



Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

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

June 30, 2015 and 2014

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

To the Most Reverend Patrick J. McGrath
The Roman Catholic Bishop of San Jose and Affiliate

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Central Administrative Office of the Roman Catholic Diocese of San Jose and affiliate, (a California nonprofit public benefit corporation), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Central Administrative Office of the Roman Catholic Diocese of San Jose and affiliate as of June 30, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mass Adams LLP

San Francisco, California
October 30, 2015

CONSOLIDATED FINANCIAL STATEMENTS

**THE ROMAN CATHOLIC DIOCESE OF SAN JOSE,
CENTRAL ADMINISTRATIVE OFFICE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
ASSETS		
Cash and cash equivalents	\$ 67,312,785	\$ 41,054,101
Marketable securities	57,774,411	52,363,115
Receivables		
Receivables from parishes and institutions (net of allowance for doubtful accounts of \$269,328 in 2015 and \$548,134 in 2014)	3,173,378	2,010,887
Pledges (net of allowance for doubtful accounts and valuation reserves of \$20,022 in 2015 and \$49,319 in 2014)	1,660,126	1,692,855
Other (net of allowance for doubtful accounts and valuation reserves of \$914,666 in 2015 and \$852,670 in 2014)	7,567,965	6,457,315
Deposits and prepaid expenses	619,771	406,981
Inventory	7,446,881	8,168,520
Loans receivable from parishes and institutions in Deposit and Loan Fund (net of allowance for doubtful accounts and valuation reserves of \$2,007,405 in 2015 and \$1,852,944 in 2014)	28,651,265	31,814,143
Debenture issuance costs (net of accumulated amortization of \$60,949 in 2015 and \$47,405 in 2014)	345,379	358,923
Marketable securities held for long-term purposes	4,339,494	4,236,015
Investment in real estate	232,072	232,072
Assets held in trust	11,370,943	9,047,715
Land, buildings and equipment (net of accumulated depreciation of \$19,641,236 in 2015 and \$18,018,940 in 2014)	55,330,857	51,338,377
Total Assets	<u>\$ 245,825,327</u>	<u>\$ 209,181,019</u>
LIABILITIES & NET ASSETS		
Liabilities		
Accounts payable	\$ 2,379,706	\$ 1,514,513
Pledges payable to parishes	2,134,657	2,109,018
Accrued liabilities	32,992,976	28,614,599
Deposits payable - Parishes	47,985,610	36,538,431
Debentures payable (including SWAP liability of \$4,245,025 in 2015 and \$4,316,042 in 2014)	22,302,025	23,161,042
Notes payable	-	619,000
Trust assets held for Parish	3,268,081	3,256,982
Held for Parishes/Institutions	36,305,980	28,501,530
Deferred revenue	26,925,617	19,550,969
Total Liabilities	174,294,652	143,866,084
Net Assets		
Unrestricted		
Undesignated	17,305,570	14,230,472
Designated	12,396,162	11,700,471
Designated-Cemetery long-term care	10,704,830	9,906,190
Total unrestricted assets	40,406,562	35,837,133
Temporarily restricted	26,784,619	25,241,787
Permanently restricted	4,339,494	4,236,015
Total net assets	71,530,675	65,314,935
Total liabilities and net assets	<u>\$ 245,825,327</u>	<u>\$ 209,181,019</u>

See accompanying notes.

**THE ROMAN CATHOLIC DIOCESE OF SAN JOSE,
CENTRAL ADMINISTRATIVE OFFICE
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended June 30, 2015 and 2014**

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues								
Gifts, bequests, and collections	\$ 4,645,554	\$ 5,761,941	\$ 103,479	\$ 10,510,974	\$ 4,924	\$ 6,125,211	\$ 406,402	\$ 6,536,537
Fees and expense reimbursement	3,590,152	-	-	3,590,152	3,339,658	-	-	3,339,658
Diocesan assessment	3,195,133	-	-	3,195,133	3,082,668	-	-	3,082,668
Education income	971,016	-	-	971,016	1,023,108	-	-	1,023,108
Rental income	589,847	-	-	589,847	569,925	-	-	569,925
Investment income	781,822	770,367	-	1,552,189	2,191,776	2,435,908	-	4,627,684
Interest income from loans	855,491	-	-	855,491	847,213	-	-	847,213
Cemetery revenues	7,885,844	-	-	7,885,844	7,054,930	-	-	7,054,930
Insurance premium income	26,592,881	-	-	26,592,881	24,448,762	-	-	24,448,762
Newspaper income	487,708	-	-	487,708	463,199	-	-	463,199
Grant income	686,115	1,315,000	-	2,001,115	428,300	5,334,581	-	5,762,881
Other income	27,323	-	-	27,323	29,708	-	-	29,708
Subtotal revenues from operations	50,308,886	7,847,308	103,479	58,259,673	43,484,171	13,895,700	406,402	57,786,273
Net assets released from restrictions and reclassification (See Note 10)	6,304,476	(6,304,476)	-	-	5,870,444	(5,870,444)	-	-
Total revenues	56,613,362	1,542,832	103,479	58,259,673	49,354,615	8,025,256	406,402	57,786,273
Expenses								
Pastoral	4,798,855	-	-	4,798,855	4,626,944	-	-	4,626,944
Religious and personnel development	2,904,244	-	-	2,904,244	2,802,742	-	-	2,802,742
Education	1,608,774	-	-	1,608,774	1,626,361	-	-	1,626,361
Pension, priest retirement	2,136,316	-	-	2,136,316	394,107	-	-	394,107
Administration	3,143,797	-	-	3,143,797	3,083,260	-	-	3,083,260
Depreciation expense	1,696,583	-	-	1,696,583	1,469,931	-	-	1,469,931
Interest expense deposits	311,055	-	-	311,055	305,725	-	-	305,725
Interest expense notes and bonds	1,195,165	-	-	1,195,165	1,242,376	-	-	1,242,376
Insurance premiums and benefits	24,640,318	-	-	24,640,318	23,288,304	-	-	23,288,304
Newspaper expenses	564,761	-	-	564,761	555,422	-	-	555,422
Cemetery expenses	5,077,324	-	-	5,077,324	5,237,254	-	-	5,237,254
Fundraising expenses	913,778	-	-	913,778	918,138	-	-	918,138
Total expenses	48,990,970	-	-	48,990,970	45,550,564	-	-	45,550,564
Change in net assets from operations	7,622,392	1,542,832	103,479	9,268,703	3,804,051	8,025,256	406,402	12,235,709
Change in fair value of interest rate swap	71,018	-	-	71,018	178,068	-	-	178,068
Change in obligations for post-retirement benefits	(3,123,981)	-	-	(3,123,981)	(2,996,408)	-	-	(2,996,408)
Change in net assets	4,569,429	1,542,832	103,479	6,215,740	985,711	8,025,256	406,402	9,417,369
Net assets at the beginning of the year	35,837,133	25,241,787	4,236,015	65,314,935	31,337,586	17,610,910	4,337,069	53,285,565
Distribution of Holy Spirit School net assets (Note 1)	-	-	-	-	3,513,836	(394,379)	(507,456)	2,612,001
Net assets at the end of the year	<u>\$ 40,406,562</u>	<u>\$ 26,784,619</u>	<u>\$ 4,339,494</u>	<u>\$ 71,530,675</u>	<u>\$ 35,837,133</u>	<u>\$ 25,241,787</u>	<u>\$ 4,236,015</u>	<u>\$ 65,314,935</u>

See accompanying notes.

**THE ROMAN CATHOLIC DIOCESE OF SAN JOSE,
CENTRAL ADMINISTRATIVE OFFICE
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2015 and 2014**

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 6,215,740	\$ 9,417,369
Change in fair value of rate swap	(71,018)	(178,068)
Change in obligations for post-retirement benefits and unfunded pension liabilities	3,123,981	2,996,408
Change in net assets from operations	9,268,703	12,235,709
Adjustment to reconcile change in net assets to net cash from (used in) operating activities:		
Depreciation	1,696,583	1,469,931
Provision for losses on loans and receivables	(91,646)	(816,273)
Amortization of bond issuance costs	13,545	13,545
Investment gains	(736,399)	(4,119,430)
Contributions restricted for investment in permanent endowments	(103,479)	(406,402)
Changes in operating assets and liabilities:		
Receivables	(1,994,305)	(1,424,331)
Inventories	721,639	409,356
Deposits and prepaid expenses	(212,790)	(2,360,683)
Trust assets held for parish	11,100	(316,977)
Accounts payable and pledges payable	890,832	668,135
Accrued liabilities	1,254,396	623,984
Assets held in trust	(2,323,228)	335,876
Held for parishes and institutions	7,804,450	12,386,282
Deferred revenue	7,374,648	2,213,840
Net cash from operating activities	23,574,049	20,912,562
Cash flows (used in) investing activities:		
Purchase of land, buildings and equipment	(5,689,063)	(2,177,649)
Net repayment (advances) for loans receivable	3,007,703	(8,095,342)
Repayment of interest receivable	714	98,135
Purchase of marketable securities	(5,759,372)	(18,471,081)
Proceeds from sale of marketable securities and receipt of funds for investment	980,995	587,465
Net cash (used in) investing activities	(7,459,023)	(28,058,472)
Cash flows from financing activities:		
Deposits payable	11,447,179	(668,792)
Borrowings on bonds payable	-	9,683,347
Payments on notes and bonds payable	(1,407,000)	(788,000)
Distribution of Holy Spirit School net assets (Note 1)	-	(763,199)
Contributions restricted for investment in permanent endowments	103,479	406,402
Net cash from financing activities	10,143,658	7,869,758
Change in cash and cash equivalents	26,258,684	723,848
Cash and cash equivalents, beginning of year	41,054,101	40,330,253
Cash and cash equivalents, end of year	\$ 67,312,785	\$ 41,054,101
Supplemental disclosures for cash paid for:		
Interest	\$ 1,195,165	\$ 1,242,376
Taxes	\$ (14)	\$ 1
Supplemental disclosures of non-cash operating and investing activities:		
Distribution of Holy Spirit School net assets (Note 1)		
Assets distributed	\$ -	\$ 10,921,091
Liabilities distributed	\$ -	\$ (14,272,456)

See consolidated financial statements.

**THE ROMAN CATHOLIC DIOCESE OF SAN JOSE,
CENTRAL ADMINISTRATIVE OFFICE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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 Diocese's affiliate, Catholic Family Insurance Services of the Diocese of San Jose, Inc. ("CFIS" or "affiliate") is a for-profit entity owned by the Roman Catholic Bishop of San Jose, a corporation sole, licensed to sell insurance products by the State of California Department of Insurance.

The aforementioned entities are collectively referred to as the Central Administrative Office ("CAO") within these notes to the consolidated financial statements

The consolidated financial statements include only those funds for which the CAO maintains direct operational control. All significant inter-organizational and interfund balances and transactions have been eliminated. Those entities not included in these statements are the parish churches, elementary and secondary schools, The Roman Catholic Welfare Corporation, The Roman Catholic Diocese of San Jose Master Irrevocable Trust, The Catholic Community Foundation of Santa Clara County, Catholic Charities of Santa Clara County, The Roman Catholic Seminary Corporation of San Jose ("Seminary"), The Roman Catholic Bishop of San Jose Master Irrevocable Trust, Pastor of Our Lady of Refuge, an unincorporated religious association, 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, Stoney Pine, St. Katharine Drexel Pious Foundation, St. John XXIII College Preparatory and the Roman Catholic Communications Corporation of the Bay Area/Catholic Telemedia Network.

The primary sources of revenue for the CAO are donations through the Annual Appeal, assessment on Parish offertory revenue, cemetery plot sales, tuition, reimbursements, premiums and fees.

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 sites for a future parish and high school. A portion of unrestricted net assets of the operating fund has been designated for certain initiatives. The CAO does not apply a time restriction on gifts of long-lived assets. Since 2009 the operations of the Newspaper are included in the Operating Fund.

Service Funds

Payroll fund – This fund contains resources held by the CAO to operate a central payroll and human resources system for parishes, schools and institutions. They are billed for their respective shares of the periodic payrolls and the system's costs. This fund distributes monies for unemployment insurance of Diocesan employees.

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.

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. This fund consolidates the activities of CFIS.

**THE ROMAN CATHOLIC DIOCESE OF SAN JOSE,
CENTRAL ADMINISTRATIVE OFFICE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Employee loan fund – This fund has been established for loans to employees and priests of the Diocese. At June 30, 2015 and 2014, the interest rate on loans was 5.0%. Since May 31, 2009, no new loans, other than loans to clergy, were being made from this fund pending revision of the loan approval and collection policies and procedures.

Endowment fund – The unrestricted portion of this fund may be used for any purpose. The majority 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 – This fund has been established to provide support for retired priests. Specific assets have been designated for this purpose from parish payments.

Deposit and loan fund – This fund contains deposits held by the CAO for parishes and schools which are held for investment and/or loaned to other parishes and schools. At June 30, 2015, the effective rate was 0.30% to 1.30%, and at June 30, 2014, the effective rate was 0.30% to 1.30%, depending on the term of the deposit. The interest rates applied to loans range from 2.25% to 5.0% as of June 30, 2015 and 2014, with some loans on non-accrual of interest.

The Deposit and Loan Fund had \$47,985,610 and \$36,538,431 of deposits from parishes and schools as of June 30, 2015 and 2014, respectively.

