign pledges payable from CAO to parishes as of June 30, 2009	<u>\$ 1,060,639</u>	<u>\$ -</u>	<u>\$ 1,060,639</u>

**CENTRAL ADMINISTRATIVE OFFICE OF THE
ROMAN CATHOLIC DIOCESE OF SAN JOSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 4 - PLEDGES RECEIVABLE AND PAYABLE (Continued)

Pledges receivable are as follows at June 30, 2008:

	Annual Appeal	Holy Spirit School	Total
Due within one year	\$ 1,485,627	\$ 52,565	\$ 1,565,105
Due in one to five years	-	26,913	-
	<u>1,485,627</u>	<u>79,478</u>	<u>1,565,105</u>
Less discount for present value	-	(3,126)	(3,126)
	<u>1,485,627</u>	<u>76,352</u>	<u>1,561,979</u>
Less allowance for doubtful accounts	(10,000)	(28,122)	(38,122)
Net pledges receivable	<u>\$ 1,475,627</u>	<u>\$ 48,230</u>	<u>\$ 1,523,857</u>
Annual campaign pledges payable from CAO to parishes as of June 30, 2008	<u>\$ 1,075,051</u>	<u>\$ -</u>	<u>\$ 1,075,051</u>

Pledges receivable are recorded after discounting the future cash flows to present value using discount rates ranging from 5.9% - 6.2%.

**NOTE 5 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES
(DEPOSIT AND LOAN FUND)**

	2009		2008
		2009	\$ 1,420,347
2010	\$ 1,402,218	2010	1,471,268
2011	1,392,063	2011	1,429,515
2012	1,001,103	2012	1,336,818
2013	1,269,023	2013	1,261,198
2014	712,126		
Thereafter	<u>21,041,565</u>	Thereafter	<u>21,634,475</u>
Subtotal	26,818,098		28,553,621
Less allowance for loan losses and valuation reserves	(3,694,889)		(3,992,555)
Total	<u>\$ 23,123,209</u>		<u>\$ 24,561,066</u>

**CENTRAL ADMINISTRATIVE OFFICE OF THE
ROMAN CATHOLIC DIOCESE OF SAN JOSE
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JUNE 30, 2009 AND 2008**

**NOTE 5 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES
(DEPOSIT AND LOAN FUND) (Continued)**

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, 2009 and 2008, there are no construction loans outstanding. Undistributed commitments to loan for parish construction projects are \$350,000 at June 30, 2009 and at June 30, 2008.

	2009	2008
Balance, beginning of year	\$ 3,992,555	\$ 3,364,480
Loans charged off	-	-
Recoveries	-	-
Present Value adjustment	(566,953)	901,867
Provisions for loan losses	269,287	(273,792)
Balance, end of year	\$ 3,694,889	\$ 3,992,555

Impaired loans (those loans on non-interest accrual or a special rate) were \$14,042,000 and \$14,484,000 at June 30, 2009 and 2008, respectively. The average recorded investment in impaired loans during 2009 was \$14,262,000 and during 2008 was \$11,187,000. The allowance for loan losses and the present value discount related to these loans was \$3,139,063 in 2009 and \$3,706,000 in 2008.

**CENTRAL ADMINISTRATIVE OFFICE OF THE
ROMAN CATHOLIC DIOCESE OF SAN JOSE
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NOTE 6 - LAND, BUILDINGS AND EQUIPMENT

Land, building and equipment consist of the following at June 30, 2009:

	Operating Fund	Cemetery Fund	Priest Retirement Fund	Holy Spirit School	Total
Buildings and Improvements	\$ 32,379,471	\$ 5,173,142	\$ -	\$ 11,644,814	\$ 46,195,697
Leasehold improvements	-	-	407,388	-	407,388
Furniture and fixtures	659,184	416,982	-	1,228,637	2,304,803
Vehicles	58,982	941,661	-	-	1,000,642
Equipment	177,348	730,747	-	-	908,095
Other improvements	192,874	160,944	-	-	353,818
	<u>33,467,859</u>	<u>7,423,476</u>	<u>407,388</u>	<u>12,873,451</u>	<u>54,172,173</u>
Less accumulated depreciation	(7,558,779)	(4,098,174)	(404,327)	(3,904,827)	(15,966,107)
	<u>25,909,080</u>	<u>3,325,301</u>	<u>3,061</u>	<u>8,968,624</u>	<u>38,206,066</u>
Land					
Sites for future parishes and institutions	7,157,980	-	-	-	7,157,980
Land under operating leases (see Note 11)	613,588	-	-	-	613,588
Operating properties	5,168,858	700,854	-	-	5,869,712
	<u>12,940,426</u>	<u>700,854</u>	<u>-</u>	<u>-</u>	<u>13,641,280</u>
Construction in progress	337,108	4,400	-	-	341,508
Total land, buildings and equipment	<u>\$ 39,186,614</u>	<u>\$ 4,030,555</u>	<u>\$ 3,061</u>	<u>\$ 8,968,624</u>	<u>\$ 52,188,854</u>

**CENTRAL ADMINISTRATIVE OFFICE OF THE
ROMAN CATHOLIC DIOCESE OF SAN JOSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 6 - LAND, BUILDINGS AND EQUIPMENT (Continued)

Land, building and equipment consist of the following at June 30, 2008:

	Operating Fund	Cemetery Fund	Priest Retirement Fund	Holy Spirit School	Total
Buildings and Improvements	\$ 29,903,595	\$ 5,168,031	\$ -	\$ 11,644,814	\$ 46,716,440
Leasehold improvements	1,337,310	-	407,388	-	1,744,698
Furniture and fixtures	1,437,213	416,982	-	1,033,845	2,888,040
Vehicles	58,982	930,217	-	-	989,199
Equipment	-	715,473	-	-	715,473
Other improvements	154,276	160,944	-	-	315,220
	<u>32,891,376</u>	<u>7,391,647</u>	<u>407,388</u>	<u>12,678,659</u>	<u>53,369,070</u>
Less accumulated depreciation	(9,443,815)	(3,835,910)	(401,878)	(3,356,174)	(17,037,777)
	<u>23,447,561</u>	<u>3,555,737</u>	<u>5,510</u>	<u>9,322,485</u>	<u>36,331,293</u>
Land					
Sites for future parishes and institutions	2,844,253	-	-	-	2,844,253
Land under operating leases (see Note 11)	613,588	-	-	-	613,588
Operating properties	5,168,858	700,853	-	-	5,869,711
	<u>8,626,699</u>	<u>700,853</u>	<u>-</u>	<u>-</u>	<u>9,327,552</u>
Construction in progress	111,972	-	-	-	111,972
Total land, buildings and equipment	<u>\$ 32,186,232</u>	<u>\$ 4,256,590</u>	<u>\$ 5,510</u>	<u>\$ 9,322,485</u>	<u>\$ 45,770,817</u>

**CENTRAL ADMINISTRATIVE OFFICE OF THE
ROMAN CATHOLIC DIOCESE OF SAN JOSE
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JUNE 30, 2009 AND 2008**

NOTE 7 - SECURED LETTER OF CREDIT FACILITY AND UNSECURED DEBENTURES

On December 1, 1999, the CAO concluded the sale of unsecured debentures with proceeds totaling \$19,240,000 and issuance costs of \$995,590. Proceeds from the sale of the unsecured debentures were used to build 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 are being paid from contributions.

To facilitate a refinancing of the debenture in September 2005, the CAO entered into an agreement with a bank that provides for a letter of credit to be issued that backs the credit of the CAO enabling the CAO to refinance the bond debt in the open market. The letter of credit agreement requires the CAO to provide a deed of trust in certain of its property and to maintain specific ratios and timely submission of audited financial statements.

This process also allowed the CAO to borrow an additional \$5,500,000 that enabled it to purchase a fully leased investment office property that it now uses for its own offices and for offices leased to unrelated parties..

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 CAO was in compliance with these requirements at June 30, 2009 and 2008.

Aggregate maturities of the unsecured debentures are as follows:

2010	\$	870,000
2011		870,000
2012		870,000
2013		870,000
2014		870,000
Thereafter		<u>17,030,000</u>
Subtotal		<u>21,380,000</u>
Valuation of SWAP		2,786,486
Total debentures payable	\$	<u><u>24,166,486</u></u>

In June of 2006, the CAO entered into an interest rate SWAP (derivative) agreement for \$20,000,000 of the outstanding \$23,905,000 of bond indebtedness, exchanging a weekly floating London Interbank Offered Rate (LIBOR) for a fixed rate. While the differential was at par in 2006, the decrease in the LIBOR based rate at June 30, 2009 versus the fixed rate of 5.34% for the SWAP created a difference in value that needs to be recognized in these financial statements. The fair value (i.e., gain or loss) of the derivative agreement would be recorded as either an asset or liability in the statement of financial position and the change in fair value recognized in the statement of activities. The derivative agreement is recognized on the CAO's financial statements as of June 30, 2009 because of the \$2,786,486 differential in values.

**CENTRAL ADMINISTRATIVE OFFICE OF THE
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**NOTE 7 - SECURED LETTER OF CREDIT FACILITY AND UNSECURED DEBENTURES
(Continued)**

In March, 2007, the CAO entered into an interest rate SWAP agreement for \$1,740,000 with Wells Fargo Bank, holder of the note for the construction of the mausoleum at the Cemetery. This agreement runs through the maturity date of that loan in 2012. This derivative agreement is recognized on the CAO's financial statements as of June 30,, 2009 in the amount of \$59,701 and as of June 30, 2008 in the amount of \$62,805.

