

Financial Statements and  
Report of Independent Certified Public Accountants  
**Central Administrative Office of the  
Roman Catholic Diocese of San Jose**  
June 30, 2004 and 2003

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**Report of Independent Certified Public Accountants**

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

We have audited the accompanying statements of financial position of the Central Administrative Office of the Roman Catholic Diocese of San Jose (“CAO”) as of June 30, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CAO’s internal control over financial reporting. Accordingly, we express no opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Administrative Office of the Roman Catholic Diocese of San Jose at June 30, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

**STATEMENTS OF FINANCIAL POSITION**

**June 30,**

ASSETS	2004	2003
Cash and cash equivalents	\$ 11,010,673	\$ 10,800,306
Marketable securities	15,581,416	14,265,566
Receivables		
Loans to parishes and institutions (net of allowance for doubtful accounts of \$248,349 in 2004 and \$610,000 in 2003)	747,290	566,019
Mortgages and notes (net of allowance for doubtful accounts of \$0 in 2004 and \$0 in 2003)	277,250	351,000
Pledges (net of allowance for doubtful accounts of \$165,159 in 2004 and \$483,710 in 2003)	2,766,951	3,416,481
Other (net of allowance for doubtful accounts of \$445,649 in 2004 and \$244,432 in 2003)	781,858	637,324
Deposits and prepaid expenses	1,027,930	1,871,968
Inventories	6,855,446	7,400,357
Loans receivable from parishes and institutions in deposit and loan fund (net of allowance for loan losses of \$2,128,200 in 2004 and of \$1,468,770 in 2003)	34,519,715	34,387,275
Bond issuance costs (net of accumulated amortization of \$228,157 in 2004 and \$178,377 in 2003)	767,433	817,213
Investment in real estate	839,216	839,216
Assets held in trust	934,512	938,571
Land, buildings and equipment (net of accumulated depreciation)	41,378,160	42,380,432
Total assets	\$ 117,487,850	\$ 118,671,728

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

**STATEMENTS OF FINANCIAL POSITION (continued)**

**June 30,**

LIABILITIES AND NET ASSETS

	2004	2003
Liabilities		
Accounts payable	\$ 918,833	\$ 2,224,044
Pledges payable to parishes and others	1,557,084	1,474,795
Accrued liabilities	13,965,944	14,229,066
Deposits payable to parishes, schools and others	21,257,472	23,027,062
Unsecured debentures payable	18,015,000	18,605,000
Notes payable	1,123,846	1,192,595
Trust assets held for parish	934,512	938,571
Held for parishes and institutions	9,230,312	7,312,814
Deferred revenue	11,601,133	11,603,584
Total liabilities	78,604,136	80,607,531
Net assets		
Unrestricted		
Undesignated	18,282,120	17,635,395
Designated	4,375,398	5,198,550
Funds functioning as endowment - cemetery endowment care	3,684,663	3,232,293
Total unrestricted	26,342,181	26,066,238
Temporarily restricted	9,521,001	9,021,144
Permanently restricted	3,020,532	2,976,815
Total net assets	38,883,714	38,064,197
Total liabilities and net assets	\$ 117,487,850	\$ 118,671,728

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

**STATEMENT OF ACTIVITIES**

**Year ended June 30, 2004**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues</b>				
Gifts, bequests and collections	\$ 858,380	\$ 5,083,519	\$ 43,717	\$ 5,985,616
Fees and expense reimbursements	1,722,432	-	-	1,722,432
Cathedraticum fees	2,139,348	-	-	2,139,348
Education	3,432,977	-	-	3,432,977
Rental income	221,241	-	-	221,241
Investment income	463,759	463,509	-	927,268
Interest income from loans	1,767,275	-	-	1,767,275
Insurance premiums	14,793,823	-	-	14,793,823
Newspaper income	362,018	-	-	362,018
Cemetery revenues	5,777,992	-	-	5,777,992
Other income	48,803	-	-	48,803
Net assets released from restrictions	5,047,171	(5,047,171)	-	-
Total revenues	<u>36,635,219</u>	<u>499,857</u>	<u>43,717</u>	<u>37,178,793</u>
<b>Expenses</b>				
Pastoral	3,367,005	-	-	3,367,005
Religious and Personnel development	1,842,388	-	-	1,842,388
Education	3,372,074	-	-	3,372,074
Pension, priest retirement	109,830	-	-	109,830
Administrative	2,838,317	-	-	2,838,317
Depreciation expense	1,277,394	-	-	1,277,394
Interest expense	2,372,438	-	-	2,372,438
Insurance premiums and benefits	14,537,473	-	-	14,537,473
Newspaper expenses	385,153	-	-	385,153
Cemetery expenses	4,911,927	-	-	4,911,927
Fundraising expenses	1,215,946	-	-	1,215,946
Other	28,898	-	-	28,898
Total expenses	<u>36,258,843</u>	<u>-</u>	<u>-</u>	<u>36,258,843</u>
<b>Losses</b>				
Cost of Discontinuing Development	100,433	-	-	100,433
Total expenses and losses	<u>36,359,276</u>	<u>-</u>	<u>-</u>	<u>36,359,276</u>
CHANGE IN NET ASSETS	275,943	499,857	43,717	819,517
Net assets at beginning of year	<u>26,066,238</u>	<u>9,021,144</u>	<u>2,976,815</u>	<u>38,064,197</u>
Net assets at end of year	<u>\$ 26,342,181</u>	<u>\$ 9,521,001</u>	<u>\$ 3,020,532</u>	<u>\$ 38,883,714</u>

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

**STATEMENT OF ACTIVITIES**

**Year ended June 30, 2003**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues</b>				
Gifts, bequests and collections	\$ 769,392	\$ 4,994,642	\$ -	\$ 5,764,034
Fees and expense reimbursements	1,545,225	-	-	1,545,225
Cathedraticum fees	1,344,884	-	-	1,344,884
Education	3,095,602	-	-	3,095,602
Rental income	255,551	-	-	255,551
Investment income	163,193	145,758	-	308,951
Interest income from loans	1,905,538	-	-	1,905,538
Insurance premiums	14,253,036	-	-	14,253,036
Newspaper income	355,469	-	-	355,469
Cemetery revenues	4,878,979	-	-	4,878,979
Other income	112,257	-	-	112,257
Net assets released from restrictions	<u>6,150,807</u>	<u>(6,150,807)</u>	<u>-</u>	<u>-</u>
Total revenues	34,829,933	(1,010,407)	-	33,819,526
<b>Expenses</b>				
Pastoral	4,032,080	-	-	4,032,080
Religious and Personnel development	1,918,925	-	-	1,918,925
Education	3,866,671	-	-	3,866,671
Pension, priest retirement	2,312,748	-	-	2,312,748
Administrative	3,729,536	-	-	3,729,536
Depreciation expense	1,269,482	-	-	1,269,482
Interest expense	2,376,460	-	-	2,376,460
Insurance premiums and benefits	13,233,151	-	-	13,233,151
Newspaper expenses	479,008	-	-	479,008
Cemetery expenses	4,655,867	-	-	4,655,867
Fundraising expenses	1,284,505	-	-	1,284,505
Other	<u>39,629</u>	<u>-</u>	<u>-</u>	<u>39,629</u>
Total expenses	39,198,062	-	-	39,198,062
<b>Losses</b>				
Cost of Discontinuing Development	<u>1,001,028</u>	<u>-</u>	<u>-</u>	<u>1,001,028</u>
Total expenses and losses	40,199,090	-	-	40,199,090
CHANGE IN NET ASSETS	(5,369,157)	(1,010,407)	-	(6,379,564)
Net assets at beginning of year	32,995,213	9,405,144	2,681,049	45,081,406
Affiliation with Holy Spirit School	<u>(1,559,818)</u>	<u>626,407</u>	<u>295,766</u>	<u>(637,645)</u>
Net assets at beginning of year , after affiliation	<u>31,435,395</u>	<u>10,031,551</u>	<u>2,976,815</u>	<u>44,443,761</u>
Net assets at end of year	<u>\$ 26,066,238</u>	<u>\$ 9,021,144</u>	<u>\$ 2,976,815</u>	<u>\$ 38,064,197</u>

See accompanying notes to financial statements



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

**STATEMENTS OF CASH FLOWS**

**Year ended June 30,**

	2004	2003
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 819,517	\$ (6,379,564)
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,277,394	1,269,482
Provision for losses on receivables	553,629	1,175,417
Amortization of bond issuance costs	49,779	49,779
Unrealized investment (gains)/ losses	(607,839)	374,318
Loss on disposal of plant assets	100,433	390,357
Changes in operating assets and liabilities:		
Receivables	2,123,587	(1,475,894)
Inventories	544,913	(302,984)
Deposits and prepaid expenses	844,037	189,472
Trust assets held for parish	4,059	(50,752)
Accounts payable and pledges payable	(1,222,922)	(1,776,979)
Accrued liabilities	(263,122)	4,568,366
Deposits payable	(1,769,590)	(6,774,519)
Assets held in trust	(4,059)	50,752
Held for parishes and institutions	1,917,498	260,887
Deferred revenue	(2,451)	285,654
Net cash provided by (used in) operating activities	4,364,863	(8,146,654)
Cash flows from investing activities:		
Purchase of plant assets	(375,555)	(223,415)
Proceeds from repayment of loans receivable	2,506,165	2,592,205
Advances for loans receivable	(4,918,346)	(7,103,170)
Purchase of marketable securities	(6,371,953)	(4,767,648)
Proceeds from sale of marketable securities	5,663,943	7,409,148
Net cash used in investing activities	(3,495,747)	(2,092,880)
Cash flows from financing activities:		
Payments on notes and bonds payable	(658,749)	(625,505)
Net cash used in financing activities	(658,749)	(625,505)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>210,367</b>	<b>(10,865,039)</b>
Cash and cash equivalents at beginning of year	10,800,306	21,665,345
Cash and cash equivalents at end of year	<b>\$ 11,010,673</b>	<b>\$ 10,800,306</b>
	2004	2003
<u>Supplemental disclosure of cash paid for:</u>		
Interest	\$ 2,372,438	\$ 2,400,552

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2004 and 2003**

**NOTE A - ORGANIZATION**

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

The financial statements include only those funds for which the Central Administrative Office ("CAO") maintains direct operational control. All significant inter-organizational and interfund balances and transactions have been eliminated. Those entities not included in these statements are the parish churches, certain elementary and secondary schools, The Catholic Foundation of Santa Clara County, The Catholic Charities of San Jose, The Roman Catholic Seminary Corporation of San Jose ("Seminary"), the Cathedral Foundation, Jeanne d'Arc Manor, Giovanni Center, Charities Housing Development Corporation of Santa Clara County, San Tomas/Charities Housing Corporation, Sierra Vista/Charities Housing Corporation, Sunset Housing Corporation and Stoney Pine.

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

Unrestricted net assets are 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 held funds raised and spent for acquisition of a site for a future parish. During 2004, the option to acquire that site expired and the CAO recorded a loss of \$100,433 as a result of writing off initial acquisition and development costs of that site. This loss is shown as a cost of discontinuing development in the statement of activities. During 2003, the CAO suspended plans for this school and recorded a loss of \$1,001,028 as a result of writing off development costs and recording a liability for unspent donor monies collected for that initiative. This loss is shown as a cost of discontinuing development in the statement of activities. A portion of unrestricted net assets of the operating fund has been designated for certain initiatives.