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

As of June 30, 2015	By Term			
	<1 Year	1-2 Years	6 Years	Total
Parishes	\$ 29,954,750	\$ 2,833,155	\$ 3,670,047	\$ 36,457,952
Schools	7,301,600	1,886,741	2,339,317	11,527,658
	<u>\$ 37,256,350</u>	<u>\$ 4,719,896</u>	<u>\$ 6,009,364</u>	<u>\$ 47,985,610</u>

As of June 30, 2014	By Term			
	<1 Year	1-2 Years	6 Years	Total
Parishes	\$ 19,508,353	\$ 1,928,588	\$ 3,644,972	\$ 25,081,913
Schools	8,896,420	685,638	1,874,460	11,456,518
	<u>\$ 28,404,773</u>	<u>\$ 2,614,226</u>	<u>\$ 5,519,432</u>	<u>\$ 36,538,431</u>

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

Holy Spirit School – Holy Spirit School (“School”), a Diocesan elementary school, was prior to fiscal year 2014 included in the consolidated financial statements of the CAO. Effective July 1, 2013, the School became a member of the St. Katharine Drexel Initiative and is consolidated with that entity. All assets and liabilities were transferred to St. Katharine Drexel Initiative effective July 1, 2013.

Temporarily Restricted Net Assets – This net asset class includes gifts for which donor imposed purpose restrictions or time restrictions have not been met. The following funds have temporarily restricted net assets:

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

**THE ROMAN CATHOLIC DIOCESE OF SAN JOSE,
CENTRAL ADMINISTRATIVE OFFICE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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. The following fund have permanently restricted net assets:

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.

Also included in the consolidated Statements 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. Note that the CAO investments in the Fund are shown in each of the separate CAO funds. 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 accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and with the financial statement standards applicable to religious organizations. A summary of the significant accounting policies applied consistently in the preparation of the accompanying consolidated 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 the fund group. However, for the consolidated financial statements, transactions are reported by the net asset categories described in Note 1.

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

Principles of consolidation – The consolidated financial statements include the financial statements of the CAO and its affiliate. All material interorganization transactions and balances have been eliminated upon consolidation.

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. The cash and cash equivalents balances held in financial institutions at June 30, 2015 and 2014, exceeded federal depository insurance coverage. The CAO has not experienced any losses in such accounts.

Marketable securities – Marketable securities are presented in the consolidated 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 a component of investment income.

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.

Other receivables – Included in other receivables are employee loans receivable, Valley Catholic Newspaper receivables, and beneficial interests in charitable remainder unitrusts and other trusts.

In regards to the beneficial interests, the CAO is not the trustee for those trusts. The asset of one of the trusts consists of real property, and the trust provides for the payment of the income on the property to the donor over the donor's lifetime. At the end of the trust's term, the property will be transferred to the CAO. Assets held in the trusts are recorded at estimated fair value in the amounts of \$1,836,376 and \$1,744,049 at June 30, 2015 and 2014, respectively.

**THE ROMAN CATHOLIC DIOCESE OF SAN JOSE,
CENTRAL ADMINISTRATIVE OFFICE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Inventories – Cemetery inventories consist of real property, 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.

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 principal. 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 principal 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 principal is probable.

Allowance for loan losses – 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.

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.

The CAO will capitalize fixed assets when the asset purchased, built, or leased has a useful life of one year or more, and the acquisition cost or manufactured cost of the asset is \$5,000 or more. Multiple assets acquired in one transaction whose cost individually is less than \$5,000 but in aggregate is greater than \$25,000 are also capitalized.

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.

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. Revenue is recognized when billed.

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 GAAP. 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 consolidated Statements 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 net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities as net assets released from restriction.

Derivatives – The CAO holds an interest rate swap agreement that was entered into to manage interest rate exposure on debt. As a not-for-profit organization, the CAO is not allowed to use cash flow hedge accounting. In accordance with authoritative guidance, the interest rate swap agreements are recorded in the consolidated Statements of Financial Position at fair value with the related gains and losses reflected in the statements of activities in the period of change.

Fair value measurements – GAAP defines fair value 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.”

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GAAP also 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).

Observable inputs are those market participants would use in pricing the asset based on market data obtained from sources independent of the CAO. Unobservable inputs reflect the CAO'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 CAO's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The CAO recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the years ended June 30, 2015 and 2014.

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.

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, bonds, corporate stock, and fixed income. 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 consolidated financial statements.

Loans – In the case of interest bearing loans, interest is charged at variable market rates. For non-interest bearing loans, the face 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.

Interest rate SWAP – The interest rate SWAP is valued by a third party using inputs that are observable or that can be corroborated by observable market data, and therefore, are classified as Level 2 of the valuation hierarchy.

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Fair value measurements – The fair values of assets and liabilities measured on a recurring basis at June 30, 2015, are:

	Total	Level 1	Level 2	Level 3
Assets:				
Securities (Note 3)	\$ 62,113,905	\$ 62,113,905	\$ -	\$ -
Charitable remainder trust	205,347	-	-	205,347
Land charitable remainder trust	1,325,110	-	-	1,325,110
Beneficial interests	305,919	-	-	305,919
Liability:				
Interest rate swap	(4,245,025)	-	(4,245,025)	-

The fair values of assets and liabilities measured on a recurring basis at June 30, 2014, are:

	Total	Level 1	Level 2	Level 3
Assets:				
Securities (Note 3)	\$ 56,599,130	\$ 56,599,130	\$ -	\$ -
Charitable remainder trust	212,179	-	-	212,179
Land charitable remainder trust	1,234,465	-	-	1,234,465
Beneficial interests	297,405	-	-	297,405
Liability:				
Interest rate swap	(4,316,042)	-	(4,316,042)	-

Use of estimates – In preparing the consolidated 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 consolidated 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 \$3,211,421 for 2015 and \$3,303,067 for 2014 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.

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 23701d, 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.

The affiliate is a for-profit taxable entity that is required to file form 1120 with the Internal Revenue Service.

Accounting for income taxes – uncertain tax positions – GAAP provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization returns are more likely than not to be sustained upon examination.

The Diocese's federal Exempt Organization Business Income Tax Returns (Form 990-T) for the years ended June 30, 2013 through 2015, are subject to examination by the Internal Revenue Service, generally for three years after they are filed. The Diocese's state returns (Form 109) for the years ended June 30, 2012 through 2015, are subject to examination by the California Franchise Tax Board, generally for four years after they are filed.

Assets held in trust – 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, the CAO records an asset and a corresponding liability.

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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.

Reclassifications – Certain amounts reflected in the CAO's prior year consolidated financial statements have been reclassified in these consolidated financial statements to reflect current year presentation. These reclassifications have no effect on net assets or changes in net assets.

NOTE 3 – MARKETABLE SECURITIES

Marketable securities at June 30 consist of the following:

	2015	2014
Mutual funds		
Domestic	\$ 51,300,404	\$ 46,696,403
International	7,631,959	7,547,041
Cash and cash equivalents	1,101,361	149,064
Bonds	1,170,676	1,082,039
Corporate stocks	834,798	830,345
Other	74,707	294,238
	<u>\$ 62,113,905</u>	<u>\$ 56,599,130</u>
	2015	2014
Interest and dividends	\$ 959,353	\$ 773,136
Realized gains (losses), net	244,262	(2,631)
Unrealized gains, net	1,336,896	6,923,947
Total Income	2,540,511	7,694,452
Portfolio manager and custodian fees	(86,272)	(71,111)
Net income from investment pool activities	2,454,239	7,623,341
Investment income-cash management and other	242,716	113,410
Total income from investment activities	2,696,955	7,736,751
Less income attributed to custodian and similar funds:		
Interest and dividends (net of manager fees of \$44,355 in 2015 and \$33,593 in 2014)	430,718	304,157
Realized gains	113,551	393
Unrealized gains	600,497	2,804,516
Total income attributed to custodian and similar funds	1,144,766	3,109,067
Total earnings from investment activities excluding custodian and similar funds	<u>\$ 1,552,189</u>	<u>\$ 4,627,684</u>

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NOTE 4 – PLEDGES RECEIVABLE AND PAYABLE

Pledges receivable and payable are as follows at June 30, 2015:

	<u>Annual Appeal</u>
Due within one year	\$ 1,680,148
Less discount for present value	-
Less allowance for doubtful accounts	<u>(20,022)</u>
Net pledges receivable	<u>\$ 1,660,126</u>
Annual campaign pledges payable from CAO to parishes as of June 30, 2015	<u>\$ 2,134,657</u>

Pledges receivable and payable are as follows at June 30, 2014:

	<u>Annual Appeal</u>
Due within one year	\$ 1,742,174
Less discount for present value	-
Less allowance for doubtful accounts	<u>(49,319)</u>
Net pledges receivable	<u>\$ 1,692,855</u>
Annual campaign pledges payable from CAO to parishes as of June 30, 2014	<u>\$ 2,109,018</u>

Pledges receivable are recorded after discounting future cash flows to present value using discount rates of 5%.

Pledges payable will be paid within one year.

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

Collections of loans receivable are scheduled as follows:

<u>Year ending June 30.</u>	
2016	\$ 1,155,503
2017	1,086,497
2018	2,203,940
2019	1,078,573
2020	5,307,825
Thereafter	<u>19,826,332</u>
Subtotal	30,658,670
Less allowance for loan losses and valuation reserves	<u>(2,007,405)</u>
Total loan receivable, net	<u>\$ 28,651,265</u>

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Year ending June 30.

2015	\$ 1,177,545
2016	1,162,862
2017	1,160,957
2018	2,229,180
2019	1,096,232
Thereafter	<u>26,840,311</u>
Subtotal	33,667,087
Less allowance for loan losses and valuation reserves	<u>(1,852,944)</u>
Total loan receivable, net	<u><u>\$ 31,814,143</u></u>

The CAO advances funds for construction projects to parishes and schools but does not set terms of repayment until these projects are complete. As of June 30, 2015, there were \$13,087,052 of construction loan commitments with \$4,660,917 of outstanding balances and of June 30, 2014, there were \$5,743,446 of construction loan commitments with \$2,644,755 of outstanding balances.

Allowances for loan losses are as follows:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 1,852,944	\$ 2,226,717
Present value adjustment	(284,139)	(109,439)
Provision for loan losses	<u>438,600</u>	<u>(264,334)</u>
Balance, end of year	<u><u>\$ 2,007,405</u></u>	<u><u>\$ 1,852,944</u></u>

NOTE 6 – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following at June 30, 2015:

	<u>Operating Fund</u>	<u>Cemetery Fund</u>	<u>Priest Retirement Fund</u>	<u>Total</u>
Buildings and improvements	\$ 36,086,589	\$ 5,825,914	\$ -	\$ 41,912,503
Leasehold improvements	-	-	407,388	407,388
Furniture and fixtures	929,567	440,781	-	1,370,348
Vehicles	33,838	875,230	-	909,068
Equipment	87,989	880,779	-	968,768
Other improvements	<u>-</u>	<u>160,944</u>	<u>-</u>	<u>160,944</u>
	37,137,983	8,183,648	407,388	45,729,019
Less accumulated depreciation	<u>(14,014,187)</u>	<u>(5,219,661)</u>	<u>(407,388)</u>	<u>(19,641,236)</u>
	23,123,796	2,963,987	-	26,087,783
Land				
Sites for future parishes and institutions	10,606,604	-	-	10,606,604
Land under operating leases	613,588	-	-	613,588
Operating properties	<u>5,168,858</u>	<u>3,134,660</u>	<u>-</u>	<u>8,303,518</u>
	16,389,050	3,134,660	-	19,523,710
Construction in progress	<u>9,710,764</u>	<u>8,600</u>	<u>-</u>	<u>9,719,364</u>
Total land, buildings and equipment	<u><u>\$ 49,223,610</u></u>	<u><u>\$ 6,107,247</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 55,330,857</u></u>

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Land, buildings and equipment consist of the following at June 30, 2014:

	Operating Fund	Cemetery Fund	Priest Retirement Fund	Total
Buildings and improvements	\$ 33,074,818	\$ 5,808,795	\$ -	\$ 38,883,613
Leasehold improvements	-	-	407,388	407,388
Furniture and fixtures	699,125	440,780	-	1,139,905
Vehicles	33,838	949,518	-	983,356
Equipment	269,701	744,602	-	1,014,303
Other improvements	2,875,995	160,944	-	3,036,939
	36,953,477	8,104,639	407,388	45,465,504
Less accumulated depreciation	(12,474,065)	(5,137,487)	(407,388)	(18,018,940)
	24,479,412	2,967,152	-	27,446,564
Land				
Sites for future parishes and institutions	10,606,604	-	-	10,606,604
Land under operating leases	613,588	-	-	613,588
Operating properties	5,168,858	3,153,427	-	8,322,285
	16,389,050	3,153,427	-	19,542,477
Construction in progress	4,349,336	-	-	4,349,336
Total land, buildings and equipment	\$ 45,217,798	\$ 6,120,579	\$ -	\$ 51,338,377

Total depreciation for the years ended June 30, 2015 and 2014, amounted to \$1,696,583 and \$1,469,931, respectively.