NOTE 8 - NOTES PAYABLE AND LINES OF CREDIT

Notes payable consist of the following at June 30:

	2009	2008
Term loan from Wells Fargo Bank, due March 1, 2012. Interest fixed at Libor + 2.25%, or 5.25% at April 1, 2007. Principal payments of \$29,000 per month.	\$ 957,000	\$ 1,305,000
Plus amount representing imputed interest on SWAP liability on Wells Fargo Bank Note	59,701	62,806
Non-interest bearing obligation to The Archdiocese of San Francisco, payable in annual installments of \$100,000 through 2020 and the balance due in 2021. The Value of this note has been determined based on an imputed Interest rate of 5.6%	919,851	970,734
Total	\$ 1,936,552	\$ 2,338,540

Aggregate maturities of notes payable as of June 30, 2009 are as follows:

2010	\$ 448,000
2011	448,000
2012	361,000
2013	100,000
2014	100,000
Thereafter	631,960
	2,088,960
Plus amount representing imputed interest on SWAP liability on Wells Fargo Bank Notice	59,701
Less amount representing imputed interest included above	(212,109)
	\$ 1,936,552

**CENTRAL ADMINISTRATIVE OFFICE OF THE
ROMAN CATHOLIC DIOCESE OF SAN JOSE
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NOTE 9 - RESTRICTED NET ASSETS

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

	<u>2009</u>	<u>2008</u>
Current Funds:		
Operating (time and purpose restrictions)	\$ 963,095	\$ 662,790
Fund Raising Funds:		
Annual appeal programs and general operations (time restriction)	5,618,990	6,614,490
Holy Spirit School:		
Endowments for scholarships (time and purpose restrictions)	379,915	362,243
Endowment Fund-cumulative earnings:		
Trust agreements and scholarships (purpose restrictions)	1,911,085	3,412,860
	<u>\$ 8,873,085</u>	<u>\$ 11,052,383</u>

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

	<u>2009</u>	<u>2008</u>
Priest retirement and seminarian education	\$ 811,190	\$ 793,800
Scholarships	2,985,938	2,825,780
	<u>\$ 3,797,128</u>	<u>\$ 3,619,580</u>

NOTE 10 - 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 2009 and 2008 consisted of the following:

	<u>2009</u>	<u>2008</u>
Purpose restrictions accomplished	\$ 1,158,823	\$ 576,839
Time restrictions expired	6,551,760	5,501,697
Total restrictions released	<u>\$ 7,710,583</u>	<u>\$ 6,078,536</u>

**CENTRAL ADMINISTRATIVE OFFICE OF THE
ROMAN CATHOLIC DIOCESE OF SAN JOSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 11 – ENDOWMENTS

The endowments of the CAO consist of seven funds established for scholarships for children in the primary and secondary Catholic School in the Diocese of San Jose and for seminarian education and priest retirement. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of Relevant Law

The CAO has interpreted the California Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization 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 in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for the expenditure by the organization in a manner consistent with the standard of prudence prescribed by the California version of UPMIFA. In accordance with the California version of UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- 1) Duration and preservation of the fund
- 2) The purposes of the organization and the donor-restricted endowment fund
- 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 organization
- 7) The investment policies of the organization.

Endowment Net Asset Composition by Type of Fund

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Donor Restricted</u>	<u>\$(186,819)</u>	<u>\$2,091,988</u>	<u>\$3,797,128</u>	<u>\$5,702,297</u>
<u>Total Funds</u>	<u>\$(186,819)</u>	<u>\$2,091,988</u>	<u>\$3,797,128</u>	<u>\$5,702,297</u>

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NOTE 11 – ENDOWMENTS (Continued)

Changes in Endowment Net Assets

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of the Year	\$ -	\$3,576,089	\$3,619,580	\$7,195,669
Investment Income (Loss)	(186,819)	(1,143,994)	-	(1,330,813)
Contributions	-	-	160,517	160,517
Appropriations for expenditure	-	(340,107)	-	(340,107)
Transfers to Funds	-	-	17,391	17,391
Endowment Net Assets, End of Year	<u>\$ (186,819)</u>	<u>\$2,091,988</u>	<u>\$3,797,128</u>	<u>\$5,702,297</u>

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 California version of UPMIFA requires the Organization to retain as a fund of permanent duration. In accordance with GAAP, the deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2009 that amount was \$186,819. These deficiencies resulted from unfavorable fluctuations in the underlying value of the funds held for these accounts.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Strategies Employed for Achieving Objectives

To satisfy its long-term and rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation and instructs its fund managers to follow the *Socially Responsible Investment Guidelines* as promulgated by the United States Council of Catholic Bishops.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year up to 5 percent of the endowment funds average fair value over the prior year. In establishing this policy the Organization considered the long-term expected return on its endowment. This policy is subject to periodic review and revision by the Diocesan Finance Council.

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NOTE 11- FUTURE MINIMUM RENTAL INCOME

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 \$144,578 annually) over the remaining term of the lease. Amounts to be recognized in future periods are recorded as deferred revenue. Deferred revenue associated with the lease was \$9,032,529 and \$9,176,476 at June 30, 2009 and 2008, respectively.

The CAO is the lessor of certain other rental properties. Future minimum rental income from long-term non-cancelable operating leases as of June 30, 2009 are as follows:

	Year Ending June 30
2010	\$ 171,483
2011	147,098
2012	144,578
2013	144,578
2014	144,578
Thereafter	8,421,685
	\$ 9,174,001

Rental income recognized for 2009 and 2008 was \$661,230 and \$999,001, respectively. The reduction in rental income in Fiscal Year 2009 was due to lease terminations in the office building that was converted in early 2009 to Chancery offices.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The CAO conducts its operations in leased facilities under operating leases, including the facilities used by Christ the King Parish, the Records and Archives Center, and the remainder of term on the facility formerly used by the Chancery operations. 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 year ended June 2009 and 2008 was \$800,266 and \$852,571, respectively.

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NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

Future minimum rental payments are as follows (excluding operating expenses)

	Year Ending <u>June 30</u>
2010	\$ 355,825
2011	130,595
2012	131,333
2013	132,093
2014	128,285
Thereafter	388,667
	<u>\$ 1,266,798</u>

The accompanying statement of activities reflects rent expense on a straight-line basis over the term of the lease obligation with a difference between rent expense and rent paid of \$132,901 for 2009 and \$137,305 for 2008.

The CAO has entered into several construction agreements on behalf of various parishes and schools. At June 30, 2009, total commitments are \$9,882,164. The total amount expended as of June 30, 2009 on these commitments was \$2,268,999. All expenditures incurred with respect to these construction agreements are expenditures of the various parishes and schools and cemeteries.

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 13 -POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The CAO sponsors a postretirement 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. The plan also pays 90% of reasonable and customary charges for dental benefits, with a \$35 deductible, and maximum benefits of \$2,000 per year. The plan also pays vision benefits, with a \$25 deductible on eye exams.

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 CAO uses the accrual method of accounting for postretirement benefits based on actuarially determined costs to be recognized over the period the employee provides service to the CAO. SFAS No. 106, *Employer's Accounting for Postretirement Benefits Other Than Pensions*, requires entities to accrue for expected medical and other postretirement benefits over the years that the employees render the necessary service. Additionally, the CAO follows the disclosure provisions of SFAS No. 132(R), *Employers' Disclosures about Pensions and Other Postretirement Benefits*, which was revised September, 2006 by SFAS 158. SFAS No. 132, as revised, requires additional employers' disclosures about pension and other postretirement benefit plans.

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NOTE 13 - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funded Status

The following table sets forth the plan's funded status at June 30:

	Fiscal Year Ended <u>June 30, 2009</u>	Fiscal Year Ended <u>June 30, 2008</u>
Accumulated postretirement benefit obligation for service rendered to date	\$ (4,825,000)	\$ (4,582,000)
Plan assets at fair value	<u>1,921,000</u>	<u>1,854,000</u>
Funded status as of end of year	<u>(2,904,000)</u>	<u>(2,728,000)</u>
Liability for postretirement benefits	<u><u>\$ (2,904,000)</u></u>	<u><u>\$ (2,728,000)</u></u>

Amounts recognized in the statement of financial position consist of:

	Fiscal Year Ended <u>June 30, 2009</u>	Fiscal Year Ended <u>June 30, 2008</u>
Noncurrent assets	\$ -	\$ -
Current liabilities	-	-
Noncurrent liabilities	<u>(2,904,000)</u>	<u>(2,728,000)</u>
	<u><u>\$ (2,904,000)</u></u>	<u><u>\$ (2,728,000)</u></u>

Amounts recognized in unrestricted net assets consist of:

	Fiscal Year Ended <u>June 30, 2009</u>	Fiscal Year Ended <u>June 30, 2008</u>
Net loss (gain)	\$ 2,248,000	\$ 1,979,000
Net transition obligation (asset)	<u>44,000</u>	<u>96,000</u>
	<u><u>\$ 2,292,000</u></u>	<u><u>\$ 2,075,000</u></u>

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NOTE 13 - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS (Continued)

Net Periodic Postretirement Benefit Cost

The following items are the components of the net periodic postretirement benefit cost for the plan as a whole for the year ended June 30:

	Fiscal Year Ended June 30, 2009	Fiscal Year Ended June 30, 2008
Service cost-benefits earned during the period	\$ 147,000	\$ 159,000
Interest cost on projected benefit obligation	302,000	309,000
Actual return on plan assets	331,000	73,000
Net amortization and deferral	(304,000)	30,000
	<u> </u>	<u> </u>
Net periodic postretirement benefit cost	<u>\$ 476,000</u>	<u>\$ 571,000</u>

Other changes in plan assets and benefit obligations recognized in unrestricted net assets:

	Fiscal Year Ended June 30, 2009	Fiscal Year Ended June 30, 2008
Effect of implementation of SFAS 158	\$ N/A	\$ N/A
Net loss (gain)	(364,000)	(764,000)
Prior service cost (credit)	0	N/A
Amortization of loss (gain)	(95,000)	(149,000)
Amortization of prior service cost (credit)	0	N/A
Amortization of transition obligation	(52,000)	(52,000)
Total recognized in unrestricted net assets	<u>\$ 217,000</u>	<u>\$ (965,000)</u>
Total recognized in net periodic benefit cost and unrestricted net assets	<u>\$ 693,000</u>	<u>\$ (394,000)</u>

Assumptions

Assumptions Used to Determine Net Postretirement Benefit Cost

	Fiscal Year Ended June 30, 2009	Fiscal Year Ended June 30, 2008
Discount rate	6.75%	6.25%
Expected long-term rate of return on assets	6.00%	6.00%
Future Health Cost Inflation Rate	5.50%	5.50%

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NOTE 13 - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS (Continued)

Assumption Used to Determine Benefit Obligations at Year-End

	Fiscal Year Ended June 30, 2009	Fiscal Year Ended June 30, 2008
Discount rate	6.51%	6.75%
Future Health Cost Inflation Rate	5.50%	5.50%

Cash Flows

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid from the Medicare supplement plan:

Fiscal Year Ending June 30	Annual
2010	\$ 232,000
2011	247,000
2012	263,000
2013	274,000
2014	282,000
2015 – 2019	1,634,000

NOTE 14 – PENSION PLANS

The CAO uses the accrual method of accounting for pension benefits based on actuarially determined costs to be recognized over the period the employee provides service to the CAO. SFAS No. 87, *Employer's Accounting for Pensions*, requires entities to accrue for expected pension benefits over the years that the employees render the necessary service. Additionally, the CAO follows the disclosure provisions of SFAS No. 132(R), *Employers' Disclosures about Pensions and Other Postretirement Benefits*, which was revised September, 2006 by SFAS 158. SFAS No. 132(R), as revised, requires additional employers' disclosures about pension and other postretirement benefit plans.

1. LAY EMPLOYEES

The CAO participates in a defined benefit pension plan operated by the Diocese. All full-time lay employees are eligible. For employees hired before January 1, 2007, the plan provides benefits based on the highest final average salary and all years and months of service, counting partial months as whole months. For employees hired after January 1, 2007, the plan provides benefits based on an account balance that accumulates each year with pay credits and interest credits.

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 pre-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 no more than 30 years.

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NOTE 14 – PENSION PLANS (Continued)

The CAO administers the plan and assesses each of the participating entities its portion of estimated annual pension cost. Contributions of \$9,929,000 and \$8,087,000 were made to the plan during the years ended June 30, 2009 and June 30, 2008, respectively. Benefit payments of \$4,651,000 and \$4,114,000 were made from the plan during the years ended June 30, 2009 and June 30, 2008, respectively. The Diocese expects to contribute \$10,134,000 to the pension plan during the fiscal year ending June 30, 2010.

Plan Asset Investment Strategy and Allocation

The asset allocation for the pension plan as of June 30, 2009 and June 30, 2008 and the target allocation, by asset category, are:

<u>Asset Category</u>	<u>Policy Asset Allocation Range</u>	<u>Policy Benchmark Asset Allocation</u>	<u>Actual Percentage of Plan Assets at June 30</u>	
			<u>2009</u>	<u>2008</u>
Equities	25-65%	60%	62%	62%
Fixed Income	25-50%	30%	34%	36%
Cash Equivalents	0-50%	10%	4%	2%

The Diocese has adopted an official Statement of Investment Policy for this plan. Pension plan assets are invested by an independent professional investment manager, with the objective of achieving long term growth in assets with reasonable risk as compared to established benchmarks. The investment policy requires high quality investments and adequate diversification. Prohibited investments include options, short sale contracts and limited partnerships. The Diocese regularly monitors the investment manager's performance relative to short-term and long-term objectives as set forth in the official policy. A compliance audit of the managers' adherence to policy guidelines is conducted as a component of each performance evaluation. The Statement of Investment Policy includes consideration for social responsibility and Roman Catholic social teaching.

The Diocese employs a methodical process to determine the estimates of expected long-term rate of return on assets. These estimates are primarily driven by actual historical asset-class returns and advice from external actuarial and investment consulting firms while incorporating specific asset-class risk factors. For the fiscal years ending June 30, 2008 and June 30, 2009, the expected long-term rate of return used in determining net periodic pension cost was 7.75%.

2. PRIESTS

A. 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.

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NOTE 14 – PENSION PLANS (Continued)

Contributions of \$539,000 and \$521,000 were made to the plan in the years ended June 30, 2009 and 2008 respectively, by the parishes, schools or other units to which the participating clergy were assigned. Benefit payments of \$637,000 and \$654,000 were made from the plan during the years ended June 30, 2009 and 2008, respectively. The Diocese expects to contribute \$597,000 to the pension plan during the fiscal year ending June 30, 2010.

Plan Asset Investment Strategy and Allocation

The asset allocation for the pension plan as of June 30, 2009 and June 30, 2008 and the target allocation, by asset category, are:

<u>Asset Category</u>	<u>Policy Asset Allocation Range</u>	<u>Policy Benchmark Asset Allocation</u>	<u>Actual Percentage of Plan Assets at June 30</u>	
			<u>2009</u>	<u>2008</u>
Equities	25-65%	60%	65%	62%
Fixed Income	25-60%	30%	33%	36%
Cash Equivalents	0-50%	10%	2%	2%

The Diocese has adopted an official Statement of Investment Policy for this plan. Pension plan assets are invested by an independent professional investment manager, with the objective of achieving long term growth in assets with reasonable risk as compared to established benchmarks. The investment policy requires high quality investments and adequate diversification. Prohibited investments include options, short sale contracts and limited partnerships. The Diocese regularly monitors the investment manager's performance relative to short-term and long-term objectives as set forth in the official policy. A compliance audit of the managers' adherence to policy guidelines is conducted as a component of each performance evaluation. The Statement of Investment Policy includes consideration for social responsibility and Roman Catholic social teaching.

The Diocese employs a methodical process to determine the estimates of expected long-term rate of return on assets. These estimates are primarily driven by actual historical asset-class returns and advice from external actuarial and investment consulting firms while incorporating specific asset-class risk factors. For the fiscal years ending June 30, 2008 and June 30, 2009, the expected long-term rate of return used in determining net periodic pension cost was 7.5%.

B. 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.

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NOTE 14 – PENSION PLANS (Continued)

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.

Contributions of \$1,106,000 (which includes \$858,650 of distributions from the Catholic Foundation) and \$241,000 were made to the plan in the years ended June 30, 2009 and 2008, respectively, by the parishes, schools or other units to which the participating clergy were assigned. Benefit payments of \$203,000 and \$201,000 were made from the plan during the years ended June 30, 2009 and 2008, respectively. The Diocese expects to contribute \$278,000 to the pension plan during the fiscal year ending June 30, 2010.

Plan Asset Investment Strategy and Allocation

Plan assets for the supplemental plan are insufficient to necessitate an independent investment policy. As of June 30, 2009, 9% of plan assets were invested in a balanced mutual fund and the balance in cash equivalents. As of June 30, 2008, 42% of plan assets were invested in a balanced mutual fund and the balance in cash equivalents.

TABLE 1 – FUNDED STATUS

The funded status of the plans and the net amount recognized in the statement of financial position at June 30, 2009 and 2008 are as follows:

	Lay Retirement Plan		Priests Retirement Plan		Priests Supplemental Plan	
	Fiscal Year Ending June 30, 2009	Fiscal Year Ending June 30, 2008	Fiscal Year Ending June 30, 2009	Fiscal Year Ending June 30, 2008	Fiscal Year Ending June 30, 2009	Fiscal Year Ending June 30, 2008
Vested benefit obligation	\$(130,082,000)	\$(116,716,000)	\$(9,666,000)	\$(9,382,000)	\$(1,970,000)	\$(1,971,000)
Accumulated benefit obligation	\$(134,796,000)	\$(120,949,000)	\$(9,892,000)	\$(9,575,000)	\$(1,979,000)	\$(1,979,000)
Projected benefit obligation	\$(151,884,000)	\$(137,375,000)	\$(12,144,000)	\$(11,744,000)	\$(2,311,000)	\$(2,316,000)
Plan assets at fair value	<u>67,867,000</u>	<u>76,713,000</u>	<u>4,399,000</u>	<u>5,553,000</u>	<u>1,802,000</u>	<u>991,000</u>
Funding status of the Plan	(84,017,000)	(60,662,000)	(7,745,000)	(6,191,000)	(509,000)	(1,325,000)
Net amount recognized	<u>\$(84,017,000)</u>	<u>\$(60,662,000)</u>	<u>\$(7,745,000)</u>	<u>\$(6,191,000)</u>	<u>\$(509,000)</u>	<u>\$(1,325,000)</u>
Allocated portions of net amount recognized in Current Liabilities:						
Central Administrative Office	\$(3,652,000)	\$(2,649,000)	\$(7,745,000)	\$(6,191,000)	\$(509,000)	\$(1,325,000)
Cemeteries (lay plan only)	(1,629,000)	(1,091,000)	N/A	N/A	N/A	N/A
Holy Spirit School (lay plan only)	(1,866,000)	(1,044,000)	N/A	N/A	N/A	N/A

Under SFAS 158, the funded status is recognized in the statement of financial position. Unrecognized prior service costs and unrecognized actuarial losses are recognized in unrestricted net assets.