- Newspaper Fund

This fund contains the resources available for Newspaper operations.

- Service Funds

- Payroll Fund

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

- Benefit Fund

This fund collects and disburses monies for benefit programs.

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

**NOTES TO FINANCIAL STATEMENTS (continued)**

**June 30, 2004 and 2003**

**NOTE A - ORGANIZATION (continued)**

– 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 Roman Catholic Cemeteries of San Jose are contained in this fund. Amounts set aside for perpetual cemetery care are designated as funds functioning as endowment in the unrestricted net asset category.

• Deposit and Loan Fund

This fund contains deposits held by the CAO for parishes and institutions which are held for investment and/or loaned to other parishes and institutions. Interest rates applied to deposits are 55% - 65% of prime rate on April 1 of each year. At June 30, 2004, the effective rate was 2.34% - 4.31%, depending on term of the deposit. The variable interest rates applied to loans range from 2.25% to 8.22% as of June 30, 2004. At June 30, 2003, the effective rate was 2.61% - 5.28%, depending on term of the deposit. The variable interest rates applied to loans range from 5.93% to 8.22% as of June 30, 2003.

The Deposit and Loan Fund had \$21,257,472 and \$23,027,062 of deposits from parishes and schools and other funds of the CAO as of June 30, 2004 and 2003, respectively. The source and term of deposits is shown in the following table:

<u>As of June 30, 2004</u>	<u>By term</u>			
	<u>&lt; 1year</u>	<u>1-2 years</u>	<u>6 years</u>	<u>Total</u>
Parishes	\$ 11,357,396	\$ 3,604,284	\$ 2,079,987	\$ 17,041,667
Schools	1,982,041	773,842	1,177,108	3,932,991
Other funds of the CAO	282,814	-	-	282,814
Total Deposits	<u>\$ 13,622,251</u>	<u>\$ 4,378,126</u>	<u>\$ 3,257,095</u>	<u>\$ 21,257,472</u>
Percentage	64%	21%	15%	100%

<u>As of June 30, 2003</u>	<u>By term</u>			
	<u>&lt; 1year</u>	<u>1-2 years</u>	<u>6 years</u>	<u>Total</u>
Parishes	\$ 14,991,120	\$ 2,668,714	\$ 623,219	\$ 18,283,053
Schools	2,451,189	949,438	1,020,263	4,420,890
Other funds of the CAO	-	323,119	-	323,119
Total Deposits	<u>\$ 17,442,309</u>	<u>\$ 3,941,271</u>	<u>\$ 1,643,482</u>	<u>\$ 23,027,062</u>
Percentage	76%	17%	7%	100%

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

**NOTES TO FINANCIAL STATEMENTS (continued)**

**June 30, 2004 and 2003**

**NOTE A - ORGANIZATION (continued)**

- Employee Loan Fund

This fund has been established for loans to employees and priests of the Diocese. At June 30, 2004, the interest rate on loans was 5.31%. At June 30, 2003, the interest rate on loans was 5.93%.

- Endowment Fund

The unrestricted portion of this fund has been designated by the CAO as quasi-endowment and may be used for any purpose. The balance of the fund is to be 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 Funds

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

- Fundraising Fund

This fund has been established for general fundraising expenses for the general Diocesan operations. During 2004 the CAO closed out the capital campaign begun in 1996 and wrote off \$158,953 of pledges receivable after adjusting the total pledges receivable balance of \$568,114 by loss reserves of \$373,183 and collections of \$35,977.

- Holy Spirit School

Holy Spirit School, a Diocesan elementary school, is contained in this fund. The CAO has a substantial investment in the school and has an active oversight in monitoring the operations of the school. Because of this significantly closer affiliation with Holy Spirit School which became effective July 1, 2002, the financial statements of the School have been combined with those of the CAO in a manner similar to a “pooling of interests” under APB Opinion No. 16, *Business Combinations* and the AICPA Audit and Accounting Guide for Not-For-Profit Organizations. All significant interfund balances and transactions have been eliminated.

**Temporarily restricted net assets** include gifts for which donor-imposed purpose restrictions or time restrictions have not been met.

- Operating Fund

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

- Annual Appeal Fund

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

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

**NOTES TO FINANCIAL STATEMENTS (continued)**

**June 30, 2004 and 2003**

**NOTE A - ORGANIZATION (continued)**

- Endowment Fund

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

- Capital Campaign Fund

This fund was established to raise money for the Diocese of San Jose to be used for a number of needs including priest retirement, bond repayment, scholarships and new parishes. This fund was closed in 2004 and remaining cash distributed according to the campaign case.

- Holy Spirit School

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

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

- Endowment Fund

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

- Holy Spirit School

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

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

- Pooled Investment Fund

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

**NOTE B - SUMMARY OF ACCOUNTING POLICIES**

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

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

**NOTES TO FINANCIAL STATEMENTS (continued)**

**June 30, 2004 and 2003**

**NOTE B - SUMMARY OF ACCOUNTING POLICIES (continued)**

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

- Fund Accounting

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

- Accrual Basis

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

- Cash and Cash Equivalents

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

A significant portion of the cash balances held at various banks at June 30, 2004 and 2003 are in excess of federally insured limits.

- Revenue Recognition

The CAO records earned revenue on an accrual basis. Cathedralricum taxes paid by parishes are based on parish collections for each fiscal year. Cathedralricum, insurance and other fees are billed to the parishes and schools by the CAO on a monthly basis.

Sales of developed cemetery property and at-need services and merchandise are recognized when the contracts are executed and the property and services are delivered. Revenues and costs associated with cemetery property sold on a pre-developed basis are deferred and recognized in accordance with the retail land sales provisions of Statement of Financial Accounting Standards (SFAS) No. 66, Accounting for the Sales of Real Estate.

- Contributions and Pledges

Contributions are recognized as pledges receivable in the Statement of Financial Position at the time a donor makes a promise to give to the CAO that is, in substance, unconditional. Contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donation. When the donor restriction expires, stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted assets are reclassified to unrestricted assets and reported in the Statement of Activities as net assets released from restriction. The CAO follows the policy of reporting donor-imposed restricted gifts and investment earnings whose restrictions are met in the same period received as unrestricted support.

- Marketable Securities

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

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

**NOTES TO FINANCIAL STATEMENTS (continued)**

**June 30, 2004 and 2003**

**NOTE B - SUMMARY OF ACCOUNTING POLICIES (continued)**

- 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.

- 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 loan losses. Interest on loans is calculated by using the simple interest method on the balance of the principle amount outstanding.

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

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

- Allowance for Loan Losses in Deposit and Loan Fund

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes that the collectibility 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 collectibility 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, overall portfolio quality, loan concentrations, specific problem loans, commitments and current and anticipated economic conditions that may affect the borrowers' ability to pay.

- Inventories

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

- Land, Buildings and Equipment

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

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

**NOTES TO FINANCIAL STATEMENTS (continued)**

**June 30, 2004 and 2003**

**NOTE B - SUMMARY OF ACCOUNTING POLICIES (continued)**

- Deferred Revenue

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

- Tax Exempt Status

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

- Fair Value of Financial Instruments

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

- Cash, Receivables, Loans and Payables

The carrying amount approximates fair value because of the short maturity of those instruments. In the case of interest bearing loans, interest is charged at variable market rates.

- Marketable Securities

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

- Notes Payable

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

- Use of Estimates

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

The CAO's allowances for doubtful receivables, pledges and loans totaling \$2,987,357 in 2004 and \$2,806,912 in 2003 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.



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

**NOTES TO FINANCIAL STATEMENTS (continued)**

**June 30, 2004 and 2003**

**NOTE B - SUMMARY OF ACCOUNTING POLICIES (continued)**

- Statement Reclassification

In 2003 \$1,620,311 of receivables from parishes and institutions were reclassified from Other receivables to Loans receivable from parishes and institutions to conform with the 2004 financial statement presentation.

- Trusts

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

- Bond Issuance Costs

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

- Liquidity

In fiscal 2004 liquid assets increased modestly by \$210,000. The modest increase in fiscal 2004 was generally due to increased revenues. The reduction in expenses in fiscal 2004 was principally in non-cash items. The CAO's liquid assets declined by approximately two-thirds or \$23 million between fiscal 2001 and fiscal 2003. The principal cause of the reduction in liquid assets was the expenditure of over \$12 million for loans to parishes and schools, reduction in bond debt of over \$1 million, the reduction in deposits from parishes and schools by over \$7 million which was used primarily for construction of new buildings, and the balance in general operation losses not otherwise funded by the Annual Diocesan Appeal or the Cathedraticum.

There were \$1.5 million of construction commitments outstanding at June 30, 2004, down from over \$5 million at June 30, 2003. The reduction was funded by deposits on hand in the Deposit and Loan Fund from parishes and schools and cemeteries.

Subsequent to the date of these financial statements, the CAO engaged an underwriter to commence the process of re-finance of its existing bonded indebtedness. The \$18.0 million of unsecured debentures payable carries an effective interest rate in excess of 8%. There is no prepayment possible under the terms of the debenture until December 2004. If the CAO is able to refinance the debt, future interest savings may be possible. The CAO is also discussing the establishment of lines of credit to finance temporary swings in cash flow during the fiscal year, and loans to finance the construction of a new mausoleum at one of its cemeteries.

In fiscal 2003, the CAO instituted the collection of the Cathedraticum from the parishes of the Diocese. In fiscal 2004 \$2.1 million and in fiscal 2003 \$1.3 million of revenue were raised. It is anticipated that this source of revenue will increase again in fiscal 2005. These funds are used to cover the fixed operating expenses of the CAO.

The Deposit and Loan Fund of the CAO is one source of existing and potential liquidity problems for the CAO. There are \$21 million in deposits in the fund. However, as shown in the tables in Note A, the amount of deposits committed for terms of 1 year or more increased from approximately \$6 million in 2003 to over \$7.5 million in 2004 despite the reduction in deposits by \$1.8 million, reducing the potential negative short-term impact on liquidity due a draw on deposits. The reduction of deposits in fiscal 2004 was used to fund outstanding construction commitments of several parishes and schools.

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

**NOTES TO FINANCIAL STATEMENTS (continued)**

**June 30, 2004 and 2003**

**NOTE B - SUMMARY OF ACCOUNTING POLICIES (continued)**

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

As of June 30, 2004 and 2003 over \$7 million of the outstanding loans of \$34.5 million and \$34 million were on the equivalent of non-accrual of interest due to the inability of the parishes to pay in accordance with the original terms. The CAO does not expect any principal losses on these loans. The CAO anticipates having adequate cash resources over and above restricted cash to meet its obligations.

The Diocese is listed as a beneficiary of a proposed endowment and capital campaign to commence in 2005 by the Catholic Foundation of Santa Clara County. The funds proposed for the CAO benefit are restricted to reduction of the bond debt.