NOTE 7 – SECURED DEBENTURES

In December 2010, the Diocese entered into an agreement with the California Municipal Finance Authority for a loan of up to \$14,880,000 for the finance and refinance of projects relating to Diocesan schools. Initially a portion of the proceeds were used to refinance a portion of the taxable variable rate debt incurred to construct the School and to acquire a portion of the property set aside for a new high school in Morgan Hill, California. An additional \$3,000,000 available under this facility to complete the acquisition of the land for the high school was borrowed in fiscal year 2013. No amounts were used for purposes not relating to the schools. The issuance of the bonds under this agreement were subject to a collateralized bank indenture. The terms of the Indenture require the Diocese to satisfy certain covenant agreements and not to enter into additional guarantees or loans without prior approval of the bank.

In 2005 the Diocese had entered into a taxable secured letter of credit and debenture agreement with a bank that refinanced an early bond agreement and allowed the Diocese to borrow an additional \$5,500,000 that was used to purchase a fully leased investment office property that it now uses for its own offices and for offices leased to unrelated parties. In 2010 the \$19,080,000 outstanding balance of the bonds of the 2005 financing was partially redeemed with the tax-exempt financing in the amount of \$11,880,000. The amount of tax-exempt financing was initially calculated to be no more than 85% of the cost of the facilities at the School and of the land purchased for a high school in south Santa Clara County. All the outstanding bonds were acquired by the same bank that is financing the tax-exempt facility. As of June 30, 2015, there are \$5,495,000 of taxable bonds outstanding and \$12,562,000 of tax-exempt bonds outstanding.

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Covenants – The CAO of the Diocese must comply with covenants including maintenance of specific ratios and timely submission of audited consolidated financial statements.

For the years ending June 30:

2016	\$ 788,000
2017	788,000
2018	788,000
2019	788,000
2020	788,000
Thereafter	<u>14,117,000</u>
Subtotal	<u>18,057,000</u>
Valuation of SWAP	<u>(4,245,025)</u>
Total debentures payable	<u><u>\$ 22,302,025</u></u>

In June 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, 2015, versus the fixed rate of 5.34% for the SWAP created a difference in value that needs to be recognized in these consolidated 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 consolidated Statements of Financial Position and the change in fair value recognized in the consolidated Statements of Activities. The derivative agreement is recognized on the CAO's consolidated financial statements as of June 30, 2015, because of the \$4,245,025 differential in values.

As part of the SWAP agreement with Wells Fargo Bank, when the SWAP liability exceeds \$4,500,000, a collateral deposit account is required. As of June 30, 2015 and 2014, no collateral deposit was required.

The bonds are secured by real property owned by the CAO.

The bonds are callable by the bank at the end of each five year period following issuance with the next call date in November 2015. The CAO expects to either renew the bonds with Wells Fargo Bank or replace that bank with another lender.

NOTE 8 – NOTES PAYABLE

Notes payable consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
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%	<u>\$ -</u>	<u>\$ 619,000</u>

The note to the Archdiocese of San Francisco was fully repaid in May 2015.

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NOTE 9 – RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following:

	2015	2014
Current Fund		
Operating (time and purpose restrictions)	\$ 7,470,787	\$ 7,346,816
Fundraising Fund		
Annual appeal programs and general operations (time restriction)	5,827,791	5,830,836
Endowment Fund - cumulative earnings		
Trust agreements and scholarships (purpose restrictions)	13,486,041	12,064,135
Total temporarily restricted net assets	<u>\$ 26,784,619</u>	<u>\$ 25,241,787</u>

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

	2015	2014
Priest retirement and seminarian education	\$ 811,190	\$ 811,190
Scholarships	3,528,304	3,424,825
Total permanently restricted net assets	<u>\$ 4,339,494</u>	<u>\$ 4,236,015</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 2015 and 2014 consisted of the following:

	2015	2014
Purpose restrictions accomplished	\$ 628,175	\$ 921,397
Reclassification of net assets	-	(599,718)
Time restrictions expired	5,676,301	5,548,765
Total restrictions released	<u>\$ 6,304,476</u>	<u>\$ 5,870,444</u>

NOTE 11 – ENDOWMENTS

The endowments of the CAO consist of seven funds established for scholarships for children in the primary and secondary Catholic Schools in the Diocese 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.

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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 CAO 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 CAO 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 CAO 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

June 30, 2015				
	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Board designated	\$ 1,955,662	\$ -	\$ -	\$ 1,955,662
Donor restricted	-	13,486,041	4,339,494	17,825,535
Total funds	<u>\$ 1,955,662</u>	<u>\$ 13,486,041</u>	<u>\$ 4,339,494</u>	<u>\$ 19,781,197</u>
June 30, 2014				
	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Board designated	\$ 2,103,275	\$ -	\$ -	\$ 2,103,275
Donor restricted	-	11,916,462	4,236,015	16,152,477
Total funds	<u>\$ 2,103,275</u>	<u>\$ 11,916,462</u>	<u>\$ 4,236,015</u>	<u>\$ 18,255,752</u>

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Changes in Endowment Net Assets

	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, June 30, 2013	\$ 3,280,783	\$ 4,720,984	\$ 4,337,069	\$ 12,338,836
Investment income/expenses	(3,420)	209,232	-	205,812
Investment appreciation	-	2,215,839	-	2,215,839
Contributions	-	5,353,986	406,402	5,760,388
Appropriations for expenditure	(587,044)	(776,244)	-	(1,363,288)
Reclass for donor intent	(587,044)	587,044	-	-
Distribution of Holy Spirit School net assets (Note 2)	-	(394,379)	(507,456)	(901,835)
Endowment Net Assets, June 30, 2014	2,103,275	11,916,462	4,236,015	18,255,752
Investment income/expenses	428	245,543	-	245,971
Investment appreciation	-	489,037	-	489,037
Contributions	-	1,315,000	103,479	1,418,479
Appropriations for expenditure	-	(628,042)	-	(628,042)
Reclass for donor intent	(148,041)	148,041	-	-
Endowment Net Assets, June 30, 2015	<u>\$ 1,955,662</u>	<u>\$ 13,486,041</u>	<u>\$ 4,339,494</u>	<u>\$ 19,781,197</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 CAO to retain as a fund of permanent duration. These deficiencies would generally result from unfavorable fluctuations in the underlying value of the funds held for these accounts. In accordance with GAAP, the deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2015 and 2014, none of the funds had deficiencies.

Return Objectives and Risk Parameters

The CAO 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 CAO 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 CAO 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 CAO 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 CAO 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 12 – 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 received each October 1, from 1995 through 1999. The payments received in 1990 and later years are being recognized as income ratably (approximately \$142,830 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 \$8,176,976 and \$8,319,802 at June 30, 2015 and 2014, respectively.

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

For the years ending June 30:

2016	\$	469,988
2017		465,130
2018		399,782
2019		285,223
2020		222,183
Thereafter		<u>8,397,383</u>
Total	\$	<u><u>10,239,689</u></u>

Rental income recognized for 2015 and 2014 was \$589,847 and \$569,925, respectively.

NOTE 13 – 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, ILM, and the Clergy Retirement House. In addition to the minimum rental payments, the CAO must pay a proportionate share of the operating expenses of the facilities. Rent expense for the years ended June 2015 and 2014, was \$231,034 and \$303,737, respectively. The decrease from the prior fiscal year is due to renegotiated rent by ILM and by operations housed at a data center.

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

For the years ending June 30:

2016	\$	184,035
2017		111,008
2018		161,027
2019		152,997
2020		<u>106,000</u>
Total	\$	<u><u>715,067</u></u>

The CAO has entered into several construction agreements on behalf of various parishes and schools. At June 30, 2015, total commitments are \$13,087,052. The total amount expended as of June 30, 2014, on these commitments was \$8,426,135. All expenditures incurred with respect to these construction agreements are expenditures of the various parishes and schools.

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.

The CAO is party to a transaction with HP Financial Services for the lease of computer equipment used for servers and storage and housed at a secure data center. The CAO is responsible for monthly payments of \$14,830 through August 2015.

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On August 28, 2012, the Diocese acquired a 10.85-acre parcel including buildings comprised of a chapel and school and residence. This property was subdivided and part of it resold. The retained portion is subject to an agreement with the Holy Korean Martyrs Parish in which they paid for a pro-rata portion of the cost of acquisition of the site, agreed to pay for a pro-rata portion of the cost of installation of a cul-de-sac on the property, and agreed to repay a loan of up to \$2,650,000 that they used to finish the improvements to the buildings on the site. As part of the agreement the Parish sold the property it occupied in Sunnyvale and used the proceeds to pay down on the acquisition of half of the McLaughlin site and to pay for a portion of the improvement costs. In March 2014 the CAO entered into an agreement to sell approximately 4.8 acres of this parcel for approximately \$5,500,000 subject to the recording of a final parcel map and certain other conditions including the completion of public street improvements. This sale closed in November 2014. The gross sale amount is classified as Deferred Revenue pending completion of the construction by the Diocese of street improvements to a court. Completion of these improvements were a requirement of subdivision of the property and of the aforementioned sale. Completion is expected in mid fiscal year 2016.

On August 29, 2012, there was a fire in the church at St. Patrick's Proto Parish (now Our Lady of LaVang Parish) in San Jose. The deductible on the insurance for the property was paid from insurance reserves collected as part of the annual premiums. The Parish received from the insurance company \$7,900,000 in full settlement of the loss including loss of income in February 2015. The Parish is conducting a Capital Campaign to raise funds to build a new church and parish offices on this site.

In November 16, 2014, there was a fire in the church at Holy Cross Parish in San Jose. The deductible on the insurance for the property will be paid from insurance reserves collected as part of the annual premiums. The parish has received an advance of \$1,000,000 from the insurance company to be used to be used to reimburse costs of operation and loss income and an additional \$1,750,000 toward the cost of new plans and construction of a new replacement church. The final cost of construction is unknown at this time but it is anticipated that insurance proceeds will cover the complete cost of the construction. Plans have been submitted to the City of San Jose for permits to rebuild the church on this site.

In June 2014 the CAO entered into a Purchase and Sale Agreement with owners of three parcels of land adjacent to and immediately behind the Cathedral Basilica San Jose. The purchase closed as scheduled in October 2014. The cost of the property was \$4,650,000. The cost is being paid with the proceeds of a bequest received partially during the 2015 fiscal year. The balance of the cost was borrowed and will be repaid with the proceeds of sale of the remaining assets from the bequest. The CAO intends to develop the site at some time in the future for Cathedral parking and other uses allowed by or required by City zoning.

NOTE 14 – POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

The CAO sponsors a post-retirement Medicare supplemental plan for retired priests who are eligible to receive Medicare. The plan pays individual premiums for each retired priest who is enrolled in a medicare Part F supplemental plan as well as individual premiums for a medicare Part D prescription drug plan. The plan also pays deductibles, co-pays and coverage gaps not covered by the prescription drug plan through a health reimbursement account. The plan also pays 90% of reasonable and customary charges for dental benefits, with a \$35 deductible and a maximum benefit of \$2,000 per year. The plan also pays vision benefits, with a \$25 deductible on eye exams. The plan also pays up to \$2,000 for a one-time reimbursement of hearing aid costs.

An actuary performs an analysis of per capita claims costs and individual premiums on a fiscal year basis for determining future plan costs.

The CAO uses the accrual method of accounting for post-retirement benefits based on actuarially determined costs to be recognized over the period the employee provides service to the CAO. FASB Accounting Standard Codification (ASC) 715, (replaced SFAS No. 106, SFAS No. 132 and SFAS No. 158) requires entities to accrue for expected medical and other post-retirement benefits over the years that the employees render the necessary service. CAO also follows the disclosure provisions of ASC 715, which requires additional employers' disclosures about pension and other post-retirement benefit plans.

Contributions of \$245,000 and \$391,000 were made to the plan in the years ended June 30, 2015 and 2014, respectively. Benefit payments of \$0 were made from the plan during the years ended June 30, 2015 and 2014. The Diocese expects to contribute \$15,000 to the plan's rabbi trust fund during the fiscal year ending June 30, 2016.