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NOTE 14 – PENSION PLANS (Continued)

TABLE 2 – AMOUNTS RECOGNIZED IN UNRESTRICTED NET ASSETS

The amounts recognized in unrestricted net assets at June 30, 2009 and 2008 consist of:

	Lay Retirement Plan		Priests Retirement Plan		Priests Supplemental Plan	
	Fiscal Year Ending June 30, 2009	Fiscal Year Ending June 30, 2008	Fiscal Year Ending June 30, 2009	Fiscal Year Ending June 30, 2008	Fiscal Year Ending June 30, 2009	Fiscal Year Ending June 30, 2008
Net loss (gain)	\$ 53,859,000	\$ 30,531,000	\$ 1,486,000	\$ 40,000	\$ 1,257,000	\$ 1,121,000
Net transition obligation (asset)	0	0	182,000	364,000	0	6,000
Prior service cost (credit)	<u>(2,576,000)</u>	<u>(3,006,000)</u>	<u>1,474,000</u>	<u>1,623,000</u>	<u>234,000</u>	<u>270,000</u>
Total	\$ 51,283,000	\$ 27,525,000	\$ 3,142,000	\$ 2,027,000	\$ 1,491,000	\$ 1,397,000

TABLE 3 – NET PERIODIC PENSION COST

The following items are the components of the net periodic pension cost for the plan year ended June 30:

	Lay Retirement Plan		Priests Retirement Plan		Priests Supplemental Plan	
	Fiscal Year Ending June 30, 2009	Fiscal Year Ending June 30, 2008	Fiscal Year Ending June 30, 2009	Fiscal Year Ending June 30, 2008	Fiscal Year Ending June 30, 2009	Fiscal Year Ending June 30, 2008
Service cost-benefits earned during the period	\$5,197,000	\$5,784,000	\$286,000	\$332,000	0	0
Interest cost on projected benefit obligation	9,159,000	8,145,000	767,000	689,000	150,000	128,000
Actual return on plan assets	13,959,000	952,000	989,000	195,000	87,000	10,000
Net amortization and deferral	<u>(18,789,000)</u>	<u>(5,577,000)</u>	<u>(1,064,000)</u>	<u>(300,000)</u>	<u>(41,000)</u>	<u>59,000</u>
Net periodic pension cost	<u>\$9,526,000</u>	<u>\$9,304,000</u>	<u>\$978,000</u>	<u>\$916,000</u>	<u>\$196,000</u>	<u>\$197,000</u>
Allocated portions of net periodic pension cost						
Central Administrative Office	\$1,003,000	\$84,000	\$978,000	\$916,000	\$196,000	\$197,000
Cemeteries (lay plan only)	537,000	40,000	N/A	N/A	N/A	N/A
Holy Spirit School (lay plan only)	824,000	69,000	N/A	N/A	N/A	N/A

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NOTE 14 – PENSION PLANS (Continued)

TABLE 4 – OTHER CHANGES IN PLAN ASSETS AND BENEFIT OBLIGATIONS RECOGNIZED IN UNRESTRICTED NET ASSETS

The amounts recognized in unrestricted net assets at June 30, 2009 and 2008 consist of:

	Lay Retirement Plan		Priests Retirement Plan		Priests Supplemental Plan	
	Fiscal Year Ending June 30, 2009	Fiscal Year Ending June 30, 2008	Fiscal Year Ending June 30, 2009	Fiscal Year Ending June 30, 2008	Fiscal Year Ending June 30, 2009	Fiscal Year Ending June 30, 2008
Net loss (gain)	\$ 25,007,000	\$ 2,003,000	\$ 1,446,000	\$ 677,000	\$ 200,000	\$ 320,000
Prior service cost (credit)	0	0	0	0	0	0
Amortization of loss (gain)	(1,679,000)	(1,696,000)	0	0	(64,000)	(42,000)
Amortization of prior service cost (credit)	430,000	430,000	(149,000)	(149,000)	(36,000)	(36,000)
Amortization of transition obligation	0	0	(182,000)	(182,000)	(6,000)	(49,000)
Total recognized in unrestricted net assets	\$ 23,758,000	\$ 737,000	\$ 1,115,000	\$ 346,000	\$ 94,000	\$ 193,000
	\$ 33,284,000	\$ 10,041,000	\$ 2,093,000	\$ 1,262,000	\$ 290,000	\$ 390,000
Total recognized in net periodic benefit cost and unrestricted net assets						

TABLE 5 – ASSUMPTIONS

	Lay Retirement Plan		Priests Retirement Plan		Priests Supplemental Plan	
	Fiscal Year Ending June 30, 2009	Fiscal Year Ending June 30, 2008	Fiscal Year Ending June 30, 2009	Fiscal Year Ending June 30, 2008	Fiscal Year Ending June 30, 2009	Fiscal Year Ending June 30, 2008
For Net Periodic Pension Cost:						
Discount Rate	6.80%	6.25%	6.75%	6.25%	6.75%	6.25%
Expected long-term rate of return on assets	7.75%	7.75%	7.50%	7.50%	6.00%	6.00%
Salary scale	5.00%	4.50%	N/A	N/A	N/A	N/A
Future Benefit Increases	N/A	N/A	2.00%	2.00%	2.00%	2.00%
For Benefit Obligation At Year End:						
Discount Rate	6.55%	6.80%	6.51%	6.75%	6.51%	6.75%
Salary Scale	5.00%	5.00%	N/A	N/A	N/A	N/A
Future Benefit Increases	N/A	N/A	2.00%	2.00%	2.00%	2.00%

**CENTRAL ADMINISTRATIVE OFFICE OF THE
ROMAN CATHOLIC DIOCESE OF SAN JOSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 14 – PENSION PLANS (Continued)

TABLE 6 – ESTIMATED FUTURE BENEFIT PAYMENTS

Fiscal Year Ending June 30	Lay Retirement Plan (annual benefits)	Priests Retirement Plan (annual benefits)	Priests Supplemental Plan (annual benefits)
2010	\$6,059,000	\$773,000	\$208,000
2011	6,462,000	760,000	199,000
2012	7,033,000	820,000	221,000
2013	7,774,000	804,000	212,000
2014	8,639,000	791,000	202,000
2015-2019	56,610,000	4,501,000	935,000

NOTE 15 -RELATED PARTY TRANSACTIONS

The CAO performs various administrative services, including payroll processing, for various parishes and schools. Fees received for these services were \$827,127 for the year ending June 30, 2009 and \$597,354 for the year ending June 30, 2008. The CAO paid \$203,893 in the fiscal year 2000 and \$225,893 in the fiscal year 2008 for the benefit of St. Joseph's Cathedral parish to support the operations of the Cathedral. The CAO, through the Deposit and Loan Funds, makes loans to eligible employees for amounts not exceeding \$10,000 payable by automatic withdrawal over a term of 4 years. The loans are only for purposes indicated in the Employee Loan Policy. The net amounts outstanding at June 30, 2009 were \$326,599 and at June 30, 2008 were \$316,619. The loan rates are the same as those charged for loans to parishes and schools.

NOTE 16 - SELF-INSURED RISK

As of July 1, 2006, the Diocese is self-insured with respect to its general liability coverage for the first \$50,000 per case with an aggregate maximum exposure per year, coverage in excess of \$50,000 is re-insured with non-affiliated insurers. For sexual abuse coverage, the Diocese has a larger per case deductible of \$250,000 and has additional insurance through a risk retention group of which the Diocese is a minority owner.

As of July 1, 2006, the Diocese is self-insured with respect to its earthquake insurance coverage through its participation with three other California dioceses in a pooled agreement.

**CENTRAL ADMINISTRATIVE OFFICE OF THE
ROMAN CATHOLIC DIOCESE OF SAN JOSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 16 - SELF-INSURED RISK (Continued)

Since January 1, 2006, the Diocese insures for worker's compensation through a fixed premium agreement with an unaffiliated insurer.

The Diocese is also self-insured with respect to retired priest's medical costs.

For all but the earthquake deductibles, monetary reserves are maintained to cover the probable self-insured exposure for the various insurance coverages.

NOTE 17 – ACCOUNTING FOR INCOME TAXES

In June 2006, the Financial Accounting Standards Board (FASB) issued interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. In December 2008, the FASB released Staff Position FIN 48-3 which allows certain nonpublic entities meeting specific criteria to defer the adoption of FIN 48 until fiscal years beginning after December 15, 2008. The Organization believes that it meets the criteria for deferral and has elected to defer adoption of FIN 48 until the fiscal year beginning on July 1, 2009 and ending on June 30, 2010. Until FIN 48 is adopted, the Organization follows FASB No. 5, *Accounting for Contingencies* for evaluating any uncertain tax positions.