**NOTE C - MARKETABLE SECURITIES**

Marketable securities at June 30 consist of the following:

	<u>2004</u>	<u>2003</u>
Corporate stocks	\$ 7,748,401	\$ 5,430,530
Corporate bonds	1,520,423	2,158,985
Mutual funds	329,450	335,659
U.S. Government securities	5,082,175	5,002,820
Other	<u>900,967</u>	<u>1,337,572</u>
Total	<u>\$ 15,581,416</u>	<u>\$ 14,265,566</u>

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

**NOTES TO FINANCIAL STATEMENTS (continued)**

**June 30, 2004 and 2003**

**NOTE C - MARKETABLE SECURITIES (continued)**

	<u>2004</u>	<u>2003</u>
Investment income for the years ended June 30 consists of the following:		
Interest and dividends	\$ 406,461	\$ 462,781
Realized and unrealized gains (losses), net	<u>607,839</u>	<u>(374,318)</u>
Total income	1,014,300	88,463
Portfolio manager and custodian fees	<u>(87,087)</u>	<u>(79,088)</u>
Net income from investment pool activities	927,213	9,375
Investment income – cash management and other	<u>379,724</u>	<u>303,342</u>
Total income from investment activities	1,306,937	312,717
Less income (loss) attributed to custodian and similar funds:		
Interest and dividends (net of manager fees of \$22,384 in 2004 and \$17,031 in 2003)	137,906	154,119
Realized and unrealized gains (losses), net	<u>241,763</u>	<u>(150,353)</u>
Total earnings from investment activities excluding custodian and similar funds	<u>\$ 927,268</u>	<u>\$ 308,951</u>

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

**NOTES TO FINANCIAL STATEMENTS (continued)**

**June 30, 2004 and 2003**

**NOTE D - PLEDGES RECEIVABLE AND PAYABLE**

Pledges receivable are as follows at June 30, 2004:

	Operating Fund	Annual Appeal Fund	Capital Campaign Fund	Endowment Fund	Holy Spirit School	Total
Due within one year	\$ 35,714	\$ 1,610,959	\$ -	\$ -	\$ 338,605	\$ 1,985,278
Due in one to five years	375,000	-	-	1,500,000	-	1,875,000
	410,714	1,610,959	-	1,500,000	338,605	3,860,278
Less discount for present value	9,220	-	-	918,948	-	928,168
	401,494	1,610,959	-	581,052	338,605	2,932,110
Less allowance for doubtful accounts	-	35,000	-	-	130,159	165,159
	<u>\$ 401,494</u>	<u>\$ 1,575,959</u>	<u>\$ -</u>	<u>\$ 581,052</u>	<u>\$ 208,446</u>	<u>\$ 2,766,951</u>

Annual and capital campaign pledges payable from CAO to parishes and other organizations at June 30, 2004:

\$ -	<u>\$ 1,557,084</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,557,084</u>
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Pledges receivable are recorded after discounting the future cash flows to present value using discount rates ranging from 5.93-6.20%.

Pledges receivable are as follows at June 30, 2003:

	Operating Fund	Annual Appeal Fund	Capital Campaign Fund	Endowment Fund	Holy Spirit School	Total
Due within one year	\$ 71,428	\$ 1,806,510	\$ 568,114	\$ -	\$ 262,275	\$ 2,708,327
Due in one to five years	375,000	-	-	1,500,000	350,073	2,225,073
	446,428	1,806,510	568,114	1,500,000	612,348	4,933,400
Less discount for present value	22,490	-	-	964,369	46,350	1,033,209
	423,938	1,806,510	568,114	535,631	565,998	3,900,191
Less allowance for doubtful accounts	-	80,000	373,184	-	30,526	483,710
	<u>\$ 423,938</u>	<u>\$ 1,726,510</u>	<u>\$ 194,930</u>	<u>\$ 535,631</u>	<u>\$ 535,472</u>	<u>\$ 3,416,481</u>

Annual and capital campaign pledges payable from CAO to parishes and other organizations at June 30, 2003:

\$ -	<u>\$ 1,474,795</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,474,795</u>
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Pledges receivable are recorded after discounting the future cash flows to present value using discount rates ranging from 5.93-6.20%.

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

**NOTES TO FINANCIAL STATEMENTS (continued)**

**June 30, 2004 and 2003**

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

Aggregate collections of loans receivable from parishes and schools as of June 30, 2004 and 2003 are as follows:

<u>Year ending June 30,</u>	<u>2004</u>	<u>2003</u>
2004	\$ -	\$ 1,554,296
2005	1,663,632	1,593,833
2006	1,587,344	1,604,350
2007	1,566,633	1,517,207
2008	1,570,762	1,629,588
2009	1,611,390	9,408,265
Thereafter	<u>19,672,248</u>	<u>-</u>
Subtotal	27,672,009	17,307,539
Loans with payment plans pending completion of construction	<u>8,975,906</u>	<u>16,928,195</u>
Subtotal	36,647,915	34,235,734
Less Allowance for Loan Losses	<u>2,128,200</u>	<u>1,468,770</u>
 Total	 <u>\$ 34,519,715</u>	 <u>\$ 32,766,964</u>

The majority of the loans receivable are for construction projects at parishes and schools. 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, 2004, there are \$8,975,906 of these loans outstanding at interest rates of 5.00% or 8.22%, and as of June 30, 2003, there are \$16,928,195 of these loans outstanding at interest rates of 5.31% or 8.22%. Undisbursed commitments to loan are \$1,415,823 at June 30, 2004 and \$5,151,584 at June 30, 2003.

**NOTE E – LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (DEPOSIT AND LOAN FUND) (continued)**

Activity in the allowance for loan losses for the year ended June 30, 2003 and 2004 follows:

	<u>2004</u>	<u>2003</u>
Balance, beginning of year	\$ 1,468,770	\$ 500,000
Loans charged off	-	-
Recoveries	<u>-</u>	<u>-</u>
Net loans charged off	-	-
Provision for loan losses	<u>659,430</u>	<u>968,770</u>
Balance, end of year	<u>\$ 2,128,200</u>	<u>\$ 1,468,770</u>

Impaired loans were \$7,313,131 and \$7,362,224 at June 30, 2004 and 2003, respectively. The average recorded investment in impaired loans during 2004 was \$7,337,678 and during 2003 was \$7,565,501. The allowance for loan losses related to these loans was \$2,128,200 in 2004 and \$1,468,770 in 2003.

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

**NOTES TO FINANCIAL STATEMENTS (continued)**

**June 30, 2004 and 2003**

**NOTE F - LAND, BUILDINGS AND EQUIPMENT**

Land, buildings and equipment consist of the following at June 30, 2004:

	Operating Fund	Cemetery Fund	Holy Spirit School	Priest Retirement Fund	Total
Buildings and improvements	\$ 28,699,157	\$ 2,711,337	\$ 11,445,118	\$ -	\$ 42,855,612
Leasehold improvements	-		-	400,058	400,058
Furniture and fixtures	1,437,213	961,016	262,791	-	2,661,020
Vehicles	58,787	1,122,439	-	-	1,181,226
Turf equipment	-	225,297	-	-	225,297
Tools and equipment	-	177,511	-	-	177,511
Office plans	-	35,920	-	-	35,920
Other improvements	-	197,677	-	-	197,677
	<u>30,195,157</u>	<u>5,431,197</u>	<u>11,707,909</u>	<u>400,058</u>	<u>47,734,321</u>
Less accumulated depreciation	6,753,401	3,062,925	1,260,272	400,058	11,476,656
	<u>23,441,756</u>	<u>2,368,272</u>	<u>10,447,637</u>	<u>-</u>	<u>36,257,665</u>
Land					
Sites for future parishes and institutions	2,844,253	-	-	-	2,844,253
Land under operating lease (see Note K)	613,588	-	-	-	613,588
Operating properties	593,208	700,854	-	-	1,294,062
	<u>4,051,049</u>	<u>700,854</u>	<u>-</u>	<u>-</u>	<u>4,751,903</u>
Construction in progress	183,988	184,604	-	-	368,592
Total	<u>\$ 27,676,793</u>	<u>\$ 3,253,730</u>	<u>\$ 10,447,637</u>	<u>\$ -</u>	<u>\$ 41,378,160</u>

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

**NOTES TO FINANCIAL STATEMENTS (continued)**

**June 30, 2004 and 2003**

**NOTE F - LAND, BUILDINGS AND EQUIPMENT (continued)**

Land, buildings and equipment consist of the following at June 30, 2003:

	Operating Fund	Cemetery Fund	Holy Spirit School	Priest Retirement Fund	Total
Buildings and improvements	\$ 28,812,789	\$ 2,539,029	\$ 11,445,118	\$ -	\$ 42,796,936
Leasehold improvements	-	-	-	400,058	400,058
Furniture and fixtures	1,435,807	921,071	256,797	-	2,613,675
Vehicles	41,977	1,122,439	-	-	1,164,416
Turf equipment	-	225,297	-	-	225,297
Tools and equipment	-	177,511	-	-	177,511
Office plans	-	21,333	-	-	21,333
Other improvements	-	178,946	-	-	178,946
	<u>30,290,573</u>	<u>5,185,626</u>	<u>11,701,915</u>	<u>400,058</u>	<u>47,578,172</u>
Less accumulated depreciation	6,255,204	2,718,018	841,481	400,058	10,214,761
	<u>24,035,369</u>	<u>2,467,608</u>	<u>10,860,434</u>	<u>-</u>	<u>37,363,411</u>
Land					
Sites for future parishes and institutions	3,083,488	-	-	-	3,083,488
Land under operating lease (see Note K)	613,588	-	-	-	613,588
Operating properties	709,239	426,102	-	-	1,135,341
	<u>4,406,315</u>	<u>426,102</u>	<u>-</u>	<u>-</u>	<u>4,832,417</u>
Construction in progress	-	184,604	-	-	184,604
Total	<u>\$ 28,441,684</u>	<u>\$ 3,078,314</u>	<u>\$ 10,860,434</u>	<u>\$ -</u>	<u>\$ 42,380,432</u>

**NOTE G - UNSECURED DEBENTURES**

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

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

**NOTES TO FINANCIAL STATEMENTS (continued)**

**June 30, 2004 and 2003**

**NOTE G - UNSECURED DEBENTURES (continued)**

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

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

Optional Redemptions

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

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

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

Covenants

The CAO of the Roman Catholic Diocese of San Jose must comply with covenants including maintenance of specific ratios and timely submission of audited financial statements. The Diocese was in compliance with these requirements at June 30, 2004 and 2003.