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Funded Status

The following table sets forth the plan's funded status at June 30, rounded to the nearest thousandth:

	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Accumulated postretirement benefit obligation for service rendered to date	\$ (7,556,000)	\$ (6,295,000)
Plan assets at fair value	<u>6,607,000</u>	<u>5,992,000</u>
Funded status as of end of year	\$ (949,000)	\$ (303,000)
Liability for postretirement benefits	\$ (949,000)	\$ (303,000)

Amounts recognized in the consolidated Statements of Financial Position consist of, rounded to the nearest thousandth:

	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Noncurrent Liabilities	<u>\$ (949,000)</u>	<u>\$ (303,000)</u>

Amounts recognized in unrestricted net assets consist of, rounded to the nearest thousandth:

	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Net loss	<u>\$ 856,000</u>	<u>\$ 99,000</u>

Net Periodic Post-retirement Benefit Cost

The following items are the components of the net periodic post-retirement benefit cost for the plan as a whole for the year ended, rounded to the nearest thousandth:

	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Service cost-benefits earned during the period	\$ 283,000	\$ 217,000
Interest cost on projected benefit obligation	266,000	237,000
Actual return on plan assets	(409,000)	(916,000)
Net amortization and deferral	<u>(6,000)</u>	<u>587,000</u>
Net periodic postretirement benefit cost	<u>\$ 134,000</u>	<u>\$ 125,000</u>

Changes in plan assets and benefit obligations recognized in unrestricted net assets rounded to the nearest thousandth:

	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Net loss	\$ 757,000	\$ 191,000
Total recognized as reduction in unrestricted net assets	<u>\$ 757,000</u>	<u>\$ 191,000</u>
Total recognized in net periodic benefit cost and unrestricted net assets	<u>\$ 891,000</u>	<u>\$ 316,000</u>

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Assumptions

Assumptions used to determine net periodic post-retirement benefit cost:

	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Discount rate	4.30%	4.73%
Expected long-term rate of return on assets	7.00%	7.00%
Future health cost inflation rate	5.00%	5.50%

Assumptions used to determine benefit obligations at year-end:

	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Discount rate	4.48%	4.30%
Future health cost inflation rate	5.00%	5.00%

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:

<u>Year ending June 30:</u>	<u>Annual Benefits</u>
2016	\$ 238,000
2017	254,000
2018	271,000
2019	286,000
2020	302,000
2021-2025	1,720,000

NOTE 15 – PENSION PLANS

The CAO uses the accrual method of accounting for post-retirement benefits based on actuarially determined costs to be recognized over the period the employee provides service to the CAO. FASB Accounting Standard Codification (ASC) 715, (replaced SFAS No. 87, SFAS No. 132 and SFAS No. 158) requires entities to accrue for expected pension benefits over the years that the employees render the necessary service. CAO also follows the disclosure provisions of ASC 715, which requires additional employers' disclosures about pension and other post-retirement benefit plans.

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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The fair values of the Diocesan Lay Pension Plan assets as of June 30, 2015 and 2014, by asset category are as follows:

<u>Asset Category</u>	2015 Fair Value Measurements			
	Total Fair Value	Quoted Prices (Level 1)	Significant Observation Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 696,562	\$ 696,562	\$ -	\$ -
Cash equivalents	4,039,937	4,039,937	-	-
Equity securities				
Common stock	82,010,192	82,010,192	-	-
Foreign equities	2,152,603	2,152,603	-	-
Exchange traded funds	29,143,721	29,143,721	-	-
Fixed income securities				
U.S. T-Bonds and Notes	12,455,376	12,455,376	-	-
U.S. Government agency obligation	3,805,584	3,805,584	-	-
Corporate bonds/notes	9,248,116	9,248,116	-	-
Accrued income	290,665	290,665	-	-
Total	\$ 143,842,756	\$ 143,842,756	\$ -	\$ -

<u>Asset Category</u>	2014 Fair Value Measurements			
	Total Fair Value	Quoted Prices (Level 1)	Significant Observation Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 272,330	\$ 272,330	\$ -	\$ -
Cash equivalents	2,266,196	2,266,196	-	-
Equity securities				
Common stock	81,365,862	81,365,862	-	-
Foreign equities	960,488	960,488	-	-
Exchange traded funds	24,189,430	24,189,430	-	-
Fixed income securities				
U.S. T-Bonds and Notes	-	-	-	-
U.S. Government agency obligation	13,476,857	13,476,857	-	-
Corporate bonds/notes	12,889,474	12,889,474	-	-
Accrued income	280,081	280,081	-	-
Total	\$ 135,700,718	\$ 135,700,718	\$ -	\$ -

No one security in the plan represents more than 5% of total assets other than U.S. Treasury Securities and the iShares Barclays Intermediate Bond Exchange Traded Fund which is an exchange traded fund.

The CAO administers the plan and assesses each of the participating entities its portion of estimated annual pension cost. The amounts allocated to the CAO (excluding the Roman Catholic Cemeteries of San Jose) as of as of June 30, 2015 and June 30, 2014, are as follows:

	Lay Retirement Plan	
	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Net amount of pension liability recognized at year-end	\$ (6,527,000)	\$ (5,767,000)
Net periodic pension cost	\$ 1,378,288	\$ 1,184,327
Plan contributions	\$ 618,288	\$ 765,327

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The net amount of pension liability recognized at year-end allocated to the Roman Catholic Cemeteries of San Jose as of June 30, 2015 and 2014, were approximately \$3,022,000 and \$2,750,000, respectively.

Plan asset investment strategy and allocation

The asset allocation for the pension plan as of June 30, 2015 and June 30, 2014, and the target allocation, by asset category, are:

Asset Category	Policy Asset Allocation Range	Policy Benchmark Asset Allocation	Actual Percentage of Plan Assets at June 30,	
			2015	2014
Equities	25-65%	60%	71%	65%
Fixed income	25-50%	30%	25%	33%
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, 2015 and June 30, 2014, the expected long-term rate of return used in determining net periodic pension cost was 7.00% and 7.50%, respectively.

The assumptions used to determine net periodic pension cost and benefit obligations for the fiscal year ending June 30, 2015 and 2014, are as follows:

	Lay Retirement Plan	
	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
For Net Periodic Pension Cost:		
Discount rate	4.18%	4.75%
Expected long-term rate of return on assets	7.00%	7.50%
Salary scale	4.00%	4.00%
For Benefit Obligation At Year End:		
Discount rate	4.34%	4.18%
Salary scale	4.00%	4.00%

Priests 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. Contributions of \$852,000 and \$795,000 were made to the plan in the years ended June 30, 2015 and 2014, respectively, by the parishes, schools or other units to which the participating clergy were assigned. Benefit payments of \$860,000 and \$751,000 were made from the plan during the years ended June 30, 2015 and 2014, respectively. The Diocese expects to contribute \$722,000 to the pension plan during the fiscal year ending June 30, 2016.

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The fair values of the Diocesan Priest Pension Plan assets as of June 30, 2015 and 2014, by asset category are as follows:

<u>Asset Category</u>	2015 Fair Value Measurements			
	Total Fair Value	Quoted Prices (Level 1)	Significant Observation Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 74,549	\$ 74,549	\$ -	\$ -
Cash equivalents	943,743	943,743	-	-
Equity securities				
Common stock	4,489,824	4,489,824	-	-
Foreign equities	269,836	269,836	-	-
Exchange traded funds	1,054,494	1,054,494	-	-
Fixed Income securities				
U.S. T-bonds and notes	375,102	375,102	-	-
U.S. Government agency obligation	267,195	267,195	-	-
Corporate bonds/notes	570,308	570,308	-	-
Accrued income	11,985	11,985	-	-
Total	<u>\$ 8,057,036</u>	<u>\$ 8,057,036</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Asset Category</u>	2014 Fair Value Measurements			
	Total Fair Value	Quoted Prices (Level 1)	Significant Observation Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 20,266	\$ 20,266	\$ -	\$ -
Cash equivalents	1,090,418	1,090,418	-	-
Equity securities				
Common stock	4,526,909	4,526,909	-	-
Foreign equities	119,596	119,596	-	-
Exchange traded funds	725,014	725,014	-	-
Fixed Income securities				
U.S. T-bonds and notes	391,698	391,698	-	-
U.S. Government agency obligation	344,012	344,012	-	-
Corporate bonds/notes	582,903	582,903	-	-
Accrued income	12,195	12,195	-	-
Total	<u>\$ 7,813,011</u>	<u>\$ 7,813,011</u>	<u>\$ -</u>	<u>\$ -</u>

No one security in the plan represents more than 5% of total assets other than U.S. Treasury Securities.

Plan asset investment strategy and allocation

The asset allocation for the pension plan as of June 30, 2015 and June 30, 2014, 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>2015</u>	<u>2014</u>
Equities	20-65%	60%	64%	63%
Fixed income	25-60%	30%	23%	23%
Cash equivalents	0-50%	10%	13%	14%

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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, 2015 and June 30, 2014, the expected long-term rate of return used in determining net periodic pension cost was 7.0%.

Supplemental plan

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

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

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

Contributions of \$10,000 were made to the plan in the years ended June 30, 2015, by the parishes, schools or other units to which the participating clergy were assigned. Benefit payments of \$227,000 and \$232,000 were made from the plan during the years ended June 30, 2015 and 2014, respectively. The Diocese does not expect to contribute to the pension plan during the fiscal year ending June 30, 2016.

The fair values of the Diocesan Priest Supplemental Pension Plan assets as of June 30, 2015 and 2014, by asset category are as follows:

<u>Asset Category</u>	2015 Fair Value Measurements			
	Total Fair Value	Quoted Prices (Level 1)	Significant Observation Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 19,192	\$ 19,192	\$ -	\$ -
Cash equivalents	303,118	303,118	-	-
Equity securities				
Common stock	1,341,700	1,341,700	-	-
Foreign equities	78,839	78,839	-	-
Exchange traded funds	409,711	409,711	-	-
Fixed income securities				
U.S. Government agency obligation	95,733	95,733	-	-
Corporate bonds/notes	206,807	206,807	-	-
Accrued income	3,591	3,591	-	-
Total	<u>\$ 2,458,691</u>	<u>\$ 2,458,691</u>	<u>\$ -</u>	<u>\$ -</u>

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<u>Asset Category</u>	2014 Fair Value Measurements			
	Total Fair Value	Quoted Prices (Level 1)	Significant Observation Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 11,190	\$ 11,190	\$ -	\$ -
Cash equivalents	386,135	386,135	-	-
Equity securities				
Common stock	1,385,908	1,385,908	-	-
Foreign equities	35,751	35,751	-	-
Exchange traded funds	417,270	417,270	-	-
Fixed income securities				
U.S. Government agency obligation	133,034	133,034	-	-
Corporate bonds/notes	211,734	211,734	-	-
Accrued income	4,144	4,144	-	-
Total	<u>\$ 2,585,166</u>	<u>\$ 2,585,166</u>	<u>\$ -</u>	<u>\$ -</u>

No one security in the plan represents more than 5% of total assets other than U.S. Treasury Securities.

Plan asset investment strategy and allocation

Plan assets for the supplemental plan are insufficient to necessitate an independent investment policy. As of June 30, 2015, 63% of plan assets were invested in equities, 24% in fixed income securities and the balance in cash equivalents. As of June 30, 2014, 64% of plan assets were invested in equities, 21% in fixed income securities and the balance in cash equivalents.

Table 1 – Funded Status

The funded status of the priest plans and the net amount recognized in the consolidated Statements of Financial Position at June 30, 2015 and 2014, rounded to the nearest thousandth are as follows:

	Priests Retirement Plan		Priests Supplemental Plan	
	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Vested benefit obligation	<u>\$ (15,020,000)</u>	<u>\$ (13,816,000)</u>	<u>\$ (3,146,000)</u>	<u>\$ (3,062,000)</u>
Accumulated benefit obligation	<u>\$ (15,785,000)</u>	<u>\$ (14,498,000)</u>	<u>\$ (3,179,000)</u>	<u>\$ (3,135,000)</u>
Projected benefit obligation	\$ (20,582,000)	\$ (18,502,000)	\$ (4,025,000)	\$ (3,911,000)
Plan assets at fair value	8,057,000	7,813,000	2,459,000	2,585,000
Funding status of the Plan	<u>\$ (12,525,000)</u>	<u>\$ (10,689,000)</u>	<u>\$ (1,566,000)</u>	<u>\$ (1,326,000)</u>
Net amount recognized	<u>\$ (12,525,000)</u>	<u>\$ (10,689,000)</u>	<u>\$ (1,566,000)</u>	<u>\$ (1,326,000)</u>

The funded status is recognized in the consolidated Statements of Financial Position. Unrecognized prior service costs and unrecognized actuarial losses are recognized in unrestricted net assets.