NOTE 18 – SUBSEQUENT EVENTS

Subsequent to year end, the Organization stopped making loans to eligible employees pending review of the approval and collection policy surrounding these loans.

Management of the Organization has evaluated events and transactions subsequent to June 30, 2009 for potential recognition or disclosure in the financial statements. The Organization did not have subsequent events that required recognition or disclosure in the financial statements for the year ended June 30, 2009. Subsequent events have been evaluated through the date the financial statements became available to be issued, October 21, 2009. The entity has not evaluated subsequent events after October 21, 2009.

SUPPLEMENTARY INFORMATION

Thomas C. Bondi
Lawrence S. Kuechler
Roberto M. Maragoni
Frank A. Minuti, Jr.

EMERITUS

Alexander W. Berger (1916-2005)
Griffith R. Lewis



CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

Daniel C. Moors
Randy G. Peterson
David R. Sheets
Robert W. Smiley
Todd W. Robinson

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION

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

The supplementary financial information on the following pages is not a required part of the basic financial statements of the Central Administrative Office of the Roman Catholic Diocese of San Jose but is supplementary information presented for purposes of additional analysis. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Berger/Lewis Accountancy Corporation

BERGER/LEWIS ACCOUNTANCY CORPORATION
San Jose, California
October 21, 2009

CENTRAL ADMINISTRATIVE OFFICE OF THE ROMAN CATHOLIC DIOCESE OF SAN JOSE
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - ALL FUNDS
June 30, 2009

	Operating Fund	Cemetery Fund	Endowment Fund	Priest Retirement Funds	Pooled Investment Fund	Deposit and Loan Funds	Service Funds	Fundraising Funds	Holy Spirit School	Eliminations	Total
ASSETS											
Cash & Equivalents	\$ 1,779,337	\$ 1,550,968	\$ 337,304	\$ 815,407	\$ -	\$ 17,589,517	\$ 1,371,162	\$ 5,281,330	\$ 1,319,565	\$ -	\$ 30,044,591
Marketable Securities	836,567	1,332,025	2,985,480	59,750	4,509,168	-	4,955,316	-	-	-	14,678,306
A/R - Parishes/Institutions	31,429	-	-	38,129	-	-	354,510	-	-	-	424,069
A/R - Pledges	-	-	-	-	-	-	-	1,723,094	30,443	-	1,753,537
A/R - Other	1,363,908	2,637,544	9,500	375,005	-	976,655	4,241	-	10,725	-	5,377,578
Loans Receivables - Parishes	-	-	-	-	-	34,673,504	-	-	-	(11,550,295)	23,123,209
Inventory	-	8,759,263	-	-	-	-	-	-	93,070	-	8,852,333
Bond Issuance Costs	-	-	-	-	-	409,739	-	-	-	-	409,739
Deposits & Prepaids	17,401	0	-	-	-	-	118,040	-	79,885	-	215,326
Marketable securities held for long term purpose	-	-	3,347,712	-	-	-	-	-	335,095	-	3,682,807
Investment in Real Estate	-	607,144	232,072	-	-	-	-	-	-	-	839,216
Assets Held in Trust	2,644,315	-	-	-	-	-	-	152,943	-	-	2,797,258
Interest Bearing Intrafund Acc	105,107	9,609,808	951,790	-	-	-	1,787,813	11,955	2,200,107	(14,666,580)	-
Land, Bldg, and Equipment	39,186,614	4,030,555	-	3,061	-	-	-	-	8,968,624	-	52,188,854
Total assets	\$ 45,964,679	\$ 28,527,307	\$ 7,863,858	\$ 1,291,353	\$ 4,509,168	\$ 53,649,416	\$ 8,591,082	\$ 7,169,322	\$ 13,037,514	\$ (26,216,875)	\$ 144,386,823
LIABILITIES & NET ASSETS											
Liabilities											
Accounts Payable	\$ 1,101,255	\$ 67,024	\$ -	\$ 395,032	\$ -	\$ 144,633	\$ 155,891	\$ 35,550	195,060.38	\$ -	\$ 2,094,446
Pledges Payable to Parishes	-	-	-	-	-	-	-	1,060,639	-	-	1,060,639
Accrued Liabilities	3,449,007	1,966,750	-	13,002,655	-	-	2,625,715	302,384	2,239,305	-	23,585,816
Deposits Payable - Parishes	-	-	-	-	-	44,355,438	-	-	-	(14,666,580)	29,688,858
Debentures Payable	6,050,372	-	-	-	-	18,116,115	-	-	11,550,295	(11,550,295)	24,166,486
Notes Payable	-	1,936,552	-	-	-	-	-	-	-	-	1,936,552
Trust Assets Held for Parish	2,644,315	-	-	-	-	-	-	152,943	-	-	2,797,258
Held for Parishes/Institutions	2,065,510	-	-	-	4,509,168	-	-	-	-	-	6,574,678
Deferred Revenue	9,035,729	5,617,073	-	-	-	-	-	-	994,698	-	15,647,500
Due To/From Other Funds	4,420,155	97,795	600,944	(118,894)	-	-	(5,000,000)	-	-	-	-
Total liabilities	28,766,342	9,685,194	600,944	13,278,794	4,509,168	62,616,186	(2,218,394)	1,551,515	14,979,359	(26,216,875)	107,552,232
Net Assets											
Unrestricted											
Undesignated	14,887,874	12,406,651	55,730	(11,987,441)	-	(8,966,770)	7,348,766	(1,183)	(4,063,816)	-	9,679,812
Designated	1,347,368	-	1,948,387	-	-	-	3,460,710	-	1,292,639	-	8,049,104
Designated-Cemetery Long-Term Care	-	6,435,463	-	-	-	-	-	-	-	-	6,435,463
Temporarily restricted	963,095	-	1,911,085	-	-	-	-	5,618,990	379,915	-	8,873,085
Permanently restricted	-	-	3,347,712	-	-	-	-	-	449,416	-	3,797,128
Total net assets (deficit)	17,198,337	18,842,114	7,262,914	(11,987,441)	-	(8,966,770)	10,809,476	5,617,807	(1,941,846)	-	36,834,591
Total liabilities and net assets	\$ 45,964,679	\$ 28,527,307	\$ 7,863,858	\$ 1,291,353	\$ 4,509,168	\$ 53,649,416	\$ 8,591,082	\$ 7,169,322	\$ 13,037,514	\$ (26,216,875)	\$ 144,386,823

CENTRAL ADMINISTRATIVE OFFICE OF THE ROMAN CATHOLIC DIOCESE OF SAN JOSE
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - ALL FUNDS
June 30, 2008