Aggregate maturities of the unsecured debentures as of June 30, 2004 are as follows:

Year ending June 30,

2005	\$ 635,000
2006	690,000
2007	730,000
2008	785,000
2009	855,000
Thereafter	<u>14,320,000</u>
Total	<u>\$ 18,015,000</u>



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

**NOTES TO FINANCIAL STATEMENTS (continued)**

**June 30, 2004 and 2003**

**NOTE H - NOTES PAYABLE**

Notes payable consist of the following at June 30:

	<u>2004</u>	<u>2003</u>
Non-interest bearing obligation to The Archdiocese of San Francisco, payable in annual installments of \$100,000 through 2021. The fair value of this note has been determined based on an imputed interest rate of 5.5%	\$ 1,123,846	\$ 1,158,498
4% note payable in monthly installments of \$343, plus interest, through 2007, collateralized by a deed of trust	-	13,831
4.5% equipment loan payable in monthly installments of \$2,064, plus interest, through 2004	-	20,266
	<u>\$ 1,123,846</u>	<u>\$ 1,192,595</u>

Aggregate maturities of notes payable as of June 30, 2004 are as follows:

Year ending June 30,

2005	\$ 100,000	
2006	100,000	
2007	100,000	
2008	100,000	
2009	100,000	
Thereafter	1,331,868	
	1,831,868	
Less amount representing imputed interest	(708,022)	
Total	<u>\$ 1,123,846</u>	

**NOTE I - RESTRICTED NET ASSETS**

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

	<u>2004</u>	<u>2003</u>
Current Funds:		
Operating (time and purpose restrictions)	\$ 372,519	\$ 894,727
Fund Raising Funds:		
Annual Appeal programs and general operations (time restriction)	5,012,099	4,289,734
Capital Campaign priest retirement, scholarships, new parishes (time and purpose restrictions)	-	523,036
Holy Spirit School		
Endowments for scholarships (time and purpose restrictions)	244,810	573,107
Endowment Fund:		
Trust agreements and scholarships (purpose restrictions)	3,891,573	2,740,540
	<u>\$ 9,521,001</u>	<u>\$ 9,021,144</u>

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

**NOTES TO FINANCIAL STATEMENTS (continued)**

**June 30, 2004 and 2003**

**NOTE I - RESTRICTED NET ASSETS (continued)**

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

	2004	2003
Priest education and retirement	\$ 764,009	\$ 764,009
Scholarships	2,226,724	2,183,007
General operations	29,799	29,799
	\$ 3,020,532	\$ 2,976,815

**NOTE J - NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets released from restrictions during 2004 and 2003 consisted of the following:

	2004	2003
Purpose restrictions accomplished	\$ 875,478	\$ 682,061
Time restrictions expired	4,171,693	5,468,746
Total restrictions released	\$ 5,047,171	\$ 6,150,807

**NOTE K - FUTURE MINIMUM RENTAL RECEIPTS**

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

The CAO is the lessor of certain other rental properties. Future minimum rental receipts from long-term noncancelable operating leases as of June 30, 2004 are as follows:

Year ending June 30,

2005	\$ 72,980
2006	72,980
2007	72,980
2008	72,980
2009	30,405
	\$ 322,325

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

**NOTES TO FINANCIAL STATEMENTS (continued)**

**June 30, 2004 and 2003**

**NOTE K - FUTURE MINIMUM RENTAL RECEIPTS (continued)**

Rental income recognized for 2004 totaled \$221,241 and for 2003 totaled \$255,550.

**NOTE L - COMMITMENTS AND CONTINGENCIES**

The CAO conducts its operations in leased facilities under operating leases. In addition to the minimum rental payments, the CAO must pay a proportionate share of the operating expenses of the facilities. Rent expense for the year ended June 2004 was \$1,011,127 and June 30, 2003 was \$1,039,100.

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

Year ending June 30,

2005	\$ 768,787
2006	827,681
2007	862,073
2008	899,831
2009	912,088
Thereafter	<u>-</u>
Total	<u>\$ 4,270,460</u>

The accompanying statement of activities reflects rent expense on a straight-line basis over the term of the lease obligation with a difference between rent expense and rent paid of \$ 29,194 for 2004 and \$65,306 for 2003.

The CAO has entered into several construction agreements on behalf of various parishes and schools. At June 30, 2004, construction commitments are \$6,840,575. The total amount expended as of June 30, 2004 on these commitments was \$5,424,752. All expenditures incurred with respect to these construction agreements are expenditures of the various parishes and schools.

On August 15, 2001, December 1, 2001 and April 1, 2002, the CAO entered into agreements with Notre Dame High School – San Jose and the Bank of Cherry Creek as a guarantor for the sale of Series 2001A, 2001B and 2002 First Mortgage Bonds (“the Bonds”) with proceeds totaling \$3,375,000, \$4,150,000 and \$2,475,000 and issuance costs of \$92,500, \$83,000 and \$49,500, respectively. The Bonds are unconditionally guaranteed as to principal and interest by the Diocese. Proceeds from the sale of the bonds financed the construction and expansion of the High School, and paid for general corporate purposes of the school and costs of issuance. The principal balance payable on the bonds at June 30, 2004 and 2003 was \$ 10,000,000.

The Diocese was named in a lawsuit filed during fiscal 2003 involving allegations of sexual abuse from a priest, now deceased. The Diocese also understands a number of individuals have made allegations against this and other priests related to the Diocese, concerning possible sexual abuse. Because of a recent change in California law, there is a possibility other claims for sexual abuse may be filed against the Diocese involving acts which may have occurred many years ago. With respect to these matters, the Diocese is not able to evaluate the probability of an unfavorable outcome or make a reasonable estimate of any losses, at this time.

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

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

**NOTES TO FINANCIAL STATEMENTS (continued)**

**June 30, 2004 and 2003**

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

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

The entire accumulated post-retirement benefit cost is recorded in accrued liabilities on the statement of financial position of the CAO. The CAO has elected to recognize all elements of post-retirement benefits currently.

The CAO uses the accrual method of accounting for postretirement benefits based on actuarially determined costs to be recognized over the period the employee provides service to the CAO. SFAS No. 106, *Employer's Accounting for Postretirement Benefits Other Than Pensions*, requires entities to accrue for expected medical and other postretirement benefits over the years that the employees render the necessary service. Additionally, the CAO follows the disclosure provisions of SFAS No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits*, which was revised December 2003. SFAS No. 132, as revised, requires additional employers' disclosures about pension and other postretirement benefit plans.

Net Periodic Postretirement Benefit Cost

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

	<u>2004</u>	<u>2003</u>
Service cost-benefits earned during the period	\$ 68,000	\$ 47,000
Interest cost on projected benefit obligation	113,000	104,000
Expected return on plan assets	-	-
Net amortization and deferral	<u>106,000</u>	<u>119,000</u>
Net periodic postretirement benefit cost	<u>\$ 287,000</u>	<u>\$ 270,000</u>

Funded Status

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

	<u>2004</u>	<u>2003</u>
Accumulated postretirement benefit obligation for service rendered to date	\$ (2,041,000)	\$ (1,971,000)
Plan assets at fair value	<u>-</u>	<u>-</u>
Accumulated postretirement benefit obligation in excess of plan assets and accrued postretirement benefit cost included in obligations under pension plan	<u>\$ (2,041,000)</u>	<u>\$ (1,971,000)</u>

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

**NOTES TO FINANCIAL STATEMENTS (continued)**

**June 30, 2004 and 2003**

**NOTE M - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS (continued)**

Assumptions

Assumptions Used to Net Periodic Postretirement Benefit Cost

	Fiscal Year Ending <u>June 30, 2004</u>	Fiscal Year Ending <u>June 30, 2003</u>
Discount rate	5.75%	7.00%
Expected long-term rate of return on assets	N/A	N/A
Initial and ultimate healthcare cost trend rate	5.00%	5.00%

Assumptions Used to Determine Benefit Obligations at Year-End

	Fiscal Year Ending <u>June 30, 2004</u>	Fiscal Year Ending <u>June 30, 2003</u>
Discount rate	6.25%	5.75%
Expected long-term rate of return on assets	N/A	N/A
Initial and ultimate healthcare cost trend rate	5.50%	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:

<b>Fiscal Year</b>	<b>Annual Benefits</b>
<b><u>Ending June 30</u></b>	<b><u>Annual Benefits</u></b>
2005	\$84,000
2006	91,000
2007	99,000
2008	108,000
2009	114,000
2010-2014	686,000

During the fiscal year ended June 30, 2004, Congress approved the Medicare Prescription Drug Improvement and Modernization Act. Among other changes, this legislation expands Medicare to cover prescription drugs through a Medicare Part D benefit. The Medicare Part D benefit will become available to Medicare eligible retirees beginning January 1, 2006. The federal government will pay a subsidy to employers who continue to offer prescription drug coverage if the employer provided benefit is “actuarially equivalent” to the Medicare Part D benefit.

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

**NOTES TO FINANCIAL STATEMENTS (continued)**

**June 30, 2004 and 2003**

**NOTE M - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS (continued)**

Based on available guidance, the CAO's Postretirement Medical and Life Insurance Plan is unable to determine whether its benefits are "actuarially equivalent" to the Medicare Part D benefit. Therefore, the accumulated postretirement benefit obligation and the net periodic postretirement benefits disclosed do not reflect any amount associated with the subsidy, nor do they reflect any anticipated reduction in costs due to employees waiving employer coverage and enrolling in Medicare Part D.

**NOTE N - PENSION PLANS**

Lay Pension Plan

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

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

Although the Diocese is exempt from the funding requirements of ERISA, it has been the Diocese's practice to make contributions annually to the plan that are not less than the 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 30 years.

Approximately 51% of the plan assets are invested in common stock, 43% of plan assets are invested in Treasury and corporate bonds, and the balance of plan assets are invested in cash equivalents.

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

Priest Retirement Plan

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

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

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

Approximately 64% of the plan assets are invested in common stock and 34% of plan assets are invested in Treasury and corporate bonds. The balance is invested in cash equivalents.

Priest Supplemental Plan

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

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

**NOTES TO FINANCIAL STATEMENTS (continued)**

**June 30, 2004 and 2003**

**NOTE N - PENSION PLANS (continued)**

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.

Approximately 100% of the plan assets are invested in cash equivalents.

	(\$ in thousands)					
	2004	2003	2004	2003	2004	2003
	Lay	Lay	Priest Retirement	Priest Retirement	Priest Supplemental	Priest Supplemental
Benefit obligation at June 30	\$ 83,649	\$ 79,574	\$ 8,065	\$ 8,405	\$ 1,875	\$ 1,673
Plan assets at fair value	<u>42,164</u>	<u>37,406</u>	<u>5,027</u>	<u>4,366</u>	<u>496</u>	<u>582</u>
Funded status	(46,964)	(48,928)	(3,038)	(4,039)	(1,379)	(1,091)
Accrued benefit cost for the plan as a whole for the Diocese of San Jose	(46,964)	(48,928)	(3,038)	(4,039)	(1,379)	(1,091)
Accrued benefit cost for the Central Administrative Office	(2,097)	(4,168)	(3,038)	(4,039)	(1,379)	(1,091)
Weighted average assumptions as of June 30,						
Discount rate	6.25%	5.75%	6.25%	5.75%	5.75%	5.75%
Expected return on plan assets	8.00%	8.00%	8.00%	8.00%	7.00%	7.50%
Expected future increases	4.50%	4.00%	2.00%	2.00%	2.00%	2.00%
Net pension cost for plan as a whole	\$ 12,881	\$ 10,395	\$ 796	\$ 734	\$ 199	\$ 135
Net pension cost for the Central Administrative Office	291	459	796	734	199	135
Employer contributions	4,360	3,701	594	438	-	193
Benefits paid	2,202	1,945	531	515	180	176

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

**NOTES TO FINANCIAL STATEMENTS (continued)**

**June 30, 2004 and 2003**

**NOTE O - RELATED PARTY TRANSACTIONS**

The CAO performs various administrative services, including payroll processing, for several related entities. Fees received for these services were \$ 402,508 for the year ending June 30, 2004 and \$283,338 for the year ending June 30, 2003.

The CAO paid for the benefit of St. Joseph's Cathedral parish to support the operations of the Cathedral \$251,008 in fiscal year 2004 and \$195,000 in fiscal year 2003.

During each of the fiscal years 2004 and 2003, \$80,000 was paid by the CAO to support the operations of Mitty High School.

The CAO, through the Deposit and Loan Funds, makes loans to eligible employees for amounts not exceeding \$10,000 payable by automatic withdrawal over a term of 4 years. The loans are only for purposes indicated in the Employee Loan Policy. The net amounts outstanding at June 30, 2004 were \$406,345 and at June 30, 2003 were \$453,843. The loan rates are the same as those charged for loans to parishes and schools (see Note E).