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Table 2 – Amounts recognized In the Consolidated Statements of Financial Position

The amounts recognized in the consolidated Statements of Financial Position at June 30, 2015 and 2014, rounded to the nearest thousandth consist of:

	Priests Retirement Plan		Priests Supplemental Plan	
	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Noncurrent Liabilities	\$ (12,525,000)	\$ (10,689,000)	\$ (1,566,000)	\$ (1,326,000)

Table 3 – Amounts Recognized In Unrestricted Net Assets

The amounts recognized in unrestricted net assets at June 30, 2015 and 2014, rounded to the nearest thousandth consist of:

	Priests Retirement Plan		Priests Supplemental Plan	
	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Net loss	\$ 5,251,000	\$ 3,505,000	\$ 2,678,000	\$ 2,548,000
Prior service cost	1,109,000	1,281,000	195,000	224,000
Total	\$ 6,360,000	\$ 4,786,000	\$ 2,873,000	\$ 2,772,000

Table 4 – Net Periodic Pension Cost

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

	Priests Retirement Plan		Priests Supplemental Plan	
	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Service cost-benefits earned during the period	\$ 650,000	\$ 524,000	\$ -	\$ -
Interest cost on projected benefit obligation	747,000	771,000	157,000	148,000
Actual return on plan assets	(343,000)	(959,000)	(103,000)	(349,000)
Net amortization and deferral	70,000	721,000	95,000	343,000
Net periodic pension cost	\$ 1,124,000	\$ 1,057,000	\$ 149,000	\$ 142,000

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Table 5 – Other Changes In Plan Assets And Benefit Obligations Recognized In Unrestricted Net Assets

The amounts recognized in unrestricted net assets at June 30, 2015 and 2014, rounded to the nearest thousandth consist of:

	Priests Retirement Plan		Priests Supplemental Plan	
	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Net loss	\$ 1,828,000	\$ 296,000	\$ 265,000	\$ 451,000
Prior service cost	-	552,000	-	115,000
Amortization of (gain)	(92,000)	(90,000)	(135,000)	(136,000)
Amortization of prior service (credit)	(172,000)	(149,000)	(29,000)	(22,000)
Total recognized as reduction in unrestricted net assets	<u>\$ 1,564,000</u>	<u>\$ 609,000</u>	<u>\$ 101,000</u>	<u>\$ 408,000</u>
Total recognized in net periodic benefit cost and unrestricted net assets	<u>\$ 2,688,000</u>	<u>\$ 1,666,000</u>	<u>\$ 250,000</u>	<u>\$ 550,000</u>

Table 6 – Assumptions

	Priests Retirement Plan		Priests Supplemental Plan	
	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
For Net Periodic Pension Cost:				
Discount rate	4.14%	4.73%	4.14%	4.73%
Expected long-term rate of return on investments	7.00%	7.00%	7.00%	7.00%
Salary scale	N/A	N/A	N/A	N/A
Future benefit increases	2.00%	2.00%	2.00%	2.00%
For Benefit Obligation At Year End:				
Discount rate	4.34%	4.14%	4.34%	4.14%
Salary scale	N/A	N/A	N/A	N/A
Future benefit increases	2.00%	2.00%	2.00%	2.00%

Table 7 – Estimated Future Benefit Payments

<u>Year ending June 30.</u>	<u>Priests Retirement Plan (annual benefits)</u>	<u>Priests Supplemental Plan (annual benefits)</u>
2016	\$ 951,000	\$ 229,000
2017	915,000	220,000
2018	942,000	234,000
2019	932,000	224,000
2020	970,000	222,000
2021-2025	5,734,000	1,104,000

**THE ROMAN CATHOLIC DIOCESE OF SAN JOSE,
CENTRAL ADMINISTRATIVE OFFICE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 16 – RELATED PARTY TRANSACTIONS

The CAO performs various administrative services, including payroll processing, for various parishes and schools. Fees received for these services were \$955,867 for the year ended June 30, 2015, and \$951,482 for the year ended June 30, 2014. The CAO paid \$125,551 in the fiscal year 2015 and \$135,689 in the fiscal year 2014, net of restricted receipts from the rental of a piece of property, for the benefit of St. Joseph's Cathedral parish to support the operations of the Cathedral. The Department of Education performs various services for the elementary and secondary schools in the diocese. Fees received for these services excluding fees received and passed through to CTN as noted below were \$745,135 for the fiscal year ended June 30, 2015, and \$752,096 for the fiscal year ended June 30, 2014.

The CAO collects fees from schools and pays them to the Roman Catholic Communications Corporation of the Bay Area/Catholic Telemedia Network ("CTN"), a corporation of which the Diocese is a member. Fees paid to CTN were \$85,690 for the year ended June 30, 2015, and \$87,049 for the year ended June 30, 2014. The CAO was the recipient of a grant from CTN in fiscal year 2015 of \$5,334,000 to be used for education purposes at the discretion of the Bishop of the Diocese. This grant has been set aside in temporarily restricted funds and the earnings on this grant are being used for the intended purposes as approved by the Bishop's Cabinet.

NOTE 17 – SELF-INSURED RISK

As of July 1, 2012, the Diocese is self-insured with respect to its general liability coverage for the first \$100,000 per case with an aggregate maximum exposure per year, coverage in excess of \$100,000 is reinsured with nonaffiliated insurers. For sexual abuse and harassment 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, 2009, the Diocese is self-insured through a \$25,000 deductible with respect to Crime and Fiduciary Liability coverage.

Since July 1, 2015, the Diocese is self-insured with respect to its property all-risk coverage (excluding earthquake and flood) through a \$250,000 deductible per case. The Diocese is self-insured through a deductible of 5% per claim with a minimum of \$250,000 with respect to its earthquake and catastrophic flood insurance coverage with a maximum coverage of \$25,000,000.

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 priests' medical costs not covered by Medicare.

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

NOTE 18 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated Statements of Financial Position date but before the consolidated financial statements are issued. The CAO recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated Statements of Financial Position, including the estimates inherent in the process of preparing the consolidated financial statements. The CAO's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated Statements of Financial Position but arose after the consolidated Statements of Financial Position date and before the consolidated financial statements are available to be issued.

The CAO has evaluated subsequent events through October 30, 2015, which is the date the consolidated financial statements are available to be issued.

**THE ROMAN CATHOLIC DIOCESE OF SAN JOSE,
CENTRAL ADMINISTRATIVE OFFICE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 19 – CATHOLIC FAMILY INSURANCE SERVICES

Catholic Family Insurance Services of the Diocese of San Jose, Inc. (CFIS) is a for-profit entity owned by the Roman Catholic Bishop of San Jose, a corporation sole, licensed to sell insurance products by the State of California Department of Insurance. CFIS was established to sell life insurance policies that enable purchasers to provide funding for funeral services including but not limited to a funeral mass and burial in a Catholic cemetery according to the Church's traditions. The life policies are provided through Lincoln Heritage Life Insurance Company and claims are administered by the Catholic Family Security Association of the Diocese of Pittsburgh, Pennsylvania.

CFIS and its agents earn commissions on the sale of the insurance products. The income and expenses of this entity are consolidated with those of the Catholic Cemeteries of the Diocese of San Jose. In fiscal year 2015 and fiscal year 2014 the operating results and consolidating statements were:

	Cemetery Fund		Consolidated Total
	Cemetery	CFIS	
Revenues			
Rental income	\$ 65,096	\$ -	\$ 65,096
Investment income	260,880	-	260,880
Cemetery revenues	7,885,844	-	7,885,844
Other income	19,414	4,622	24,036
Total revenues	8,231,234	4,622	8,235,856
Expenses			
Administration	-	16,546	16,546
Depreciation expense	156,462	-	156,462
Interest expense notes and bonds	26,836	-	26,836
Cemetery expenses	5,530,672	-	5,530,672
Total expenses	5,713,970	16,546	5,730,516
Changes in net assets from operations	2,517,264	(11,924)	2,505,340
Change in obligations for post-retirement benefits	(349,336)	-	(349,336)
Changes in net assets	<u>\$ 2,167,928</u>	<u>\$ (11,924)</u>	<u>\$ 2,156,004</u>

NOTE 20 – FUNCTIONAL EXPENSES

Functional expenses for the Central Administrative Offices for the prior two fiscal years ending June 30, 2015 and June 30, 2014, are shown in the following tables. Eliminations due to consolidation are not excluded from these total expenses. The change in the fair value of the SWAP are included in Financing Expenses but costs due to change in pension valuation are not included in the tables.

**THE ROMAN CATHOLIC DIOCESE OF SAN JOSE,
CENTRAL ADMINISTRATIVE OFFICE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Functional Expenses for the fiscal year ending June 30, 2015, are:

	Ministry and Program Services						Supporting Activities				Total Functional Expense
	Chancery Ministries / Programs	Cemetery	Endowment Fund	Priest Retirement Funds	Deposit and Loan Funds	Services (Insurances and Payroll)	Total Ministries and Programs	Chancery Management and General	Fundraising Funds	Total Supporting	
Insurance premiums	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,640,318	\$ 24,640,318	\$ -	\$ -	\$ -	\$ 24,640,318
Compensation	2,061,681	1,931,150	-	57,414	-	647,866	4,698,111	2,015,640	298,690	2,314,330	7,012,441
Pension Costs	340,806	210,963	-	1,414,695	-	91,992	2,058,456	415,139	43,577	458,716	2,517,172
Occupancy expenses	413,993	845,602	215	-	-	91,911	1,351,721	552,116	64,588	616,704	1,968,425
Other Benefits and Payroll taxes	258,910	187,448	-	1,101,555	-	50,948	1,598,861	247,270	26,774	274,044	1,872,905
Depreciation	22,792	156,462	-	-	-	360,160	539,414	1,157,170	-	1,157,170	1,696,584
Health Benefits	494,031	275,503	-	207,607	-	80,655	1,057,796	420,158	61,035	481,193	1,538,989
Interest	-	26,836	-	-	1,042,433	-	1,069,269	325,117	-	325,117	1,394,386
Cost of goods sold - Cemetery	-	1,230,814	-	-	-	-	1,230,814	-	-	-	1,230,814
Professional services	249,878	(51,969)	-	212,031	-	37,250	447,190	423,910	115,887	539,797	986,987
Gifts, grants, donations, subsidies	15,628	403	525,025	-	-	4,032	545,088	420,503	-	420,503	965,591
Supplies and office expenses	437,017	46,027	-	5	-	7,893	490,942	158,085	122,175	280,260	771,202
Travel, conferences, hospitality	354,976	62,892	-	1,206	-	8,859	427,933	286,242	20,205	306,447	734,380
Tuition/Room/Board	344,425	-	2,400	-	-	-	346,825	31,728	-	31,728	378,553
Computer Software/Support	47,662	13,875	-	-	-	85,945	147,482	141,692	71,706	213,398	360,880
Other expenses	33,895	142,270	-	66,834	154,777	(209,154)	188,622	27,370	77,646	105,016	293,638
Membership & Dues	34,983	2,494	-	-	-	680	38,157	222,905	3,540	226,445	264,602
Legal	23	26,173	-	-	-	68,774	94,970	167,967	-	167,967	262,937
Payroll Services	3,261	196	-	-	-	242,115	245,572	213	49	262	245,834
Rental expenses	4,500	-	-	-	-	-	4,500	226,535	-	226,535	231,035
Advertising	47,788	115,237	-	-	-	-	163,025	10,725	1,750	12,475	175,500
Telecommunications	42,146	54,792	-	-	-	6,939	103,877	60,476	6,155	66,631	170,508
Financing, investment management	-	-	-	-	69,698	-	69,698	42,136	-	42,136	111,834
Catholic Telemedia Network Fee	85,690	-	-	-	-	-	85,690	-	-	-	85,690
Investment (Gains) Losses - Trust	-	-	-	-	-	-	-	4,796	-	4,796	4,796
Clergy Pension (Gains) Losses	-	-	-	(925,031)	-	-	(925,031)	-	-	-	(925,031)
Total Functional Expenses	\$ 5,294,085	\$ 5,277,168	\$ 527,640	\$ 2,136,316	\$ 1,266,908	\$ 26,217,183	\$ 40,719,300	\$ 7,357,893	\$ 913,777	\$ 8,271,670	\$ 48,990,970

**THE ROMAN CATHOLIC DIOCESE OF SAN JOSE,
CENTRAL ADMINISTRATIVE OFFICE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Functional Expenses for the fiscal year ending June 30, 2014, are:

	Ministry and Program Services						Supporting Activities				Total Functional Expense
	Chancery Ministries / Programs	Cemetery	Endowment Fund	Priest Retirement Funds	Deposit and Loan Funds	Services (Insurances and Payroll)	Total Ministries and Programs	Chancery Management and General	Fundraising Funds	Total Supporting	
Insurance premiums	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,288,304	\$ 23,288,304	\$ -	\$ -	\$ -	\$ 23,288,304
Compensation	1,973,567	1,621,401	-	313	-	738,378	4,333,659	2,023,906	299,521	2,323,427	6,657,086
Pension Costs	339,124	212,030	-	1,324,021	-	85,411	1,960,586	391,350	43,214	434,564	2,395,150
Occupancy expenses	499,025	943,171	224	-	-	90,989	1,533,409	402,071	76,825	478,896	2,012,305
Other Benefits and Payroll taxes	285,573	333,407	-	999,176	-	48,980	1,667,136	230,506	26,202	256,708	1,923,844
Depreciation	17,308	148,051	-	-	-	89,987	255,346	1,214,585	-	1,214,585	1,469,931
Interest	-	33,052	-	-	993,934	-	1,026,986	403,555	-	403,555	1,430,541
Health Benefits	464,902	265,422	-	171,711	-	67,007	969,042	384,926	55,815	440,741	1,409,783
Professional services	101,749	116,760	3,200	241,731	-	64,347	527,787	739,223	106,494	845,717	1,373,504
Cost of goods sold - Cemetery	-	1,257,894	-	-	-	-	1,257,894	-	-	-	1,257,894
Gifts, grants, donations, subsidies	8,082	260	544,975	-	-	875	554,192	466,690	100	466,790	1,020,982
Travel, conferences, hospitality	312,543	49,123	-	-	-	11,953	373,619	241,590	32,588	274,178	647,797
Supplies and office expenses	368,192	39,322	-	-	-	12,277	419,791	42,513	120,997	163,510	583,301
Payroll Services	2,163	-	-	-	-	385,826	387,989	13,874	-	13,874	401,863
Tuition/Room/Board	353,869	-	-	-	-	-	353,869	-	-	-	353,869
Computer Software/Support	21,054	39,422	20,000	-	-	93,824	174,300	77,624	73,666	151,290	325,590
Rental expenses	12,500	-	10,000	-	-	-	22,500	291,237	800	292,037	314,537
Membership & Dues	32,326	675	-	-	-	-	33,001	239,450	3,089	242,539	275,540
Legal	200	56,339	455	-	-	(32,211)	24,783	148,945	-	148,945	173,728
Advertising	55,197	94,423	-	-	-	20	149,640	5,347	3,311	8,658	158,298
Telecommunications	40,751	35,467	-	-	-	7,211	83,429	66,227	5,799	72,026	155,455
Financing, investment management	-	-	-	-	80,744	-	80,744	36,815	-	36,815	117,559
Catholic Telemedia Network Fee	87,049	-	-	-	-	-	87,049	-	-	-	87,049
Other expenses	46,268	177,341	-	(70,584)	(368,027)	89,250	(125,752)	65,987	69,717	135,704	9,952
Investment (Gains) Losses - Trust	-	-	-	-	-	-	-	(21,036)	-	(21,036)	(21,036)
Clergy Pension (Gains) Losses	-	-	-	(2,272,262)	-	-	(2,272,262)	-	-	-	(2,272,262)
Total Functional Expenses	\$ 5,021,442	\$ 5,423,560	\$ 578,854	\$ 394,106	\$ 706,651	\$ 25,042,428	\$ 37,167,041	\$ 7,465,385	\$ 918,138	\$ 8,383,523	\$ 45,550,564

SUPPLEMENTARY INFORMATION

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

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

We have audited the consolidated financial statements of the Central Administrative Office of the Roman Catholic Diocese of San Jose and affiliate as of and for the years ended June 30, 2015 and 2014, and our report thereon, dated October 30, 2015, expressed an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 36 through 47, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.