	Operating Fund	Cemetery Fund	Endowment Fund	Priest Retirement Funds	Pooled Investment Fund	Deposit and Loan Funds	Service Funds	Fundraising Funds	Holy Spirit School	Eliminations	Total
ASSETS											
Cash & Equivalents	\$ 3,925,567	\$ 326,969	\$ 361,001	\$ 754,354	\$ -	\$ 15,800,671	\$ 4,988,987	\$ 6,452,239	\$ 1,723,279	\$ -	\$ 34,333,065
Marketable Securities	1,045,968	1,598,416	4,585,839	68,991	5,467,551	-	5,727,446	-	-	-	18,494,212
A/R - Parishes/institutions	11,733	-	-	-	-	-	157,735	-	-	-	169,468
A/R - Pledges	-	-	-	-	-	-	-	1,475,628	48,229	-	1,523,857
A/R - Other	1,385,391	1,044,283	90,589	-	-	459,303	-	-	1,353	-	2,980,920
Loans Receivables - Parishes	-	-	-	-	-	36,561,361	-	-	-	(12,000,295)	24,561,066
Inventory	-	9,181,655	-	-	-	-	-	-	82,583	-	9,264,238
Bond Issuance Costs	-	-	-	-	-	425,349	-	-	-	-	425,349
Deposits & Prepaids	42,018	1,700	-	-	-	-	356,068	-	34,776	-	434,562
Marketable securities held for long term purpose	-	-	3,190,528	-	-	-	-	-	405,508	-	3,596,036
Investment in Real Estate	-	607,144	232,072	-	-	-	-	-	-	-	839,216
Assets Held in Trust	1,137,045	-	-	-	-	-	-	149,147	-	-	1,286,191
Interest Bearing Intrafund Acc	103,359	8,914,730	913,632	-	-	-	1,701,816	11,380	1,414,304	(13,059,221)	-
Land, Bldg, and Equipment	32,186,232	4,256,590	-	5,510	-	-	-	-	9,322,485	-	45,770,817
Total assets	<u>\$ 39,837,313</u>	<u>\$ 25,931,487</u>	<u>\$ 9,373,660</u>	<u>\$ 828,855</u>	<u>\$ 5,467,551</u>	<u>\$ 53,246,684</u>	<u>\$ 12,932,053</u>	<u>\$ 8,088,394</u>	<u>\$ 13,032,518</u>	<u>\$ (25,059,516)</u>	<u>\$ 143,678,997</u>
LIABILITIES & NET ASSETS											
Liabilities											
Accounts Payable	\$ 687,467	\$ 153,633	\$ -	\$ 378,761	\$ -	\$ 133,055	\$ 133,351	\$ 11,955	\$ 30,027	\$ -	\$ 1,528,248
Pledges Payable to Parishes	-	-	-	-	-	-	-	1,075,051	-	-	\$ 1,075,051
Accrued Liabilities	2,808,099	1,253,796	6,082	11,768,785	-	33,857	3,050,003	229,734	1,388,727	-	20,539,083
Deposits Payable - Parishes	-	-	-	-	-	42,352,047	-	-	-	(13,059,221)	29,292,826
Debentures Payable	5,687,481	-	-	-	-	17,588,720	-	-	12,000,295	(12,000,295)	23,276,201
Notes Payable	-	2,338,540	-	-	-	-	-	-	-	-	2,338,540
Trust Assets Held for Parish	1,137,045	-	-	-	-	-	-	149,147	-	-	1,286,191
Held for Parishes/Institutions	2,706,806	295	-	-	5,467,551	-	-	-	-	-	8,174,652
Deferred Revenue	9,176,476	3,483,102	-	-	-	-	-	-	848,942	-	13,508,520
Due To/From Other Funds	(579,845)	97,795	600,944	(118,894)	-	-	-	-	-	-	0
Total liabilities	<u>21,623,529</u>	<u>7,327,160</u>	<u>607,025</u>	<u>12,028,652</u>	<u>5,467,551</u>	<u>60,107,680</u>	<u>3,183,353</u>	<u>1,465,887</u>	<u>14,267,992</u>	<u>(25,059,516)</u>	<u>101,019,313</u>
Net Assets											
Unrestricted											
Undesignated	16,051,740	12,866,072	55,730	(11,199,798)	-	(6,860,996)	7,345,842	8,016	(3,152,890)	-	15,113,717
Designated	1,499,255	-	2,107,518	-	-	-	2,402,857	-	1,126,120	-	7,135,749
Designated-Cemetery Long-Term Care	-	5,738,255	-	-	-	-	-	-	-	-	5,738,255
Temporarily restricted	662,790	-	3,412,859	-	-	-	-	6,614,491	362,243	-	11,052,383
Permanently restricted	-	-	3,190,528	-	-	-	-	-	429,052	-	3,619,580
Total net assets (deficit)	<u>18,213,784</u>	<u>18,604,327</u>	<u>8,766,635</u>	<u>(11,199,798)</u>	<u>-</u>	<u>(6,860,996)</u>	<u>9,748,700</u>	<u>6,622,507</u>	<u>(1,235,474)</u>	<u>-</u>	<u>42,659,684</u>
Total liabilities and net assets	<u>\$ 39,837,313</u>	<u>\$ 25,931,487</u>	<u>\$ 9,373,660</u>	<u>\$ 828,855</u>	<u>\$ 5,467,551</u>	<u>\$ 53,246,684</u>	<u>\$ 12,932,053</u>	<u>\$ 8,088,394</u>	<u>\$ 13,032,518</u>	<u>\$ (25,059,516)</u>	<u>\$ 143,678,997</u>

CENTRAL ADMINISTRATIVE OFFICE OF THE ROMAN CATHOLIC DIOCESE OF SAN JOSE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - ALL FUNDS
YEAR ENDED June 30, 2009

	Operating Fund	Cemetery Fund	Endowment Fund	Priest Retirement Funds	Deposit and Loan Funds	Service Funds	Fundraising Funds	Holy Spirit School	Eliminations	Total
Revenues										
Gifts, Bequests, and Collections	\$ 146,495	\$ -	\$ 118,479	\$ 1,237,297	\$ 926,543	\$ -	\$ 5,435,586	\$ 1,174,602	\$ -	\$ 9,039,001
Fees and Expense Reimbursement	536,666	-	-	1,487,070	-	827,127	860	-	-	2,851,723
Diocesan Assessment	3,043,488	-	-	-	-	-	-	-	-	3,043,488
Education Income	943,640	-	-	-	-	-	-	3,563,145	(39,753)	4,467,032
Rental Income	489,537	70,485	96,908	-	-	-	-	4,300	-	661,230
Investment Income	(488,760)	65,322	(1,276,389)	(21,327)	332,538	(849,568)	131,519	(4,096)	(520,993)	(2,631,754)
Interest Income from Loans	-	-	-	-	668,317	-	-	-	-	668,317
Cemetery Revenues	-	5,321,583	-	-	-	-	-	-	-	5,321,583
Insurance Premium Income	-	-	-	-	-	19,849,299	-	-	-	19,849,299
Newspaper Income	367,379	-	-	-	-	-	-	-	-	367,379
Other Income	212,924	75,958	-	-	-	688	-	13,083	-	302,653
Total revenues	5,251,370	5,533,349	(1,061,002)	2,703,039	1,927,399	19,827,545	5,567,965	4,751,033	(560,746)	43,939,951
EXPENSES										
Pastoral	4,098,298	-	-	-	-	-	-	-	-	4,098,298
Religious and personnel development	3,020,197	-	-	-	-	-	-	-	-	3,020,197
Education	992,013	-	313,879	-	-	-	-	4,059,059	(39,753)	5,325,198
Pension, priest retirement	-	-	-	4,398,081	-	-	-	-	-	4,398,081
Administration	2,090,596	-	1,196	-	(251,235)	1,150,669	-	718,973	-	3,710,198
Depreciation expense	659,136	293,066	-	2,449	-	6,317	8,063	548,652	-	1,517,682
Interest expense	967,524	125,798	-	-	4,284,408	-	-	-	(520,993)	4,856,736
Insurance premiums and benefits	1,295	-	-	-	-	17,408,984	-	-	-	17,410,279
Newspaper expenses	452,520	-	-	-	-	-	-	-	-	452,520
Cemetery expenses	-	4,879,482	-	-	-	-	-	-	-	4,879,482
Fundraising expenses	-	-	-	-	-	-	977,603	130,720	-	1,108,323
Total expenses	12,281,578	5,298,346	315,075	4,400,530	4,033,172	18,565,969	985,665	5,457,404	(560,746)	50,776,993
Change in net assets before transfers	(7,030,209)	235,003	(1,376,077)	(1,697,490)	(2,105,774)	1,261,576	4,582,300	(706,371)	-	(6,837,042)
Transfers										
Annual Appeal Transfer	5,587,000	-	-	-	-	-	(5,587,000)	-	-	-
Annual Appeal Distribution	-	-	-	-	-	-	-	-	-	-
Other Transfers	427,762	2,784	(127,644)	(102,102)	-	(200,800)	-	-	-	(0)
Total Transfers	6,014,762	2,784	(127,644)	(102,102)	-	(200,800)	(5,587,000)	-	-	(0)
Increase in Net Assets before effect of adoption of FASB Statement 158	(1,015,447)	237,787	(1,503,721)	(1,799,592)	(2,105,774)	1,060,776	(1,004,700)	(706,371)	-	(6,837,042)
Effect of adoption of FASB Statement 158 on prior period Net Assets	-	-	-	1,011,949	-	-	-	-	-	1,011,949
Increase (decrease) in Net Assets	(1,015,447)	237,787	(1,503,721)	(787,643)	(2,105,774)	1,060,776	(1,004,700)	(706,371)	-	(5,825,093)
Net assets (deficit) at the beginning of the year	18,213,784	18,604,327	8,766,635	(11,199,798)	(6,860,996)	9,748,700	6,622,507	(1,235,474)	-	42,659,684
Net assets (deficit) at end of the year	\$ 17,198,337	\$ 18,842,114	\$ 7,262,914	\$ (11,987,441)	\$ (8,966,770)	\$ 10,809,476	\$ 5,617,807	\$ (1,941,846)	\$ -	\$ 36,834,591

CENTRAL ADMINISTRATIVE OFFICE OF THE ROMAN CATHOLIC DIOCESE OF SAN JOSE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - ALL FUNDS
YEAR ENDED June 30, 2008