**NOTE P – SELF-INSURED RISK RETENTION GROUPS**

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

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

The CAO is also self-insured with respect to worker's compensation insurance through its participation with other dioceses and institutions in California in an unincorporated association which uses a rent-a-captive insurer to do business in California, re-insures a portion of the risk and self-insures the balance, including the investment of funds (the GAP) to be collateral for unknown losses.

The CAO is also self-insured with respect to retired priest medical costs and employee dental costs.



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

**NOTES TO FINANCIAL STATEMENTS (continued)**

**June 30, 2004 and 2003**

**NOTE Q – FUNCTIONAL EXPENSE AND LOSS CLASSIFICATIONS**

The expenses and losses of the CAO for the year ended June 30, 2004 and 2003 are classified on a functional basis among its program and supporting services as follows:

	<u>2004</u>	<u>2003</u>
Expenses		
Program:		
Pastoral	\$ 3,367,005	\$ 4,032,080
Religious and Personnel development	1,842,388	1,918,925
Education	3,372,074	3,866,671
Priest retirement	109,830	2,312,748
Insurance premiums and benefits	14,537,473	13,233,151
Newspaper	385,153	479,008
Cemetery	4,911,927	4,655,867
Deposit and loan activities	<u>3,649,832</u>	<u>3,645,942</u>
	32,175,682	34,144,292
Supporting:		
Administrative and other	2,867,215	3,769,165
Fundraising	<u>1,215,946</u>	<u>1,284,505</u>
	4,083,161	5,053,670
Losses		
Cost of discontinuing development	<u>100,433</u>	<u>1,001,028</u>
Total expenses and losses	<u>\$ 36,359,276</u>	<u>\$ 40,199,090</u>

**SUPPLEMENTARY INFORMATION**

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

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

Our audits were made for the purpose of forming an opinion on the basic financial statements, taken as a whole, of the Central Administrative Office of the Roman Catholic Diocese of San Jose for the years ended June 30, 2004 and 2003, which are presented in the preceding section of this report. The supplementary information presented hereinafter is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Grant Thornton LLP*

San Jose, California  
December 17, 2004

Central Administrative Office of the Roman Catholic Diocese of San Jose

BALANCE SHEET - ALL FUNDS

June 30, 2004

ASSETS	Current Funds	Service Funds	Cemetery Fund	Deposit and Loan Fund	Pooled Investment Fund	Fundraising Fund	Priest Retirement Fund	Endowment Fund	Holy Spirit School	Elimination	Total
Cash and cash equivalents	\$ 3,185,982	\$ 90,967	\$ 463,440	\$ 677,568	\$ -	\$ 5,045,534	\$ (120,158)	\$ 130,793	\$ 1,536,547	\$ -	\$ 11,010,673
Marketable securities	337,147	-	1,379,916	-	6,166,515	-	-	7,409,510	288,328	-	15,581,416
Receivables											
Parishes and institutions (net of allowance for doubtful accounts of \$248,349)	-	747,290	-	-	-	-	-	-	-	-	747,290
Mortgages and notes (net of allowance for doubtful accounts of \$0)	277,250	-	-	-	-	-	-	-	-	-	277,250
Pledges (net of allowance for doubtful accounts of \$165,169)	401,494	-	-	-	-	1,575,959	-	581,052	208,446	-	2,766,951
Other (net of allowance for doubtful accounts of \$445,649)	22,736	-	272,198	406,345	-	-	-	54,809	25,770	-	781,858
Deposits and prepaid expenses	20,461	989,568	-	-	-	(680)	-	-	18,581	-	1,027,930
Inventories	-	-	6,824,755	-	-	-	-	-	30,691	-	6,855,446
Loans receivable from parishes and institutions (net of allowances for doubtful accounts of \$2,128,200)	-	-	-	48,324,955	-	-	-	-	-	(13,805,240)	34,519,715
Bond issuance costs (net of accumulated amortization of \$228,157)	-	-	-	767,433	-	-	-	-	-	-	767,433
Investment in real estate	-	-	607,144	-	-	-	-	232,072	-	-	839,216
Assets held in trust	934,512	-	-	-	-	-	-	-	-	-	934,512
Interest bearing intrafund deposits	1,290,163	2,176,416	6,116,709	-	-	-	977,405	750,244	-	(11,310,937)	-
Land, buildings and equipment (net of accumulated depreciation)	<u>27,676,793</u>	<u>-</u>	<u>3,253,730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,447,637</u>	<u>-</u>	<u>41,378,160</u>
Total assets	<u>\$ 34,146,538</u>	<u>\$ 4,004,241</u>	<u>\$ 18,917,892</u>	<u>\$ 50,176,301</u>	<u>\$ 6,166,515</u>	<u>\$ 6,620,813</u>	<u>\$ 857,247</u>	<u>\$ 9,158,480</u>	<u>\$ 12,556,000</u>	<u>\$ (25,116,177)</u>	<u>\$ 117,487,850</u>

Central Administrative Office of the Roman Catholic Diocese of San Jose

BALANCE SHEET - ALL FUNDS (continued)

June 30, 2004

LIABILITIES AND NET ASSETS	Current Funds	Service Funds	Cemetery Fund	Deposit and Loan Fund	Pooled Investment Fund	Fundraising Fund	Priest Retirement Fund	Endowment Fund	Holy Spirit School	Elimination	Total
<b>Liabilities</b>											
Accounts payable	\$ 327,126	\$ 30,619	\$ 335,272	\$ 115,230	\$ -	\$ 17,647	\$ 23,891	\$ 52,086	\$ 16,962	\$ -	\$ 918,833
Pledges payable to parishes and others	-	-	-	-	-	1,557,084	-	-	-	-	1,557,084
Accrued liabilities	3,396,542	806,101	1,326,728	119,358	-	278,032	6,474,910	-	1,564,273	-	13,965,944
Bond payable	-	-	-	18,015,000	-	-	-	-	-	-	18,015,000
Notes payable	-	-	1,123,846	-	-	-	-	-	13,805,240	(13,805,240)	1,123,846
Deposits payable	-	-	-	32,568,409	-	-	-	-	-	(11,310,937)	21,257,472
Trust assets held for parish	934,512	-	-	-	-	-	-	-	-	-	934,512
Held for parishes and institutions	3,063,797	-	-	-	6,166,515	-	-	-	-	-	9,230,312
Deferred revenue	9,754,519	-	1,079,202	-	-	-	-	-	767,412	-	11,601,133
Due to (from) other funds	(124,039)	(667,956)	125,757	-	-	-	(56,247)	722,485	-	-	-
Total liabilities	17,352,457	168,764	3,990,805	50,817,997	6,166,515	1,852,763	6,442,554	774,571	16,153,887	(25,116,177)	\$ 78,604,136
<b>Net assets (deficit)</b>											
Unrestricted											
Undesignated	15,600,943	3,763,090	9,563,236	(641,696)	-	(244,049)	(5,585,307)	-	(4,174,097)	-	\$ 18,282,120
Designated	820,619	72,387	1,679,188	-	-	-	-	1,790,500	12,704	-	4,375,398
Funds functioning as											
endowment - cemetery endowment care	-	-	3,684,663	-	-	-	-	-	-	-	3,684,663
Temporarily restricted	372,519	-	-	-	-	5,012,099	-	3,891,573	244,810	-	9,521,001
Permanently restricted	-	-	-	-	-	-	-	2,701,836	318,696	-	3,020,532
Total net assets (deficit)	16,794,081	3,835,477	14,927,087	(641,696)	-	4,768,050	(5,585,307)	8,383,909	(3,597,887)	-	38,883,714
Total liabilities and net assets	\$ 34,146,538	\$ 4,004,241	\$ 18,917,892	\$ 50,176,301	\$ 6,166,515	\$ 6,620,813	\$ 857,247	\$ 9,158,480	\$ 12,556,000	\$ (25,116,177)	\$ 117,487,850

Central Administrative Office of the Roman Catholic Diocese of San Jose

BALANCE SHEET - ALL FUNDS

June 30, 2003

ASSETS	Current Funds	Service Funds	Cemetery Fund	Deposit and Loan Fund	Pooled Investment Fund	Fundraising Fund	Priest Retirement Fund	Endowment Fund	Holy Spirit School	Elimination	Total
Cash and cash equivalents	\$ 1,507,700	\$ 3,267,122	\$ 333,186	\$ 510,008	\$ -	\$ 4,408,054	\$ (16,692)	\$ 62,466	\$ 728,461	\$ -	\$ 10,800,306
Marketable securities	335,659	-	1,395,826	-	5,515,029	-	-	6,777,662	241,390	-	14,265,566
Receivables											
Parishes and institutions (net of allowance for doubtful accounts of \$610,000)	-	748,845	-	-	-	-	-	-	-	(192,826)	556,019
Mortgages and notes (net of allowance for doubtful accounts of \$0)	351,000	-	-	-	-	-	-	-	-	-	351,000
Pledges (net of allowance for doubtful accounts of \$483,710)	423,938	-	-	-	-	1,921,440	-	535,631	535,472	-	3,416,481
Other (net of allowance for doubtful accounts of \$244,432)	56,446	-	46,837	453,843	-	-	-	45,806	34,392	-	637,324
Deposits and prepaid expenses	657,054	1,078,504	67,171	-	-	25,002	14,312	-	29,925	-	1,871,968
Inventories	-	-	7,375,834	-	-	-	-	-	24,523	-	7,400,357
Loans receivable from parishes and institutions (net of allowances for doubtful accounts of \$1,468,770)	-	-	-	47,506,647	-	-	-	-	-	(13,119,372)	34,387,275
Bond issuance costs (net of accumulated amortization of \$178,377)	-	-	-	817,213	-	-	-	-	-	-	817,213
Investment in real estate	-	-	607,144	-	-	-	-	232,072	-	-	839,216
Assets held in trust	938,571	-	-	-	-	-	-	-	-	-	938,571
Interest bearing intrafund deposits	402,192	1,330,073	3,377,322	-	-	-	774,726	416,670	-	(6,300,983)	-
Land, buildings and equipment (net of accumulated depreciation)	28,441,684	-	3,078,314	-	-	-	-	-	10,860,434	-	42,380,432
Total assets	<u>\$ 33,114,245</u>	<u>\$ 6,424,544</u>	<u>\$ 16,281,634</u>	<u>\$ 49,287,711</u>	<u>\$ 5,515,029</u>	<u>\$ 6,354,496</u>	<u>\$ 772,346</u>	<u>\$ 8,070,307</u>	<u>\$ 12,454,597</u>	<u>\$ (19,613,181)</u>	<u>\$ 118,661,728</u>

Central Administrative Office of the Roman Catholic Diocese of San Jose

BALANCE SHEET - ALL FUNDS (continued)