San Francisco, California
October 30, 2015

**THE ROMAN CATHOLIC DIOCESE OF SAN JOSE,
CENTRAL ADMINSTRATIVE OFFICE
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS – ALL FUNDS
Year Ended June 30, 2015**

	Operating Fund	Cemetery Fund	Endowment Fund	Priest Retirement Funds	Pooled Investment Fund	Deposit and Loan Funds	Service Funds	Fundraising Funds	Eliminations	Total
ASSETS										
Cash and cash equivalents	\$ 7,381,725	\$ 7,106,777	\$ 1,115,151	\$ 1,212,583	\$ -	\$ 36,492,641	\$ 7,212,064	\$ 6,791,844	\$ -	\$ 67,312,785
Marketable securities	55,345	2,492,730	15,844,927	-	27,571,191	-	11,810,218	-	-	57,774,411
Receivables										
Receivables from parishes and institutions	1,422,212	-	-	8,191	-	-	1,742,975	-	-	3,173,378
Pledges	-	-	-	-	-	-	-	1,660,126	-	1,660,126
Other	2,029,458	5,201,488	-	-	-	23,259	313,760	-	-	7,567,965
Deposits and prepaid expenses	180,949	31,504	-	-	-	22,782	384,536	-	-	619,771
Inventory	-	7,446,881	-	-	-	-	-	-	-	7,446,881
Loans receivable from parishes and institutions										
in Deposit and Loan Fund	-	-	-	-	-	31,411,265	-	-	(2,760,000)	28,651,265
Debtenture issuance costs	-	-	-	-	-	345,379	-	-	-	345,379
Marketable securities held for long-term purposes	-	-	4,339,494	-	-	-	-	-	-	4,339,494
Investment in real estate	-	-	232,072	-	-	-	-	-	-	232,072
Assets held in trust	11,246,808	-	-	-	-	-	-	124,135	-	11,370,943
Land, building, and equipment	49,212,019	6,107,247	-	-	-	-	11,591	-	-	55,330,857
Interest bearing intrafund account	272,077	13,926,266	1,006,802	-	-	-	1,837,531	14,151	(17,056,827)	-
Total assets	<u>\$ 71,800,593</u>	<u>\$ 42,312,893</u>	<u>\$ 22,538,446</u>	<u>\$ 1,220,774</u>	<u>\$ 27,571,191</u>	<u>\$ 68,295,326</u>	<u>\$ 23,312,675</u>	<u>\$ 8,590,256</u>	<u>\$ (19,816,827)</u>	<u>\$ 245,825,327</u>
LIABILITIES AND NET ASSETS										
Liabilities										
Accounts payable	\$ 1,853,269	\$ 96,790	\$ (101,652)	\$ 13,609	\$ -	\$ 329,369	\$ 185,818	\$ 2,503	\$ -	\$ 2,379,706
Pledges payable to parishes	-	-	-	-	-	-	-	2,134,657	-	2,134,657
Accrued liabilities	5,698,294	3,524,223	-	18,448,970	-	59,528	4,743,916	518,045	-	32,992,976
Deposits payable - Parishes	-	-	-	-	-	65,042,437	-	-	(17,056,827)	47,985,610
Debtentures payable	8,221,657	-	-	-	-	14,080,368	-	-	-	22,302,025
Notes payable	2,760,000	-	-	-	-	-	-	-	(2,760,000)	-
Trust assets held for Parish	3,143,946	-	-	-	-	-	-	124,135	-	3,268,081
Held for Parishes/Institutions	6,840,609	-	1,834,982	-	27,571,191	(26,987)	86,185	-	-	36,305,980
Deferred revenue	13,316,377	11,447,615	-	-	-	-	2,161,625	-	-	26,925,617
Due to/from other funds	4,964,389	-	71,223	(35,612)	-	-	(5,000,000)	-	-	-
Total liabilities	46,798,541	15,068,628	1,804,553	18,426,967	27,571,191	79,484,715	2,177,544	2,779,340	(19,816,827)	174,294,652
Net Assets										
Unrestricted										
Undesignated	16,765,853	16,539,434	953,125	(17,206,194)	-	(11,189,388)	11,459,615	(16,875)	-	17,305,570
Designated	765,412	-	1,955,234	-	-	-	9,675,516	-	-	12,396,162
Designated-Cemetery long-term care	-	10,704,830	-	-	-	-	-	-	-	10,704,830
Total unrestricted assets	17,531,265	27,244,264	2,908,359	(17,206,194)	-	(11,189,388)	21,135,131	(16,875)	-	40,406,562
Temporarily restricted	7,470,787	-	13,486,041	-	-	-	-	5,827,791	-	26,784,619
Permanently restricted	-	-	4,339,494	-	-	-	-	-	-	4,339,494
Total net assets (deficit)	25,002,052	27,244,264	20,733,894	(17,206,194)	-	(11,189,388)	21,135,131	5,810,916	-	71,530,675
Total liabilities and net assets	<u>\$ 71,800,593</u>	<u>\$ 42,312,892</u>	<u>\$ 22,538,447</u>	<u>\$ 1,220,773</u>	<u>\$ 27,571,191</u>	<u>\$ 68,295,327</u>	<u>\$ 23,312,675</u>	<u>\$ 8,590,256</u>	<u>\$ (19,816,827)</u>	<u>\$ 245,825,327</u>

**THE ROMAN CATHOLIC DIOCESE OF SAN JOSE,
CENTRAL ADMINSTRATIVE OFFICE
CONSOLIDATED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - ALL FUNDS
Year Ended June 30, 2015**

	Operating Fund	Cemetery Fund	Endowment Fund	Priest Retirement Funds	Deposit and Loan Funds	Service Funds	Fundraising Funds	Eliminations	Total
Revenues									
Gifts, bequests, and collections	\$ 4,631,285	\$ -	\$ 103,479	\$ 51,674	\$ 79,999	\$ -	\$ 5,644,537	\$ -	\$ 10,510,974
Fees and expense reimbursement	1,272,957	-	-	1,389,262	-	955,867	-	(27,934)	3,590,152
Diocesan assessment	3,629,422	-	-	-	-	-	-	(434,289)	3,195,133
Education income	1,001,981	-	-	-	-	-	-	(30,965)	971,016
Rental income	380,751	65,096	144,000	-	-	-	-	-	589,847
Investment income	11,052	260,880	742,830	(10,560)	160,830	521,469	36,662	(170,974)	1,552,189
Interest income from loans	-	-	-	-	855,491	-	-	-	855,491
Cemetery revenues	-	7,885,844	-	-	-	-	-	-	7,885,844
Insurance premium income	-	-	-	-	-	26,592,881	-	-	26,592,881
Newspaper income	487,708	-	-	-	-	-	-	-	487,708
Grant income	682,115	-	1,315,000	-	-	-	4,000	-	2,001,115
Other income	3,287	24,036	-	-	-	-	-	-	27,323
Total revenues	12,100,558	8,235,856	2,305,309	1,430,376	1,096,320	28,070,217	5,685,199	(664,162)	58,259,673
Expenses									
Pastoral	4,798,855	-	-	-	-	-	-	-	4,798,855
Religious and personnel development	2,904,244	-	-	-	-	-	-	-	2,904,244
Education	1,121,189	-	527,425	-	-	-	-	(39,840.00)	1,608,774
Pension, priest retirement	-	-	-	2,136,316	-	-	-	-	2,136,316
Administration	1,755,555	16,546	215	-	154,777	1,216,704	-	-	3,143,797
Depreciation expense	1,179,961	156,462	-	-	-	360,160	-	-	1,696,583
Interest expense deposits	-	-	-	-	482,029	-	-	(170,974)	311,055
Interest expense notes and bonds	367,253	26,836	-	-	801,076	-	-	-	1,195,165
Insurance premiums and benefits	-	-	-	-	-	24,640,318	-	-	24,640,318
Newspaper expenses	564,761	-	-	-	-	-	-	-	564,761
Cemetery expenses	-	5,530,672	-	-	-	-	-	(453,348)	5,077,324
Fundraising expenses	-	-	-	-	-	-	913,778	-	913,778
Total expenses	12,691,818	5,730,516	527,640	2,136,316	1,437,882	26,217,182	913,778	(664,162)	48,990,970
Change in net assets before transfers	(591,260)	2,505,340	1,777,669	(705,940)	(341,562)	1,853,035	4,771,421	-	9,268,703
Intrafund transfers									
Annual appeal transfer	4,741,644	-	-	-	-	-	(4,741,644)	-	-
Other intrafund transfers	552,149	-	(244,250)	(104,399)	-	(203,500)	-	-	-
Total transfers	5,293,793	-	(244,250)	(104,399)	-	(203,500)	(4,741,644)	-	-
Net change in net assets from operations	4,702,533	2,505,340	1,533,419	(810,339)	(341,562)	1,649,535	29,777	-	9,268,703
Change in fair value of rate swap	20,095	-	-	-	50,923	-	-	-	71,018
Change in obligations for post-retirement benefits	(491,364)	(349,336)	-	(2,131,902)	-	(125,626)	(25,753)	-	(3,123,981)
Net change in net assets	4,231,264	2,156,004	1,533,419	(2,942,241)	(290,639)	1,523,909	4,024	-	6,215,740
Net assets at the beginning of the year - restated	20,770,791	25,088,260	19,200,474	(14,263,953)	(10,898,751)	19,611,222	5,806,892	-	65,314,935
Net assets at the end of the year	\$ 25,002,055	\$ 27,244,264	\$ 20,733,893	\$ (17,206,194)	\$ (11,189,390)	\$ 21,135,131	\$ 5,810,916	\$ -	\$ 71,530,675

**THE ROMAN CATHOLIC DIOCESE OF SAN JOSE,
CENTRAL ADMINSTRATIVE OFFICE
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS – ALL FUNDS
Year Ended June 30, 2014**