	Operating Fund	Cemetery Fund	Endowment Fund	Priest Retirement Funds	Deposit and Loan Funds	Service Funds	Fundraising Funds	Holy Spirit School	Eliminations	Total
Revenues										
Gifts, Bequests, and Collections	\$ 381,369	\$ -	\$ 140,858	\$ 6,570	\$ 1,035,000	\$ -	\$ 5,436,606	\$ 1,259,300	\$ -	\$ 8,259,704
Fees and Expense Reimbursement	625,231	-	-	1,248,833	-	597,354	-	-	-	2,471,418
Diocesan Assessment	2,924,868	-	-	-	-	-	-	-	-	2,924,868
Education Income	951,392	-	-	-	-	-	-	3,472,714	(34,142)	4,389,964
Rental Income	854,130	67,492	72,979	-	-	-	-	4,400	-	999,001
Investment Income	(15,924)	188,637	(561,559)	(16,773)	474,991	(313,419)	255,230	36,693	(485,125)	(437,249)
Interest Income from Loans	-	-	-	-	750,213	-	-	-	-	750,213
Cemetery Revenues	-	5,229,325	-	-	-	-	-	-	-	5,229,325
Insurance Premium Income	-	-	-	-	-	18,916,471	-	-	-	18,916,471
Newspaper Income	367,203	-	-	-	-	-	-	-	-	367,203
Other Income	87,760	110,925	-	150	-	-	-	3,118	-	201,952
Total revenues	6,176,029	5,596,379	(347,721)	1,238,779	2,260,204	19,200,406	5,691,836	4,776,225	(519,267)	44,072,869
EXPENSES										
Pastoral	4,362,631	-	-	-	-	-	-	-	-	4,362,631
Religious and personnel development	2,794,155	-	-	-	-	-	-	-	-	2,794,155
Education	858,215	-	348,700	-	-	-	-	3,155,843	(34,142)	4,328,616
Pension, priest retirement	-	-	-	2,645,796	-	-	-	-	-	2,645,796
Administration	1,603,633	-	1,174	-	627,752	882,745	-	642,318	-	3,757,622
Depreciation expense	646,433	239,285	-	1,820	-	6,236	7,960	600,186	-	1,501,920
Interest expense	570,971	222,356	-	-	3,178,291	-	-	-	(485,125)	3,486,493
Insurance premiums and benefits	-	-	-	-	-	16,619,297	-	-	-	16,619,297
Newspaper expenses	396,525	-	-	-	-	-	-	-	-	396,525
Cemetery expenses	-	4,626,490	-	-	-	-	-	-	-	4,626,490
Fundraising expenses	-	-	-	-	-	-	909,985	108,274	-	1,018,259
Total expenses	11,232,562	5,088,130	349,874	2,647,616	3,806,043	17,508,278	917,945	4,506,621	(519,267)	45,537,803
Change in net assets before transfers	(5,056,533)	508,249	(697,595)	(1,408,837)	(1,545,840)	1,692,128	4,773,891	269,604	-	(1,464,934)
Transfers										
Annual Appeal Transfer	4,634,269	-	-	-	-	-	(4,634,269)	-	-	-
Annual Appeal Distribution	-	-	-	23,000	-	-	(23,000)	-	-	-
Other Transfers	237,829	21,490	(129,959)	(131,147)	1,787	-	-	-	-	0
Total Transfers	4,872,098	21,490	(129,959)	(108,147)	1,787	-	(4,657,269)	-	-	0
Increase in Net Assets before effect of adoption of FASB Statement 158	(184,435)	529,739	(827,554)	(1,516,984)	(1,544,053)	1,692,128	116,622	269,604	-	(1,464,934)
Effect of adoption of FASB Statement 158 on prior period Net Assets	-	-	-	965,000	-	-	-	-	-	965,000
Increase (decrease) in Net Assets	(184,435)	529,739	(827,554)	(551,984)	(1,544,053)	1,692,128	116,622	269,604	-	(499,934)
Net assets (deficit) at the beginning of the year	18,398,218	18,074,588	9,594,189	(10,647,814)	(5,316,943)	8,056,573	6,505,886	(1,505,078)	-	43,159,619
Net assets (deficit) at end of the year	\$ 18,213,783	\$ 18,604,327	\$ 8,766,635	\$ (11,199,798)	\$ (6,860,996)	\$ 9,748,701	\$ 6,622,508	\$ (1,235,474)	\$ -	\$ 42,659,684

CENTRAL ADMINISTRATIVE OFFICE OF THE ROMAN CATHOLIC DIOCESE OF SAN JOSE
STATEMENT OF ASSETS, LIABILITITES, AND NET ASSETS - SERVICE FUNDS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009				2008			
	Payroll Fund	Benefit Fund	Comprehensive Insurance Fund	Total	Payroll Fund	Benefit Fund	Comprehensive Insurance Fund	Total
ASSETS								
Cash & Equivalents	\$ 795,200	\$ 249,729	\$ 326,234	\$ 1,371,162	\$ 635,441	\$ 3,916,528	\$ 437,018	4,988,987
Marketable Securities	-	1,045,307	3,910,009	4,955,316	-	1,292,911	4,434,536	5,727,446
A/R - Parishes/institutions	(4,286)	192,744	166,052	354,510	72,247	68,027	17,462	157,735
A/R - Other	4,241	-	-	4,241	-	-	-	-
Deposits & Prepaids	-	-	118,040	118,040	-	-	356,068	356,068
Interest Bearing Intrafund Acc	-	968,070	819,743	1,787,813	-	921,504	780,312	1,701,816
Total assets	<u>\$ 795,155</u>	<u>\$ 2,455,849</u>	<u>\$ 5,340,077</u>	<u>\$ 8,591,082</u>	<u>\$ 707,687</u>	<u>\$ 6,198,970</u>	<u>\$ 6,025,395</u>	<u>12,932,053</u>
LIABILITIES & NET ASSETS								
Liabilities								
Accounts Payable	\$ 167,314	\$ (423,371)	\$ 411,948	155,891	117,381	\$ 9,917	\$ 6,052	133,351
Accrued Liabilites	50,212	1,001,975	1,573,527	2,625,715	51,582	973,494	2,024,926	3,050,003
Due To/From Other Funds	-	(4,000,000)	(1,000,000)	(5,000,000)	-	-	-	-
Total liabilities	<u>217,526</u>	<u>(3,421,396)</u>	<u>985,475</u>	<u>(2,218,394)</u>	<u>168,963</u>	<u>983,412</u>	<u>2,030,978</u>	<u>3,183,353</u>
Net Assets								
Unrestricted								
Undesignated	577,630	5,618,038	1,153,098	7,348,766	538,724	4,999,575	1,807,543	7,345,842
Designated	-	259,207	3,201,504	3,460,710	-	215,983	2,186,874	2,402,857
Total net assets (deficit)	<u>577,630</u>	<u>5,877,245</u>	<u>4,354,602</u>	<u>10,809,476</u>	<u>538,724</u>	<u>5,215,558</u>	<u>3,994,417</u>	<u>9,748,700</u>
Total liabilities and net assets	<u>\$ 795,155</u>	<u>\$ 2,455,849</u>	<u>\$ 5,340,077</u>	<u>\$ 8,591,082</u>	<u>\$ 707,687</u>	<u>\$ 6,198,970</u>	<u>\$ 6,025,395</u>	<u>12,932,053</u>

CENTRAL ADMINISTRATIVE OFFICE OF THE ROMAN CATHOLIC DIOCESE OF SAN JOSE
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 SERVICE FUNDS
 YEARS ENDED JUNE 30, 2009 AND 2008

	2009				2008			
	Payroll Fund	Benefit Fund	Comprehensive Insurance Fund	Total	Payroll Fund	Benefit Fund	Comprehensive Insurance Fund	Total
Revenues								
Fees and Expense Reimbursement	\$ 827,127	\$ -	\$ -	\$ 827,127	\$ 597,354	\$ -	\$ -	\$ 597,354
Investment Income	13,932	(129,088)	(734,412)	(849,568)	17,465	56,272	(387,157)	(313,419)
Insurance Premium Income	-	14,708,227	5,141,072	19,849,299	-	14,536,880	4,379,591	18,916,471
Other Income	-	688	-	688	-	-	-	-
Total revenues	<u>841,058</u>	<u>14,579,827</u>	<u>4,406,660</u>	<u>19,827,545</u>	<u>614,819</u>	<u>14,593,152</u>	<u>3,992,434</u>	<u>19,200,406</u>
Expenses								
Administration	385,279	124,362	641,028	1,150,669	343,097	89,077	450,572	882,745
Depreciation expense	3,063	1,079	2,174	6,317	3,024	1,065	2,147	6,236
Insurance premiums and benefits	213,011	13,792,699	3,403,274	17,408,984	54,077	13,369,734	3,195,485	16,619,297
Total expenses	<u>601,353</u>	<u>13,918,141</u>	<u>4,046,476</u>	<u>18,565,969</u>	<u>400,198</u>	<u>13,459,877</u>	<u>3,648,204</u>	<u>17,508,278</u>
Intrafund Transfers	(200,800)	-	-	(200,800)	-	-	-	-
Increase (decrease) in net assets	<u>38,906</u>	<u>661,686</u>	<u>360,184</u>	<u>1,060,776</u>	<u>214,621</u>	<u>1,133,276</u>	<u>344,231</u>	<u>1,692,128</u>
Net assets at beginning of the year	<u>538,724</u>	<u>5,215,558</u>	<u>3,994,417</u>	<u>9,748,700</u>	<u>324,103</u>	<u>4,082,283</u>	<u>3,650,187</u>	<u>8,056,572</u>
Net assets at end of year	<u>\$ 577,630</u>	<u>\$ 5,877,245</u>	<u>\$ 4,354,602</u>	<u>\$ 10,809,476</u>	<u>\$ 538,724</u>	<u>\$ 5,215,558</u>	<u>\$ 3,994,417</u>	<u>\$ 9,748,700</u>