June 30, 2003

LIABILITIES AND NET ASSETS	Current Funds	Service Funds	Cemetery Fund	Deposit and Loan Fund	Pooled Investment Fund	Fundraising Fund	Priest Retirement Fund	Endowment Fund	Holy Spirit School	Elimination	Total
<b>Liabilities</b>											
Accounts payable	\$ 601,535	\$ 437,367	\$ 60,717	\$ 1,227,290	\$ -	\$ 30,197	\$ 6,901	\$ 34,546	\$ 18,317	\$ (192,826)	\$ 2,224,044
Pledges payable to parishes and others	-	-	-	-	-	1,474,795	-	-	-	-	1,474,795
Accrued liabilities	3,414,260	734,397	1,187,702	122,800	-	190,981	7,136,614	-	1,442,312	-	14,229,066
Bond payable	-	-	-	18,605,000	-	-	-	-	-	-	18,605,000
Notes payable	13,831	-	1,178,764	-	-	-	-	-	13,119,372	(13,119,372)	1,192,595
Deposits payable Parishes and Schools	-	-	-	29,328,045	-	-	-	-	-	(6,300,983)	23,027,062
Trust assets held for parish	938,571	-	-	-	-	-	-	-	-	-	938,571
Held for parishes and institutions	1,797,785	-	-	-	5,515,029	-	-	-	-	-	7,312,814
Deferred revenue	9,899,031	1,331,515	69,988	-	-	-	-	-	303,050	-	11,603,584
Due to (from) other funds	(568,629)	332,044	(280,000)	321,366	-	-	(27,217)	222,436	-	-	-
Total liabilities	16,096,384	2,835,323	2,217,171	49,604,501	5,515,029	1,695,973	7,116,298	256,982	14,883,051	(19,613,181)	80,607,531
<b>Net assets (deficit)</b>											
Unrestricted											
Undesignated	15,029,999	3,564,729	9,152,982	(316,790)	-	(154,247)	(6,343,952)	-	(3,297,326)	-	17,635,395
Designated	1,093,135	34,492	1,679,188	-	-	-	-	2,391,735	-	-	5,198,550
Funds functioning as											
endowment - cemetery endowment care	-	-	3,232,293	-	-	-	-	-	-	-	3,232,293
Temporarily restricted	894,727	-	-	-	-	4,812,770	-	2,740,540	573,107	-	9,021,144
Permanently restricted	-	-	-	-	-	-	-	2,681,050	295,765	-	2,976,815
Total net assets (deficit)	17,017,861	3,599,221	14,064,463	(316,790)	-	4,658,523	(6,343,952)	7,813,325	(2,428,454)	-	38,064,197
Total liabilities and net assets	\$ 33,114,245	\$ 6,434,544	\$ 16,281,634	\$ 49,287,711	\$ 5,515,029	\$ 6,354,496	\$ 772,346	\$ 8,070,307	\$ 12,454,597	\$ (19,613,181)	\$ 118,671,728

Central Administrative Office of the Roman Catholic Diocese of San Jose

Schedule 3

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

Year ended June 30, 2004

	Current Funds	Service Funds	Cemetery Fund	Deposit and Loan Fund	Pooled Investment Fund	Fundraising Fund	Priest Retirement Fund	Holy Spirit School	Endowment Fund	Eliminations	Total
<b>Revenues</b>											
Gifts, bequests and collections	\$ 393,930	\$ -	\$ -	\$ -	\$ -	\$ 5,029,354	\$ 57,170	\$ 484,376	\$ 20,786	\$ -	\$ 5,985,616
Fees and expense reimbursements	542,490	402,508	-	-	-	-	777,434	-	-	-	1,722,432
Catharticum fees	2,139,348	-	-	-	-	-	-	-	-	-	2,139,348
Education	982,544	-	-	-	-	-	-	2,450,433	-	-	3,432,977
Rental income	152,262	-	-	-	-	-	-	-	68,979	-	221,241
Investment income	78,489	67,853	311,828	27,041	-	-	39,504	16,839	484,828	(99,114)	927,268
Interest income from loans	-	-	-	2,753,143	-	-	-	-	-	(985,868)	1,767,275
Insurance premiums	-	14,793,823	-	-	-	-	-	-	-	-	14,793,823
Newspaper income	362,018	-	-	-	-	-	-	-	-	-	362,018
Cemetery revenues	-	-	5,777,992	-	-	-	-	-	-	-	5,777,992
Other income	23,166	4,767	-	-	-	-	-	20,600	270	-	48,803
Total revenues	4,674,247	15,268,951	6,089,820	2,780,184	-	5,029,354	874,108	2,972,248	574,863	(1,084,982)	37,178,793
<b>Expenses</b>											
Pastoral	3,367,005	-	-	-	-	-	-	-	-	-	3,367,005
Religious personnel development	1,842,388	-	-	-	-	-	-	-	-	-	1,842,388
Education	1,089,343	-	-	-	-	-	-	2,282,731	-	-	3,372,074
Pension, priest retirement	-	-	-	-	-	-	109,830	-	-	-	109,830
Administrative	1,253,468	488,307	-	711,443	-	119,152	-	248,723	17,224	-	2,838,317
Depreciation expense	595,966	4,384	249,298	-	-	8,955	-	418,791	-	-	1,277,394
Interest expense	9,031	2,531	65,971	2,393,498	-	-	407	985,868	114	(1,084,982)	2,372,438
Insurance premiums and benefits	-	14,537,473	-	-	-	-	-	-	-	-	14,537,473
Newspaper expense	385,153	-	-	-	-	-	-	-	-	-	385,153
Cemetery expense	-	-	4,911,927	-	-	-	-	-	-	-	4,911,927
Fundraising expense	-	-	-	-	-	1,010,378	-	205,568	-	-	1,215,946
Other	-	-	-	149	-	-	28,749	-	-	-	28,898
Total expenses	8,542,354	15,032,695	5,227,196	3,105,090	-	1,138,485	138,986	4,141,681	17,338	(1,084,982)	36,258,843
Cost of discontinuing development	100,433	-	-	-	-	-	-	-	-	-	100,433
Excess (deficiency) of revenues and other additions over expenses and other deductions before transfers	(3,968,540)	236,256	862,624	(324,906)	-	3,890,869	735,122	(1,169,433)	557,525	-	819,517
<b>Transfers</b>											
Annual appeal transfer	3,402,399	-	-	-	-	(3,402,399)	-	-	-	-	-
Annual appeal distribution	60,739	-	-	-	-	-	(60,739)	-	-	-	-
Other	281,623	-	-	-	-	(378,943)	84,262	-	13,059	-	-
Total transfers	3,744,760	-	-	-	-	(3,781,342)	23,523	-	13,059	-	-
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(223,780)	236,256	862,624	(324,906)	-	109,527	758,645	(1,169,433)	570,584	-	819,517
Net assets (deficit) at beginning of period/year	17,017,861	3,599,221	14,064,463	(316,790)	-	4,658,523	(6,343,952)	(2,428,454)	7,813,325	-	38,064,197
Net assets (deficit) at end of period/year	\$ 16,794,081	\$ 3,835,477	\$ 14,927,087	\$ (641,696)	\$ -	\$ 4,768,050	\$ (5,585,307)	\$ (3,597,887)	\$ 8,383,909	\$ -	\$ 38,883,714



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

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

Year ended June 30, 2003

	Current Funds	Service Funds	Cemetery Fund	Deposit and Loan Fund	Pooled Investment Fund	Fundraising Fund	Priest Retirement Fund	Holy Spirit School	Endowment Fund	Eliminations	Total
<b>Revenues</b>											
Gifts, bequests and collections	\$ 615,096	\$ -	\$ -	\$ -	\$ -	\$ 4,791,138	\$ 32,011	\$ 325,789	\$ -	\$ -	\$ 5,764,034
Fees and expense reimbursements	632,524	283,338	-	-	-	-	629,363	-	-	-	1,545,225
Cathedralicium fees	1,344,884	-	-	-	-	-	-	-	-	-	1,344,884
Education	750,564	-	-	-	-	-	-	2,345,038	-	-	3,095,602
Rental income	192,172	-	-	-	-	-	-	-	63,379	-	255,551
Investment income	98,216	50,511	23,847	71,280	-	-	30,310	10,385	134,528	(110,126)	308,951
Interest income from loans	-	-	-	2,891,406	-	-	-	-	-	(985,868)	1,905,538
Insurance premiums	-	14,253,036	-	-	-	-	-	-	-	-	14,253,036
Newspaper income	355,469	-	-	-	-	-	-	-	-	-	355,469
Cemetery revenues	-	-	4,878,979	-	-	-	-	-	-	-	4,878,979
Other income	33,652	12,050	-	-	-	-	-	37,207	29,348	-	112,257
Total revenues	4,022,577	14,598,935	4,902,826	2,962,686	-	4,791,138	691,684	2,718,419	227,255	(1,095,994)	33,819,526
<b>Expenses</b>											
Pastoral	3,769,311	-	-	-	-	-	262,769	-	-	-	4,032,080
Religious personnel development	1,918,925	-	-	-	-	-	-	-	-	-	1,918,925
Education	1,165,685	-	-	-	-	-	-	2,700,986	-	-	3,866,671
Pension, priest retirement	-	-	-	-	-	-	2,312,748	-	-	-	2,312,748
Administrative	1,532,829	833,214	-	1,025,030	-	93,400	2,500	228,791	13,772	-	3,729,536
Depreciation expense	599,999	4,353	243,546	-	-	8,895	-	412,689	-	-	1,269,482
Interest expense	10,347	1,657	69,959	2,403,206	-	-	566	985,868	851	(1,095,994)	2,376,460
Insurance premiums and benefits	-	13,233,151	-	-	-	-	-	-	-	-	13,233,151
Newspaper expense	479,008	-	-	-	-	-	-	-	-	-	479,008
Cemetery expense	-	-	4,655,867	-	-	-	-	-	-	-	4,655,867
Fundraising expense	-	-	-	-	-	1,103,611	-	180,894	-	-	1,284,505
Other	11,164	-	-	130	-	-	28,335	-	-	-	39,629
Total expenses	9,487,268	14,072,375	4,969,372	3,428,366	-	1,205,906	2,606,918	4,509,228	14,623	(1,095,994)	39,198,062
Cost of discontinuing development	1,001,028	-	-	-	-	-	-	-	-	-	1,001,028
Total expenses and losses	10,488,296	14,072,375	4,969,372	3,428,366	-	1,205,906	2,606,918	4,509,228	14,623	(1,095,994)	40,199,090
Excess (deficiency) of revenues and other additions over expenses and other deductions before transfers	(6,465,719)	526,560	(66,546)	(465,680)	-	3,585,232	(1,915,234)	(1,790,809)	212,632	-	(6,379,564)
<b>Transfers</b>											
Annual appeal transfer	4,060,852	-	-	-	-	(4,060,852)	-	-	-	-	-
Annual appeal distribution	44,262	-	-	-	-	-	(44,262)	-	-	-	-
Other	233,642	(50,000)	-	50,000	-	-	31,217	-	(264,859)	-	-
Total transfers	4,338,757	(50,000)	-	50,000	-	(4,060,852)	(13,045)	-	(264,859)	-	-
INCREASE (DECREASE) IN NET ASSETS	(2,126,962)	476,560	(66,546)	(415,680)	-	(475,620)	(1,928,279)	(1,790,809)	(52,227)	-	(6,379,564)
Net assets (deficit) at beginning of year	19,144,823	3,122,661	14,131,009	98,890	-	5,134,144	(4,415,673)	-	7,865,552	-	45,081,406
Affiliation with Holy Spirit School	-	-	-	-	-	-	-	(637,645)	-	-	(637,645)
Net assets (deficit) at beginning of the year after affiliation	19,144,823	3,122,661	14,131,009	98,890	-	5,134,144	(4,415,673)	(637,645)	7,865,552	-	44,443,761
Net assets (deficit) at end of year	\$ 17,017,861	\$ 3,599,221	\$ 14,064,464	\$ (316,790)	\$ -	\$ 4,658,524	\$ (6,343,952)	\$ (2,428,454)	\$ 7,813,325	\$ -	\$ 38,064,198