	Operating Fund	Cemetery Fund	Endowment Fund	Priest Retirement Funds	Pooled Investment Fund	Deposit and Loan Funds	Service Funds	Fundraising Funds	Eliminations	Total
ASSETS										
Cash and cash equivalents	\$ 512,510	\$ 4,821,340	\$ 1,071,357	\$ 1,121,606	\$ -	\$ 20,855,998	\$ 5,941,373	\$ 6,729,917	\$ -	\$ 41,054,101
Marketable securities	124,635	2,455,817	15,112,647	-	23,539,158	-	11,130,858	-	-	52,363,115
Receivables										
Receivables from parishes and institutions	1,073,983	-	-	-	-	2,950	933,954	-	-	2,010,887
Pledges	-	-	-	-	-	-	-	1,692,855	-	1,692,855
Other	1,898,922	4,259,344	-	-	-	42,003	257,046	-	-	6,457,315
Deposits and prepaid expenses	48,950	39,738	-	-	-	24,954	293,339	-	-	406,981
Inventory	-	8,168,520	-	-	-	-	-	-	-	8,168,520
Loans receivable from parishes and institutions										
in Deposit and Loan Fund	-	-	-	-	-	35,445,690	-	-	(3,631,547)	31,814,143
Debtenture issuance costs	-	-	-	-	-	358,923	-	-	-	358,923
Marketable securities held for long-term purposes	-	-	4,236,015	-	-	-	-	-	-	4,236,015
Investment in real estate	-	-	232,072	-	-	-	-	-	-	232,072
Assets held in trust	8,904,329	-	-	-	-	-	-	143,386	-	9,047,715
Land, building, and equipment	45,217,794	6,120,583	-	-	-	-	-	-	-	51,338,377
Interest bearing intrafund account	225,907	13,211,080	1,003,787	-	-	-	1,832,026	13,906	(16,286,706)	-
Total assets	<u>\$ 58,007,030</u>	<u>\$ 39,076,422</u>	<u>\$ 21,655,878</u>	<u>\$ 1,121,606</u>	<u>\$ 23,539,158</u>	<u>\$ 56,730,518</u>	<u>\$ 20,388,596</u>	<u>\$ 8,580,064</u>	<u>\$ (19,918,253)</u>	<u>\$ 209,181,019</u>
LIABILITIES AND NET ASSETS										
Liabilities										
Accounts payable	\$ 1,199,596	\$ 75,993	\$ -	\$ 17,019	\$ -	\$ 131,826	\$ 58,404	\$ 31,675	\$ -	\$ 1,514,513
Pledges payable to Parishes	-	-	-	-	-	-	-	2,109,018	-	2,109,018
Accrued liabilities	4,969,837	3,323,644	-	15,487,434	-	59,547	4,285,044	489,093	-	28,614,599
Deposits payable - Parishes	-	-	-	-	-	52,825,137	-	-	(16,286,706)	36,538,431
Debtentures payable	8,548,283	-	-	-	-	14,612,759	-	-	-	23,161,042
Notes payable	3,631,547	619,000	-	-	-	-	-	-	(3,631,547)	619,000
Trust assets held for Parish	3,113,596	-	-	-	-	-	-	143,386	-	3,256,982
Held for Parishes/Institutions	3,021,727	-	1,854,460	-	23,539,158	-	86,185	-	-	28,501,530
Deferred revenue	8,331,498	9,871,730	-	-	-	-	1,347,741	-	-	19,550,969
Due to/from other funds	4,420,155	97,795	600,944	(118,894)	-	-	(5,000,000)	-	-	-
Total liabilities	37,236,239	13,988,162	2,455,404	15,385,559	23,539,158	67,629,269	777,374	2,773,172	(19,918,253)	143,866,084
Net Assets										
Unrestricted										
Undesignated	12,718,910	15,182,070	945,089	(14,263,953)	-	(10,898,751)	10,563,984	(16,877)	-	14,230,472
Designated	697,999	-	1,955,234	-	-	-	9,047,238	-	-	11,700,471
Designated-Cemetery long-term care	-	9,906,190	-	-	-	-	-	-	-	9,906,190
Total unrestricted assets	13,416,909	25,088,260	2,900,323	(14,263,953)	-	(10,898,751)	19,611,222	(16,877)	-	35,837,133
Temporarily restricted	7,353,882	-	12,064,136	-	-	-	-	5,823,769	-	25,241,787
Permanently restricted	-	-	4,236,015	-	-	-	-	-	-	4,236,015
Total net assets (deficit)	20,770,791	25,088,260	19,200,474	(14,263,953)	-	(10,898,751)	19,611,222	5,806,892	-	65,314,935
Total liabilities and net assets	<u>\$ 58,007,030</u>	<u>\$ 39,076,422</u>	<u>\$ 21,655,878</u>	<u>\$ 1,121,606</u>	<u>\$ 23,539,158</u>	<u>\$ 56,730,518</u>	<u>\$ 20,388,596</u>	<u>\$ 8,580,064</u>	<u>\$ (19,918,253)</u>	<u>\$ 209,181,019</u>

**THE ROMAN CATHOLIC DIOCESE OF SAN JOSE,
CENTRAL ADMINSTRATIVE OFFICE
CONSOLIDATED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - ALL FUNDS
Year Ended June 30, 2014**

	Operating Fund	Cemetery Fund	Endowment Fund	Priest Retirement Funds	Deposit and Loan Funds	Service Funds	Fundraising Funds	Eliminations	Total
Revenues									
Gifts, bequests, and collections	\$ 510,641	\$ -	\$ 406,402	\$ 12,245	\$ 12,500	\$ -	\$ 5,594,749	\$ -	\$ 6,536,537
Fees and expense reimbursement	996,332	-	-	1,409,497	-	951,482	-	(17,653)	3,339,658
Diocesan assessment	3,407,366	-	-	-	-	-	-	(324,698)	3,082,668
Education income	1,023,108	-	-	-	-	-	-	-	1,023,108
Rental income	367,823	65,671	136,431	-	-	-	-	-	569,925
Investment income	(206,556)	523,828	2,435,908	(8,654)	218,668	1,758,371	69,746	(163,627)	4,627,684
Interest income from loans	-	-	-	-	847,213	-	-	-	847,213
Cemetery revenues	-	7,054,930	-	-	-	-	-	-	7,054,930
Insurance premium income	-	-	-	-	-	24,448,762	-	-	24,448,762
Newspaper income	463,199	-	-	-	-	-	-	-	463,199
Grant income	418,300	-	5,334,581	-	-	-	10,000	-	5,762,881
Other income	171	29,537	-	-	-	-	-	-	29,708
Total revenues	6,980,384	7,673,966	8,313,322	1,413,088	1,078,381	27,158,615	5,674,495	(505,978)	57,786,273
Expenses									
Pastoral	4,626,944	-	-	-	-	-	-	-	4,626,944
Religious and personnel development	2,802,742	-	-	-	-	-	-	-	2,802,742
Education	1,047,731	-	578,630	-	-	-	-	-	1,626,361
Pension, priest retirement	-	-	-	394,107	-	-	-	-	394,107
Administration	1,781,721	5,205	225	-	(368,027)	1,664,136	-	-	3,083,260
Depreciation expense	1,231,893	148,051	-	-	-	89,987	-	-	1,469,931
Interest expense deposits	-	-	-	-	469,352	-	-	(163,627)	305,725
Interest expense notes and bonds	440,370	33,052	-	-	768,954	-	-	-	1,242,376
Insurance premiums and benefits	-	-	-	-	-	23,288,304	-	-	23,288,304
Newspaper expenses	555,422	-	-	-	-	-	-	-	555,422
Cemetery expenses	-	5,579,605	-	-	-	-	-	(342,351)	5,237,254
Fundraising expenses	-	-	-	-	-	-	918,138	-	918,138
Total expenses	12,486,823	5,765,913	578,855	394,107	870,279	25,042,427	918,138	(505,978)	45,550,564
Change in net assets before transfers	(5,506,439)	1,908,053	7,734,467	1,018,981	208,102	2,116,188	4,756,357	-	12,235,709
Intrafund transfers									
Annual appeal transfer	4,600,000	-	-	-	-	-	(4,600,000)	-	-
Other intrafund transfers	571,702	-	(242,070)	(126,132)	-	(203,500)	-	-	-
Total transfers	5,171,702	-	(242,070)	(126,132)	-	(203,500)	(4,600,000)	-	-
Net change in net assets from operations	(334,737)	1,908,053	7,492,397	892,849	208,102	1,912,688	156,357	-	12,235,709
Change in fair value of rate swap	527,599	-	-	-	(349,531)	-	-	-	178,068
Change in obligations for post-retirement benefits	5,652	(314,344)	-	(2,321,668)	-	(332,238)	(33,810)	-	(2,996,408)
Net change in net assets	198,514	1,593,709	7,492,397	(1,428,819)	(141,429)	1,580,450	122,547	-	9,417,369
Net assets at the beginning of the year - restated	20,572,277	23,494,551	11,708,077	(12,835,134)	(10,757,322)	18,030,772	5,684,345	-	55,897,566
Net assets at the end of the year	\$ 20,770,791	\$ 25,088,260	\$ 19,200,474	\$ (14,263,953)	\$ (10,898,751)	\$ 19,611,222	\$ 5,806,892	\$ -	\$ 65,314,935

**THE ROMAN CATHOLIC DIOCESE OF SAN JOSE,
CENTRAL ADMINSTRATIVE OFFICE
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS – SERVICE FUNDS
Years Ended June 30, 2015 and 2014**

	2015				2014			
	Payroll Fund	Benefit Fund	Comprehensive Insurance Fund	Total	Payroll Fund	Benefit Fund	Comprehensive Insurance Fund	Total
ASSETS								
Cash and cash equivalents	\$ (762,583)	\$ 5,912,176	\$ 2,062,471	\$ 7,212,064	\$ (109,333)	\$ 4,756,781	\$ 1,293,925	\$ 5,941,373
Marketable securities	-	2,715,274	9,094,944	11,810,218	-	2,603,363	8,527,495	11,130,858
Receivables								
Receivables from parishes and instiutions	420,480	599,541	722,954	1,742,975	128,479	614,515	190,960	933,954
Other	-	255,788	57,972	313,760	-	224,328	32,718	257,046
Deposits and prepaid expenses	148,994	-	235,542	384,536	149,009	-	144,330	293,339
Land, Bldg, and Equipment	-	-	11,591	11,591	-	-	-	-
Interest bearing intrafund account	-	970,511	867,020	1,837,531	-	967,604	864,422	1,832,026
Total assets	<u>\$ (193,109)</u>	<u>\$ 10,453,290</u>	<u>\$ 13,052,494</u>	<u>\$ 23,312,675</u>	<u>\$ 168,155</u>	<u>\$ 9,166,591</u>	<u>\$ 11,053,850</u>	<u>\$ 20,388,596</u>
LIABILITIES AND NET ASSETS								
Liabilities								
Accounts payable	\$ 8,648	\$ (16,626)	\$ 193,796	\$ 185,818	\$ 23,277	\$ 12,457	\$ 22,670	\$ 58,404
Accrued liabilites	135,977	3,369,237	1,238,702	4,743,916	347,013	2,558,563	1,379,468	4,285,044
Held for parishes/institutions	-	-	86,185	86,185	-	-	86,185	86,185
Deferred revenue	-	1,516,690	644,935	2,161,625	-	1,347,741	-	1,347,741
Due to/from other funds	-	(4,000,000)	(1,000,000)	(5,000,000)	-	(4,000,000)	(1,000,000)	(5,000,000)
Total liabilities	144,625	869,301	1,163,618	2,177,544	370,290	(81,239)	488,323	777,374
Net Assets								
Unrestricted								
Undesignated	(337,734)	9,003,417	2,793,932	11,459,615	(202,135)	8,728,087	2,038,032	10,563,984
Designated	-	580,572	9,094,944	9,675,516	-	519,743	8,527,495	9,047,238
Total net assets (deficit)	<u>(337,734)</u>	<u>9,583,989</u>	<u>11,888,876</u>	<u>21,135,131</u>	<u>(202,135)</u>	<u>9,247,830</u>	<u>10,565,527</u>	<u>19,611,222</u>
Total liabilities and net assets	<u>\$ (193,109)</u>	<u>\$ 10,453,290</u>	<u>\$ 13,052,494</u>	<u>\$ 23,312,675</u>	<u>\$ 168,155</u>	<u>\$ 9,166,591</u>	<u>\$ 11,053,850</u>	<u>\$ 20,388,596</u>

**THE ROMAN CATHOLIC DIOCESE OF SAN JOSE,
CENTRAL ADMINSTRATIVE OFFICE
CONSOLIDATED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – SERVICE FUNDS
Years Ended June 30, 2015 and 2014**

	2015				2014			
	Payroll Fund	Benefit Fund	Comprehensive Insurance Fund	Total	Payroll Fund	Benefit Fund	Comprehensive Insurance Fund	Total
Revenues								
Fees and expense reimbursement	\$ 955,867	\$ -	\$ -	\$ 955,867	\$ 951,482	\$ -	\$ -	\$ 951,482
Investment income	(2,738)	146,482	377,725	521,469	(2,709)	442,396	1,318,684	1,758,371
Insurance premium income	-	21,045,161	5,547,720	26,592,881	-	19,204,744	5,244,018	24,448,762
Total revenues	953,129	21,191,643	5,925,445	28,070,217	948,773	19,647,140	6,562,702	27,158,615
Expenses								
Administration	264,640	89,468	862,596	1,216,704	702,531	134,541	827,064	1,664,136
Depreciation expense	360,046	-	114	360,160	89,987	-	-	89,987
Insurance premiums and benefits	228,692	20,712,965	3,698,661	24,640,318	282,650	19,106,383	3,899,271	23,288,304
Total expenses	853,378	20,802,433	4,561,371	26,217,182	1,075,168	19,240,924	4,726,335	25,042,427
Intrafund transfers	(203,500)	-	-	(203,500)	(203,500)	-	-	(203,500)
Increase (decrease) in net assets from operations	(103,749)	389,210	1,364,074	1,649,535	(329,895)	406,216	1,836,367	1,912,688
Change in obligations for post-retirement benefits	(31,850)	(53,051)	(40,725)	(125,626)	(655)	(30,318)	(301,265)	(332,238)
Increase (decrease) in net assets	(135,599)	336,159	1,323,349	1,523,909	(330,550)	375,898	1,535,102	1,580,450
Net assets at beginning of the year	(202,135)	9,247,830	10,565,527	19,611,222	128,415	8,871,932	9,030,425	18,030,772
Net assets at end of year	<u>\$ (337,734)</u>	<u>\$ 9,583,989</u>	<u>\$ 11,888,876</u>	<u>\$ 21,135,131</u>	<u>\$ (202,135)</u>	<u>\$ 9,247,830</u>	<u>\$ 10,565,527</u>	<u>\$ 19,611,222</u>

**THE ROMAN CATHOLIC DIOCESE OF SAN JOSE,
CENTRAL ADMINSTRATIVE OFFICE**

CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS – PRIEST RETIREMENT FUNDS