CENTRAL ADMINISTRATIVE OFFICE OF THE ROMAN CATHOLIC DIOCESE OF SAN JOSE
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - PRIEST RETIREMENT FUNDS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009				2008			
	Priest Retirement Fund	Supplemental Plan Fund	Post Retirement Fund	Total	Priest Retirement Fund	Supplemental Plan Fund	Post Retirement Fund	Total
ASSETS								
Cash & Equivalents	\$ 815,407	\$ -	\$ -	\$ 815,407	\$ 754,354	\$ -	\$ -	754,354
Marketable Securities	59,750	-	-	59,750	68,991	-	-	68,991
A/R - Parishes/institutions	38,129	-	-	38,129	-	-	-	-
A/R - Other	-	370,405	4,600	375,005	-	-	-	-
Land, Bldg, and Equipment	3,061	-	-	3,061	5,510	-	-	5,510
Total assets	\$ 916,347	\$ 370,405	\$ 4,600	\$ 1,291,353	\$ 828,855	\$ -	\$ -	828,855
LIABILITIES & NET ASSETS								
Liabilities								
Accounts Payable	\$ 390,432	\$ -	\$ 4,600	395,032	\$ 375,716	\$ -	\$ 3,045	378,761
Pledges Payable to Parishes	-	-	-	-	-	-	-	-
Accrued Liabilities	7,862,593	782,984	4,357,078	13,002,655	6,224,704	1,588,724	3,955,358	11,768,785
Due To/From Other Funds	(118,894)	-	-	(118,894)	(118,894)	-	-	(118,894)
Total liabilities	8,134,131	782,984	4,361,678	13,278,794	6,481,526	1,588,724	3,958,403	12,028,652
Net Assets								
Unrestricted								
Undesignated	(7,217,784)	(412,579)	(4,357,078)	(11,987,441)	(5,652,671)	(1,588,724)	(3,958,403)	(11,199,798)
Total net assets (deficit)	(7,217,784)	(412,579)	(4,357,078)	(11,987,441)	(5,652,671)	(1,588,724)	(3,958,403)	(11,199,798)
Total liabilities and net assets	\$ 916,347	\$ 370,405	\$ 4,600	\$ 1,291,353	\$ 828,855	\$ -	\$ -	828,855

CENTRAL ADMINISTRATIVE OFFICE OF THE ROMAN CATHOLIC DIOCESE OF SAN JOSE
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - FUNDRAISING FUNDS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009			2008				
	Fundraising Funds	Annual Appeal Fund	Charitable Gift Annuity Fund	Total	Fundraising Funds	Annual Appeal Fund	Charitable Gift Annuity Fund	Total
ASSETS								
Cash & Equivalents	\$ 199,344	\$ 5,081,986	\$ -	\$ 5,281,330	\$ 166,452	\$ 6,285,787	\$ -	\$ 6,452,239
A/R - Pledges	-	1,723,094	-	1,723,094	-	1,475,628	-	1,475,628
Assets Held in Trust	-	-	152,943	152,943	-	-	149,147	149,147
Interest Bearing Intrafund Acc	11,955	-	-	11,955	11,380	-	-	11,380
Total assets	\$ 211,299	\$ 6,805,080	\$ 152,943	\$ 7,169,322	\$ 177,833	\$ 7,761,415	\$ 149,147	\$ 8,088,394
LIABILITIES & NET ASSETS								
Liabilities								
Accounts Payable	\$ 4,158	\$ 31,392	\$ -	\$ 35,550	\$ 6,046	\$ 5,908	\$ -	\$ 11,955
Pledges Payable to Parishes	-	1,060,639	-	1,060,639	-	1,075,051	-	1,075,051
Accrued Liabilities	208,324	94,060	-	302,384	163,770	65,964	-	229,734
Trust Assets Held for Parish	-	-	152,943	152,943	-	-	149,147	149,147
Total liabilities	212,482	1,186,090	152,943	1,551,515	169,817	1,146,923	149,147	1,465,887
Net Assets								
Unrestricted	(1,183)	-	-	(1,183)	8,016	-	-	8,016
Temporarily restricted	-	5,618,990	-	5,618,990	-	6,614,491	-	6,614,491
Total net assets (deficit)	(1,183)	5,618,990	-	5,617,807	8,016	6,614,491	-	6,622,507
Total liabilities and net assets	\$ 211,299	\$ 6,805,080	\$ 152,943	\$ 7,169,322	\$ 177,833	\$ 7,761,415	\$ 149,147	\$ 8,088,394

CENTRAL ADMINISTRATIVE OFFICE OF THE ROMAN CATHOLIC DIOCESE OF SAN JOSE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FUNDRAISING FUNDS

YEARS ENDED JUNE 30, 2009 AND 2008

	2009			2008		
	Fundraising Funds	Annual Appeal Fund	Total	Fundraising Funds	Annual Appeal Fund	Total
Revenues						
Gifts, Bequests and Collections	\$ 10,000	\$ 5,425,586	\$ 5,435,586	\$ 77,000	\$ 5,359,606	\$ 5,436,606
Fees and Expense Reimbursement	-	860	860	-	-	-
Investment Income	1,707	129,812	131,519	3,533	251,697	255,230
Total revenues	11,707	5,556,258	5,567,965	80,533	5,611,303	5,691,836
Expenses						
Administration	313,175	664,428	977,603	194,313	715,672	909,985
Depreciation expense	3,650	4,412	8,063	3,604	4,356	7,960
Total expenses	316,826	668,840	985,665	197,917	720,028	917,945
Change in net assets before transfers	(305,119)	4,887,418	4,582,300	(117,384)	4,891,275	4,773,891
Transfers						
Annual Appeal Distributions	295,920	(295,920)	-	124,400	(147,400)	(23,000)
Annual Appeal Transfers	-	(5,587,000)	(5,587,000)	-	(4,634,269)	(4,634,269)
Total transfers	295,920	(5,882,920)	(5,587,000)	124,400	(4,781,669)	(4,657,269)
Increase (decrease) in net assets	(9,199)	(995,502)	(1,004,700)	7,016	109,606	116,622
Net assets at beginning of the year	8,016	6,614,491	6,622,507	1,000	6,504,886	6,505,886
Net assets at end of year	\$ (1,183)	\$ 5,618,990	\$ 5,617,807	\$ 8,016	\$ 6,614,492	\$ 6,622,508

CENTRAL ADMINISTRATIVE OFFICE OF THE ROMAN CATHOLIC DIOCESE OF SAN JOSE
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - DEPOSIT AND LOAN FUNDS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009				2008			
	Deposit and		Employee		Deposit and		Employee	
	Loan Fund	Total	Loan Fund	Total	Loan Fund	Total	Loan Fund	Total
ASSETS								
Cash & Equivalents	\$ 17,287,022	\$ 17,589,517	\$ 302,495	\$ 15,467,269	\$ 333,402	\$ 15,800,671		
A/R - Other	650,058	976,655	326,597	142,684	316,619	459,303		
Loans Receivables - Parishes	34,673,504	34,673,504	-	36,561,361	-	36,561,361		
Bond Issuance Costs	409,739	409,739	-	425,349	-	425,349		
Total assets	<u>\$ 53,020,324</u>	<u>\$ 53,649,416</u>	<u>\$ 629,092</u>	<u>\$ 52,596,663</u>	<u>\$ 650,021</u>	<u>\$ 53,246,684</u>		
LIABILITIES & NET ASSETS								
Liabilities								
Accounts Payable	\$ 144,633	\$ 144,633	-	\$ 133,055	-	\$ 133,055		
Accrued Liabilities	-	-	-	33,857	-	33,857		
Deposits Payable - Parishes	44,355,438	44,355,438	-	42,352,047	-	42,352,047		
Debentures Payable	18,116,115	18,116,115	-	17,588,720	-	17,588,720		
Total liabilities	<u>62,616,186</u>	<u>62,616,186</u>	<u>-</u>	<u>60,107,680</u>	<u>-</u>	<u>60,107,680</u>		
Net Assets								
Unrestricted								
Undesignated	(9,595,862)	(8,966,770)	629,092	(7,511,017)	650,021	(6,860,996)		
Total net assets (deficit)	<u>(9,595,862)</u>	<u>(8,966,770)</u>	<u>629,092</u>	<u>(7,511,017)</u>	<u>650,021</u>	<u>(6,860,996)</u>		
Total liabilities and net assets	<u>\$ 53,020,324</u>	<u>\$ 53,649,416</u>	<u>\$ 629,092</u>	<u>\$ 52,596,663</u>	<u>\$ 650,021</u>	<u>\$ 53,246,684</u>		

CENTRAL ADMINISTRATIVE OFFICE OF THE ROMAN CATHOLIC DIOCESE OF SAN JOSE
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 DEPOSIT AND LOAN FUNDS
 YEARS ENDED JUNE 30, 2009 AND 2008

	2009		2008		Total
	Deposit and Loan Fund	Employee Loan Fund	Deposit and Loan Fund	Employee Loan Fund	
Revenues					
Gifts, Bequests and Collections	\$ 926,543	\$ -	\$ 1,035,000	\$ -	\$ 1,035,000
Investment Income	327,064	5,474	464,387	10,604	474,991
Interest Income from Loans	650,295	18,023	732,796	17,417	750,213
Total revenues	1,903,902	23,497	2,232,183	28,020	2,260,204
Expenses					
Administration	(295,661)	44,425	627,475	277	627,752
Interest Expense	4,284,408	-	3,178,291	-	3,178,291
Total expenses	3,988,747	44,425	3,805,766	277	3,806,043
Change in net assets before transfers	(2,084,845)	(20,929)	(1,573,583)	27,743	(1,545,840)
Transfers					
Other Transfers	-	-	1,787	-	1,787
Total Transfers	-	-	1,787	-	1,787
Increase (decrease) in Net Assets	(2,084,845)	(20,929)	(1,571,796)	27,743	(1,544,053)
Net assets at beginning of the year	(7,511,017)	650,021	(5,939,221)	622,278	(5,316,943)
Net assets at end of year	\$ (9,595,862)	\$ 629,092	\$ (7,511,017)	\$ 650,021	\$ (6,860,996)