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

BALANCE SHEETS  
CURRENT FUNDS

June 30,

ASSETS	2004			2003		
	Operating Fund	Newspaper Fund	Total	Operating Fund	Newspaper Fund	Total
Cash and cash equivalents	\$ 3,947,026	\$ (761,044)	\$ 3,185,982	\$ 2,226,023	\$ (718,322)	\$ 1,507,700
Marketable securities	337,147	-	337,147	335,659	-	335,659
Receivables						
Mortgages and notes	277,250	-	277,250	351,000	-	351,000
Pledges	401,494	-	401,494	423,938	-	423,938
Other receivables (net of allowance for doubtful accounts of \$ in 2004 and \$1,000 in 2003)	3,323	19,413	22,736	24,116	32,330	56,446
Deposits and prepaid expenses	20,461	-	20,461	653,070	3,984	657,054
Assets held in trust	934,512	-	934,512	938,571	-	938,571
Interest Bearing Intrafund Deposits	1,290,163	-	1,290,163	402,192	-	402,192
Land, buildings and equipment (net of accumulated depreciation)	<u>27,676,793</u>	<u>-</u>	<u>27,676,793</u>	<u>28,441,684</u>	<u>-</u>	<u>28,441,684</u>
Total assets	<u>\$ 34,888,169</u>	<u>\$ (741,631)</u>	<u>\$ 34,146,538</u>	<u>\$ 33,796,253</u>	<u>\$ (682,008)</u>	<u>\$ 33,114,245</u>
LIABILITIES AND NET ASSETS (DEFICIT)						
Notes payable	\$ -	\$ -	\$ -	\$ 13,831	\$ -	\$ 13,831
Accounts payable	323,268	3,858	327,126	595,569	5,966	601,534
Accrued liabilities	3,190,978	205,564	3,396,542	3,182,359	231,901	3,414,260
Trust assets held for parish	934,512	-	934,512	938,571	-	938,571
Held for parishes and institutions	3,063,797	-	3,063,797	1,797,785	-	1,797,785
Deferred revenue	9,754,519	-	9,754,519	9,899,031	-	9,899,031
Due to (from) other funds	<u>(648,446)</u>	<u>524,407</u>	<u>(124,039)</u>	<u>(1,093,036)</u>	<u>524,407</u>	<u>(568,629)</u>
Total liabilities	16,618,628	733,829	17,352,457	15,334,110	762,274	16,096,384
Net assets (deficit)						
Unrestricted						
Undesignated	17,076,403	(1,475,460)	15,600,943	16,474,281	(1,444,282)	15,029,999
Designated	820,619	-	820,619	1,093,135	-	1,093,135
Temporarily restricted	<u>372,519</u>	<u>-</u>	<u>372,519</u>	<u>894,727</u>	<u>-</u>	<u>894,727</u>
Total net assets (deficit)	<u>18,269,541</u>	<u>(1,475,460)</u>	<u>16,794,081</u>	<u>18,462,143</u>	<u>(1,444,282)</u>	<u>17,017,861</u>
Total liabilities and net assets (deficit)	<u>\$ 34,888,169</u>	<u>\$ (741,631)</u>	<u>\$ 34,146,538</u>	<u>\$ 33,796,253</u>	<u>\$ (682,008)</u>	<u>\$ 33,114,245</u>

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
CURRENT FUNDS

Year ended June 30,

	2004			2003		
	Operating Fund	Newspaper Fund	Total	Operating Fund	Newspaper Fund	Total
<b>Revenues</b>						
Gifts, bequests and collections	\$ 393,930	\$ -	\$ 393,930	\$ 615,096	\$ -	\$ 615,096
Fees and expense reimbursements	542,490	-	542,490	632,524	-	632,524
Cathedraticum fees	2,139,348	-	2,139,348	1,344,884	-	1,344,884
Education	982,544	-	982,544	750,564	-	750,564
Rental income	152,262	-	152,262	192,172	-	192,172
Investment income	78,489	-	78,489	98,216	-	98,216
Newspaper income	-	362,018	362,018	-	355,469	355,469
Other Income	22,883	283	23,166	864	32,789	33,653
Total revenues	4,311,946	362,301	4,674,247	3,634,319	388,258	4,022,576
<b>Expenses</b>						
Pastoral	3,367,005	-	3,367,005	3,769,311	-	3,769,311
Religious personnel development	1,842,388	-	1,842,388	1,918,925	-	1,918,925
Education	1,089,343	-	1,089,343	1,165,685	-	1,165,685
Administrative	1,253,468	-	1,253,468	1,532,829	-	1,532,829
Depreciation expense	587,640	8,326	595,966	591,728	8,271	599,999
Interest expense	9,031	-	9,031	10,347	-	10,347
Fundraising expense	-	-	-	-	-	-
Newspaper expense	-	385,153	385,153	-	479,008	479,008
Other	-	-	-	11,164	-	11,164
Total expenses	8,148,875	393,479	8,542,354	8,999,989	487,279	9,487,268
Cost of discontinuing development	100,433	-	100,433	1,001,028	-	1,001,028
Total expenses and losses	8,249,308	393,479	8,642,787	10,001,017	487,279	10,488,296
Deficiency of revenues and other additions over expenses and other deductions before transfers	(3,937,362)	(31,178)	(3,968,540)	(6,366,698)	(99,021)	(6,465,719)
<b>Transfers</b>						
Annual appeal transfer	3,402,399	-	3,402,399	4,060,853	-	4,016,590
Annual appeal distribution	56,739	-	56,739	44,262	-	44,262
Other	285,622	-	285,622	233,642	-	277,905
Total transfers	3,744,760	-	3,744,760	4,338,757	-	4,338,757
DECREASE IN NET ASSETS	(192,602)	(31,178)	(223,780)	(2,027,941)	(99,021)	(2,126,958)
Net assets (deficit) at beginning of year	18,462,143	(1,444,282)	17,017,861	20,490,084	(1,345,261)	19,144,819
Net assets (deficit) at end of year	18,269,541	(1,475,460)	16,794,081	18,462,143	(1,444,282)	\$ 17,017,861

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

BALANCE SHEETS  
SERVICE FUNDS

June 30,

ASSETS	2004				2003			
	Payroll Fund	Benefit Fund	Compre- hensive Insurance Fund	Total	Payroll Fund	Benefit Fund	Compre- hensive Insurance Fund	Total
Cash and cash equivalents	\$ (284,886)	\$ 836,742	\$ (460,889)	\$ 90,967	\$ 1,295,876	\$ 1,768,545	\$ 202,701	\$ 3,267,122
Receivables								
Parishes (net of allowance for doubtful accounts of \$ in 2004 and \$610,000 in 2003)	651,949	52,328	43,013	747,290	206,529	416,357	135,958	758,844
Interest Bearing Intrafund Deposits	-	1,293,243	883,173	2,176,416	-	720,131	609,942	1,330,073
Deposits and prepaid expenses	(996)	-	990,564	989,568	996	-	1,077,508	1,078,504
<b>Total assets</b>	<b>\$ 366,067</b>	<b>\$ 2,182,313</b>	<b>\$ 1,455,861</b>	<b>\$ 4,004,241</b>	<b>\$ 1,503,402</b>	<b>\$ 2,905,033</b>	<b>\$ 2,026,109</b>	<b>\$ 6,434,544</b>
<b>LIABILITIES AND NET ASSETS</b>								
Accounts payable	\$ -	\$ 7,460	\$ 23,159	\$ 30,619	\$ -	\$ 3,754	\$ 433,612	\$ 437,367
Accrued liabilities	53,128	187,677	565,296	806,101	126,587	196,998	410,812	734,397
Deferred revenue	-	-	-	-	-	909,384	422,131	1,331,515
Due to (from) other funds	-	(667,956)	-	(667,956)	1,000,000	(667,956)	-	332,044
<b>Total liabilities</b>	<b>53,128</b>	<b>(472,819)</b>	<b>588,455</b>	<b>168,764</b>	<b>1,126,587</b>	<b>442,180</b>	<b>1,266,555</b>	<b>2,835,323</b>
Net assets								
Unrestricted								
Undesignated	312,939	2,582,745	867,406	3,763,090	376,815	2,428,361	759,553	3,564,729
Designated	-	72,387	-	72,387	-	34,492	-	34,492
<b>Total net assets</b>	<b>312,939</b>	<b>2,655,132</b>	<b>867,406</b>	<b>3,835,477</b>	<b>376,815</b>	<b>2,462,853</b>	<b>759,553</b>	<b>3,599,221</b>
<b>Total liabilities and net assets</b>	<b>\$ 366,067</b>	<b>\$ 2,182,313</b>	<b>\$ 1,455,861</b>	<b>\$ 4,004,241</b>	<b>\$ 1,503,402</b>	<b>\$ 2,905,033</b>	<b>\$ 2,026,109</b>	<b>\$ 6,434,544</b>

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
SERVICE FUNDS

Year ended June 30,

	2004				2003			
	Payroll Fund	Benefit Fund	Compre- hensive Insurance Fund	Total	Payroll Fund	Benefit Fund	Compre- hensive Insurance Fund	Total
Revenues								
Fees and expense reimbursements	\$ 402,508	\$ -	\$ -	\$ 402,508	\$ 283,338	\$ -	\$ -	\$ 283,338
Investment income	770	38,102	28,981	67,853	39	37,059	13,413	50,511
Insurance premiums	-	10,340,975	4,452,848	14,793,823	-	10,934,595	3,318,441	14,253,036
Other income (loss)	-	-	4,767	4,767	10,858	-	1,192	12,050
Total revenues	403,278	10,379,077	4,486,596	15,268,951	294,234	10,971,654	3,333,046	14,598,935
Expenses								
Administrative	250,097	(82,365)	320,575	488,307	171,920	295,585	365,709	833,214
Depreciation	1,540	1,147	1,697	4,384	1,529	1,139	1,685	4,353
Interest expense	-	2,531	-	2,531	-	1,657	-	1,657
Insurance premiums and benefits	215,517	10,265,485	4,056,471	14,537,473	135,291	9,703,758	3,394,102	13,233,151
Total expenses	467,154	10,186,798	4,378,743	15,032,695	308,740	10,002,139	3,761,496	14,072,375
Excess (deficiency) of revenues over expenses before transfers	(63,876)	192,279	107,853	236,256	(14,505)	969,515	(428,450)	526,560
Transfers	-	-	-	-	-	(650,000)	600,000	(50,000)
INCREASE (DECREASE) IN NET ASSETS	(63,876)	192,279	107,853	236,256	(14,505)	319,515	171,550	476,560
Net assets at beginning of year	\$ 376,815	\$ 2,462,853	\$ 759,553	3,599,221	\$ 391,320	\$ 2,143,338	\$ 588,003	3,122,661
Net assets at end of year	\$ 312,939	\$ 2,655,132	\$ 867,406	\$ 3,835,477	\$ 376,815	\$ 2,462,853	\$ 759,553	\$ 3,599,221