Years Ended June 30, 2015 and 2014

	2015				2014			
	Priest Retirement Fund	Supplemental Plan Fund	Post Retirement Fund	Total	Priest Retirement Fund	Supplemental Plan Fund	Post Retirement Fund	Total
ASSETS								
Cash and cash equivalents	\$ 1,212,583	\$ -	\$ -	\$ 1,212,583	\$ 1,121,606	\$ -	\$ -	\$ 1,121,606
Total assets	<u>\$ 1,212,583</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,212,583</u>	<u>\$ 1,121,606</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,121,606</u>
LIABILITIES AND NET ASSETS								
Liabilities								
Accounts payable	\$ -	\$ -	\$ 13,609	\$ 13,609	\$ 16,539	\$ -	\$ 480	\$ 17,019
Accrued liabilities	12,812,344	1,789,175	3,847,451	18,448,970	10,962,524	1,589,740	2,935,170	15,487,434
Due to/from other funds	<u>(35,612)</u>	<u>-</u>	<u>-</u>	<u>(35,612)</u>	<u>(118,894)</u>	<u>-</u>	<u>-</u>	<u>(118,894)</u>
Total liabilities	12,776,732	1,789,175	3,861,060	18,426,967	10,860,169	1,589,740	2,935,650	15,385,559
Net Assets								
Unrestricted								
Undesignated	(11,555,959)	(1,789,175)	(3,861,060)	(17,206,194)	(9,738,563)	(1,589,740)	(2,935,650)	(14,263,953)
Total net assets (deficit)	<u>(11,555,959)</u>	<u>(1,789,175)</u>	<u>(3,861,060)</u>	<u>(17,206,194)</u>	<u>(9,738,563)</u>	<u>(1,589,740)</u>	<u>(2,935,650)</u>	<u>(14,263,953)</u>
Total liabilities and net assets	<u>\$ 1,220,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,220,773</u>	<u>\$ 1,121,606</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,121,606</u>

**THE ROMAN CATHOLIC DIOCESE OF SAN JOSE,
CENTRAL ADMINSTRATIVE OFFICE
CONSOLIDATED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PRIEST RETIREMENT FUNDS
Years Ended June 30, 2015 and 2014**

	2015				2014			
	Priest Retirement Fund	Supplemental Plan Fund	Post Retirement Fund	Total	Priest Retirement Fund	Supplemental Plan Fund	Post Retirement Fund	Total
Revenues								
Gifts, bequests and collections	\$ -	\$ 51,674	\$ -	\$ 51,674	\$ -	\$ 12,245	\$ -	\$ 12,245
Fees and expense reimbursement	1,389,262	-	-	1,389,262	1,409,497	-	-	1,409,497
Investment income	7,119	(1,442)	(16,237)	(10,560)	14,368	(1,725)	(21,297)	(8,654)
Total revenues	1,396,381	50,232	(16,237)	1,430,376	1,423,865	10,520	(21,297)	1,413,088
Expenses								
Administration	1,824,490	285,145	26,681	2,136,316	1,003,057	36,829	(645,779)	394,107
Total expenses	1,824,490	285,145	26,681	2,136,316	1,003,057	36,829	(645,779)	394,107
Intrafund transfers	(349,066)	-	244,667	(104,399)	(527,132)	10,000	391,000	(126,132)
Increase in net assets before effect of change in accounting principle (Footnote 14)	(777,175)	(234,913)	201,749	(810,339)	(106,324)	(16,309)	1,015,482	892,849
Change in obligations for post-retirement benefits	(1,040,221)	35,478	(1,127,159)	(2,131,902)	(727,484)	(513,171)	(1,081,013)	(2,321,668)
Increase (decrease) in net assets	(1,817,396)	(199,435)	(925,410)	(2,942,241)	(833,808)	(529,480)	(65,531)	(1,428,819)
Net assets at beginning of the year	(9,738,563)	(1,589,740)	(2,935,650)	(14,263,953)	(8,904,755)	(1,060,260)	(2,870,119)	(12,835,134)
Net assets at end of year	<u>\$ (11,555,959)</u>	<u>\$ (1,789,175)</u>	<u>\$ (3,861,060)</u>	<u>\$ (17,206,194)</u>	<u>\$ (9,738,563)</u>	<u>\$ (1,589,740)</u>	<u>\$ (2,935,650)</u>	<u>\$ (14,263,953)</u>

**THE ROMAN CATHOLIC DIOCESE OF SAN JOSE,
CENTRAL ADMINSTRATIVE OFFICE
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS – FUNDRAISING FUNDS
Years Ended June 30, 2015 and 2014**

	2015				2014			
	Fundraising Funds	Annual Appeal Fund	Charitable Gift Annuity Fund	Total	Fundraising Funds	Annual Appeal Fund	Charitable Gift Annuity Fund	Total
ASSETS								
Cash and cash equivalents	\$ 273,778	\$ 6,518,066	\$ -	\$ 6,791,844	\$ 256,573	\$ 6,473,344	\$ -	\$ 6,729,917
Receivables - Pledges	-	1,660,126	-	1,660,126	-	1,692,855	-	1,692,855
Assets held in trust	-	-	124,135	124,135	-	-	143,386	143,386
Interest bearing intrafund account	14,151	-	-	14,151	13,906	-	-	13,906
Total assets	<u>\$ 287,929</u>	<u>\$ 8,178,192</u>	<u>\$ 124,135</u>	<u>\$ 8,590,256</u>	<u>\$ 270,479</u>	<u>\$ 8,166,199</u>	<u>\$ 143,386</u>	<u>\$ 8,580,064</u>
LIABILITIES AND NET ASSETS								
Liabilities								
Accounts payable	\$ 581	\$ 1,922	\$ -	\$ 2,503	\$ 1,388	\$ 30,287	\$ -	\$ 31,675
Pledges payable to Parishes	-	2,134,657	-	2,134,657	-	2,109,018	-	2,109,018
Accrued liabilities	288,612	229,433	-	518,045	270,355	218,738	-	489,093
Trust assets held for Parish	-	-	124,135	124,135	-	-	143,386	143,386
Total liabilities	289,193	2,366,012	124,135	2,779,340	271,743	2,358,043	143,386	2,773,172
Net Assets								
Unrestricted								
Undesignated	(1,264)	-	-	(1,264)	(1,264)	(15,613)	-	(16,877)
Temporarily restricted	-	5,812,180	-	5,812,180	-	5,823,769	-	5,823,769
Total net assets (deficit)	<u>(1,264)</u>	<u>5,812,180</u>	<u>-</u>	<u>5,810,916</u>	<u>(1,264)</u>	<u>5,808,156</u>	<u>-</u>	<u>5,806,892</u>
Total liabilities and net assets	<u>\$ 287,929</u>	<u>\$ 8,178,192</u>	<u>\$ 124,135</u>	<u>\$ 8,590,256</u>	<u>\$ 270,479</u>	<u>\$ 8,166,199</u>	<u>\$ 143,386</u>	<u>\$ 8,580,064</u>

**THE ROMAN CATHOLIC DIOCESE OF SAN JOSE,
CENTRAL ADMINSTRATIVE OFFICE**

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

Years Ended June 30, 2015 and 2014

	2015			2014		
	<u>Fundraising Funds</u>	<u>Annual Appeal Fund</u>	<u>Total</u>	<u>Fundraising Funds</u>	<u>Annual Appeal Fund</u>	<u>Total</u>
Revenues						
Gifts, bequests and collections	\$ -	\$ 5,644,537	\$ 5,644,537	\$ -	\$ 5,594,749	\$ 5,594,749
Investment income	874	35,788	36,662	733	69,014	69,747
Other income	<u>4,000</u>	<u>-</u>	<u>4,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total revenues	4,874	5,680,325	5,685,199	10,733	5,663,763	5,674,496
Expenses						
Administration	<u>278,233</u>	<u>635,545</u>	<u>913,778</u>	<u>277,090</u>	<u>641,048</u>	<u>918,138</u>
Total expenses	<u>278,233</u>	<u>635,545</u>	<u>913,778</u>	<u>277,090</u>	<u>641,048</u>	<u>918,138</u>
Change in net assets before transfers	(273,359)	5,044,780	4,771,421	(266,357)	5,022,715	4,756,358
Intrafund transfers						
Annual appeal distributions	289,356	(289,356)	-	252,250	(252,250)	-
Annual appeal transfers	<u>-</u>	<u>(4,741,644)</u>	<u>(4,741,644)</u>	<u>-</u>	<u>(4,600,000)</u>	<u>(4,600,000)</u>
Total transfers	<u>289,356</u>	<u>(5,031,000)</u>	<u>(4,741,644)</u>	<u>252,250</u>	<u>(4,852,250)</u>	<u>(4,600,000)</u>
Increase (decrease) in net assets from operations	<u>15,997</u>	<u>13,780</u>	<u>29,777</u>	<u>(14,107)</u>	<u>170,465</u>	<u>156,358</u>
Change in obligations for post-retirement benefits	<u>(15,996)</u>	<u>(9,757)</u>	<u>(25,753)</u>	<u>15,320</u>	<u>(49,130)</u>	<u>(33,810)</u>
Increase (decrease) in net assets	<u>1</u>	<u>4,023</u>	<u>4,024</u>	<u>1,213</u>	<u>121,335</u>	<u>122,548</u>
Net assets at beginning of the year	<u>(1,264)</u>	<u>5,808,156</u>	<u>5,806,892</u>	<u>(2,477)</u>	<u>5,686,821</u>	<u>5,684,344</u>
Net assets at end of year	<u><u>\$ (1,263)</u></u>	<u><u>\$ 5,812,179</u></u>	<u><u>\$ 5,810,916</u></u>	<u><u>\$ (1,264)</u></u>	<u><u>\$ 5,808,156</u></u>	<u><u>\$ 5,806,892</u></u>

**THE ROMAN CATHOLIC DIOCESE OF SAN JOSE,
CENTRAL ADMINSTRATIVE OFFICE**

CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS – DEPOSIT AND LOAN FUNDS

Years Ended June 30, 2015 and 2014

	2015			2014		
	Deposit and Loan Fund	Employee Loan Fund	Total	Deposit and Loan Fund	Employee Loan Fund	Total
ASSETS						
Cash and cash equivalents	\$ 35,813,275	\$ 679,366	\$ 36,492,641	\$ 20,202,453	\$ 653,545	\$ 20,855,998
Receivables						
Receivables from parishes and instiutions	-	-	-	2,950	-	2,950
Other	-	23,259	23,259	-	42,003	42,003
Loans receivable from parishes and institutions in Deposit and Loan Fund	31,411,265	-	31,411,265	35,445,690	-	35,445,690
Debenture issuance costs	345,379	-	345,379	358,923	-	358,923
Deposits and prepaid expenses	22,782	-	22,782	24,954	-	24,954
Total assets	<u>\$ 67,592,701</u>	<u>\$ 702,625</u>	<u>\$ 68,295,326</u>	<u>\$ 56,034,970</u>	<u>\$ 695,548</u>	<u>\$ 56,730,518</u>
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable	\$ 329,369	\$ -	\$ 329,369	\$ 131,826	\$ -	\$ 131,826
Accrued liabilities	59,528	-	59,528	59,547	-	59,547
Deposits payable - Parishes	65,042,437	-	65,042,437	52,825,137	-	52,825,137
Debentures payable	14,080,368	-	14,080,368	14,612,759	-	14,612,759
Held for Parishes/Institutions	(26,987)	-	(26,987)	-	-	-
Total liabilities	79,484,715	-	79,484,715	67,629,269	-	67,629,269
Net Assets						
Unrestricted						
Undesignated	(11,892,012)	702,624	(11,189,388)	(11,594,299)	695,548	(10,898,751)
Total net assets (deficit)	<u>(11,892,012)</u>	<u>702,624</u>	<u>(11,189,388)</u>	<u>(11,594,299)</u>	<u>695,548</u>	<u>(10,898,751)</u>
Total liabilities and net assets	<u>\$ 67,592,703</u>	<u>\$ 702,624</u>	<u>\$ 68,295,327</u>	<u>\$ 56,034,970</u>	<u>\$ 695,548</u>	<u>\$ 56,730,518</u>

**THE ROMAN CATHOLIC DIOCESE OF SAN JOSE,
CENTRAL ADMINISTRATIVE OFFICE**

CONSOLIDATED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - DEPOSITS AND LOAN FUNDS

Years Ended June 30, 2015 and 2014

	2015			2014		
	Deposit and Loan Fund	Employee Loan Fund	Total	Deposit and Loan Fund	Employee Loan Fund	Total
Revenues						
Gifts, bequests and collections	\$ 79,999	\$ -	\$ 79,999	\$ 12,500	\$ -	\$ 12,500
Investment income	157,025	3,805	160,830	213,349	5,318	218,667
Interest income from loans	854,030	1,461	855,491	844,646	2,567	847,213
Total revenues	1,091,054	5,266	1,096,320	1,070,495	7,885	1,078,380
Expenses						
Administration	156,588	(1,811)	154,777	(370,469)	2,442	(368,027)
Interest expense deposits	482,029	-	482,029	469,352	-	469,352
Interest expense notes and bonds	801,076	-	801,076	768,954	-	768,954
Total expenses	1,439,693	(1,811)	1,437,882	867,837	2,442	870,279
Increase (decrease) in net assets from operations	(348,639)	7,077	(341,562)	202,658	5,443	208,101
Change in fair value of rate swap	50,923	-	50,923	(349,531)	-	(349,531)
Increase (decrease) in net assets	(297,716)	7,077	(290,639)	(146,873)	5,443	(141,430)
Net assets at beginning of the year	(11,594,299)	695,548	(10,898,751)	(11,447,426)	690,105	(10,757,321)
Net assets at end of year	<u>\$ (11,892,015)</u>	<u>\$ 702,625</u>	<u>\$ (11,189,390)</u>	<u>\$ (11,594,299)</u>	<u>\$ 695,548</u>	<u>\$ (10,898,751)</u>