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

BALANCE SHEETS  
PRIEST RETIREMENT FUNDS

June 30,

	2004				2003			
	Priest Retirement Fund	Supplemental Plan Fund	Post Retirement Fund	Total	Priest Retirement Fund	Supplemental Plan Fund	Post Retirement Fund	Total
<b>ASSETS</b>								
Cash and cash equivalents	\$ (88,715)	\$ 141,300	\$ (172,743)	\$ (120,158)	\$ 24,187	\$ 37,869	\$ (78,748)	\$ (16,692)
Interest Bearing Intrafund Deposits	-	-	977,405	977,405	-	-	774,726	774,726
Deposits and prepaid expenses	-	-	-	-	-	-	14,312	14,312
Total assets	<u>(88,715)</u>	<u>141,300</u>	<u>804,662</u>	<u>\$ 857,247</u>	<u>\$ 24,187</u>	<u>\$ 37,869</u>	<u>\$ 710,290</u>	<u>\$ 772,346</u>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>								
Accounts payable	21,930	-	1,961	\$ 23,891	\$ 6,420	\$ -	\$ 481	\$ 6,901
Accrued liabilities	3,031,941	1,401,969	2,041,000	6,474,910	4,042,536	1,123,078	1,971,000	7,136,615
Due from other funds	<u>(56,247)</u>	<u>-</u>	<u>-</u>	<u>(56,247)</u>	<u>(27,217)</u>	<u>-</u>	<u>-</u>	<u>(27,217)</u>
Total liabilities	2,997,624	1,401,969	2,042,961	6,442,554	4,021,739	1,123,078	1,971,481	7,116,299
Net assets (deficit)								
Unrestricted and undesignated	<u>(3,086,339)</u>	<u>(1,260,669)</u>	<u>(1,238,299)</u>	<u>(5,585,307)</u>	<u>(3,997,552)</u>	<u>(1,085,209)</u>	<u>(1,261,191)</u>	<u>(6,343,953)</u>
Total net assets (deficit)	<u>(3,086,339)</u>	<u>(1,260,669)</u>	<u>(1,238,299)</u>	<u>(5,585,307)</u>	<u>(3,997,552)</u>	<u>(1,085,209)</u>	<u>(1,261,191)</u>	<u>(6,343,953)</u>
Total liabilities and net assets (deficit)	<u>\$ (88,715)</u>	<u>\$ 141,300</u>	<u>\$ 804,662</u>	<u>\$ 857,247</u>	<u>\$ 24,187</u>	<u>\$ 37,869</u>	<u>\$ 710,290</u>	<u>\$ 772,346</u>

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

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

Year ended June 30, 2004

	2004				2003			
	Priest Retirement Fund	Supplemental Plan Fund	Post Retirement Fund	Total	Priest Retirement Fund	Supplemental Plan Fund	Post Retirement Fund	Total
<b>Revenues</b>								
Gifts, bequests and collections	\$ 51,170	\$ 6,000	\$ -	\$ 57,170	\$ 26,000	\$ 6,011	\$ -	\$ 32,011
Fees and expense reimbursements	777,264	170	-	777,434	627,730	1,633	-	629,363
Investment income	1,852	81	37,571	39,504	7,631	1,228	21,451	30,310
Total revenues	830,286	6,251	37,571	874,108	661,361	8,872	21,451	691,684
<b>Expenses</b>								
Pastoral	-	-	-	-	-	176,049	86,720	262,769
Pension, priest retirement	(414,574)	302,625	221,779	109,830	1,327,137	502,604	483,007	2,312,748
Interest expense	390	17	-	407	506	60	-	566
Administrative	-	-	-	-	-	2,500	-	2,500
Other	25,680	3,069	-	28,749	24,840	3,495	-	28,335
Total expenses	(388,504)	305,711	221,779	138,986	1,352,483	684,708	569,727	2,606,918
Excess (deficiency) of revenues and other additions over expenses and other deductions before transfers	1,218,790	(299,460)	(184,208)	735,122	(691,122)	(675,836)	(548,276)	(1,915,234)
<b>Transfers</b>								
Annual appeal distribution	(60,739)	4,000	-	(56,739)	(44,262)	-	-	(44,262)
Other	(246,838)	120,000	207,100	80,262	(318,783)	124,000	226,000	31,217
	(307,577)	124,000	207,100	23,523	(363,045)	124,000	226,000	(13,045)
INCREASE (DECREASE) IN NET ASSETS	911,213	(175,460)	22,892	758,645	(1,054,167)	(551,836)	(322,276)	(1,928,279)
Net deficit at beginning of year	(3,997,552)	(1,085,209)	(1,261,191)	(6,343,952)	(2,943,385)	(533,373)	(938,915)	(4,415,673)
Net deficit at end of period/year	\$ (3,086,339)	\$ (1,260,669)	\$ (1,238,299)	\$ (5,585,307)	\$ (3,997,552)	\$ (1,085,209)	\$ (1,261,191)	\$ (6,343,952)

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

**BALANCE SHEETS**  
**FUNDRAISING FUNDS**  
**June 30,**

	2004				2003			
	Annual Appeal Fund	Capital Campaign Fund	Fundraising Fund	Total	Annual Appeal Fund	Capital Campaign Fund	Fundraising Fund	Total
<b>ASSETS</b>								
Cash and cash equivalents	\$ 5,059,814	\$ -	\$ (14,280)	\$ 5,045,534	\$ 4,085,373	\$ 328,244	\$ (5,563)	\$ 4,408,054
Receivables								
Pledges (net of allowance for doubtful accounts of \$35,000 in 2004 and \$438,750 in 2003)	1,575,959	-	-	1,575,959	1,726,510	194,930	-	1,921,440
Deposits and prepaid expenses	-	-	(680)	(680)	1,992	-	23,010	25,002
Total assets	<u>\$ 6,635,773</u>	<u>\$ -</u>	<u>\$ (14,960)</u>	<u>\$ 6,620,813</u>	<u>\$ 5,813,876</u>	<u>\$ 523,174</u>	<u>\$ 17,447</u>	<u>\$ 6,354,496</u>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>								
Accounts payable	\$ 12,486	\$ -	\$ 5,161	\$ 17,647	\$ 7,400	\$ 138	\$ 22,659	\$ 30,197
Pledges payable to parishes and others	1,557,084	-	-	1,557,084	1,474,795	-	-	1,474,795
Accrued liabilities	54,103	-	223,929	278,032	41,946	-	149,035	190,981
Due to (from) other funds	<u>1</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	1,623,674	-	229,089	1,852,763	1,524,141	138	171,694	1,695,973
Net assets (deficit)								
Unrestricted								
Undesignated	-	-	(244,049)	(244,049)	-	-	(154,247)	(154,247)
Temporarily restricted	<u>5,012,099</u>	<u>-</u>	<u>-</u>	<u>5,012,099</u>	<u>4,289,734</u>	<u>523,036</u>	<u>-</u>	<u>4,812,770</u>
Total net assets (deficit)	<u>5,012,099</u>	<u>-</u>	<u>(244,049)</u>	<u>4,768,050</u>	<u>4,289,734</u>	<u>523,036</u>	<u>(154,247)</u>	<u>4,658,523</u>
Total liabilities and net assets	<u>\$ 6,635,773</u>	<u>\$ -</u>	<u>\$ (14,960)</u>	<u>\$ 6,620,813</u>	<u>\$ 5,813,875</u>	<u>\$ 523,174</u>	<u>\$ 17,447</u>	<u>\$ 6,354,496</u>



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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FUNDRAISING FUNDS

Year ended June 30,

	2004				2003			
	Annual Appeal Fund	Capital Campaign Fund	Fundraising Fund	Total	Annual Appeal Fund	Capital Campaign Fund	Fundraising Fund	Total
Revenues								
Gifts, bequests and collections	\$ 4,894,058	\$ -	\$ 135,296	\$ 5,029,354	\$ 4,699,403	\$ -	\$ 91,735	\$ 4,791,138
Total revenues	4,894,058	-	135,296	5,029,354	4,699,403	-	91,735	4,791,138
Expenses								
Administrative	(39,541)	158,693	-	119,152	62,534	30,866	-	93,401
Depreciation expense	-	-	8,955	8,955	-	-	8,895	8,895
Fundraising expense	442,168	-	568,210	1,010,378	457,297	6,640	639,674	1,103,611
Total expenses	402,627	158,693	577,165	1,138,485	519,831	37,506	648,569	1,205,906
Excess (deficiency) of revenues and other additions over expenses and other deductions before transfers	4,491,431	(158,693)	(441,869)	3,890,869	4,179,572	(37,506)	(556,834)	3,585,232
Transfers								
Annual appeal transfer	(3,402,399)	-	-	(3,402,399)	(4,060,853)	-	-	(4,060,853)
Annual appeal distribution	(366,667)	-	366,667	-	(411,988)	-	411,988	-
Other	-	(364,343)	(14,600)	(378,943)	-	-	-	-
	(3,769,066)	(364,343)	352,067	(3,781,342)	(4,472,841)	-	411,988	(4,060,853)
INCREASE (DECREASE) IN NET ASSETS	722,365	(523,036)	(89,802)	109,527	(293,269)	(37,506)	(144,846)	(475,621)
Net assets at beginning of year	\$ 4,289,734	\$ 523,036	\$ (154,247)	4,658,523	\$ 4,583,003	\$ 560,542	\$ (9,401)	5,134,144
Net assets (deficit) at end of year	\$ 5,012,099	\$ -	\$ (244,049)	\$ 4,768,050	\$ 4,289,734	\$ 523,036	\$ (154,247)	\$ 4,658,523

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

**BALANCE SHEETS**  
**DEPOSIT AND LOAN FUNDS**  
**June 30,**

ASSETS	2004			2003		
	Deposit and Loan Fund	Employee Loan Fund	Total	Deposit and Loan Fund	Employee Loan Fund	Total
Cash and cash equivalents	\$ 487,992	\$ 189,576	\$ 677,568	\$ 394,248	\$ 115,760	\$ 510,008
Receivables						
Other receivables (net of allowance for doubtful accounts of \$189,312 in 2004 and 2003)	-	406,345	406,345	-	453,843	453,843
Loans receivable from parishes and institutions accounts of \$2,128,200 in 2004 and \$1,468,770 in 2003)	48,324,955	-	48,324,955	47,506,647	-	47,506,647
Bond issue costs (net of accumulated amortization of \$228,157 in 2004 and \$178,377 in 2003)	767,433	-	767,433	817,213	-	817,213
Total assets	<u>\$ 49,580,380</u>	<u>\$ 595,921</u>	<u>\$ 50,176,301</u>	<u>\$ 48,718,108</u>	<u>\$ 569,603</u>	<u>\$ 49,287,711</u>
<b>LIABILITIES AND NET ASSETS</b>						
Notes payable	\$ 18,015,000	\$ -	\$ 18,015,000	\$ 18,605,000	\$ -	\$ 18,605,000
Accounts payable	115,230	-	115,230	1,227,290	-	1,227,290
Accrued liabilities	119,358	-	119,358	122,800	-	122,800
Deposit payable	32,568,409	-	32,568,409	29,328,045	-	29,328,045
Due to other funds	-	-	-	321,366	-	321,366
Total liabilities	50,817,997	-	50,817,997	49,604,501	-	49,604,501
Net assets						
Unrestricted						
Undesignated	(1,237,617)	595,921	(641,696)	(886,393)	569,603	(316,790)
Total net assets	(1,237,617)	595,921	(641,696)	(886,393)	569,603	(316,790)
Total liabilities and net assets	<u>\$ 49,580,380</u>	<u>\$ 595,921</u>	<u>\$ 50,176,301</u>	<u>\$ 48,718,108</u>	<u>\$ 569,603</u>	<u>\$ 49,287,711</u>

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

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

Year ended June 30,

	2004			2003		
	Deposit and Loan Fund	Employee Loan Fund	Total	Deposit and Loan Fund	Employee Loan Fund	Total
Revenues						
Investment income	\$ 574	\$ 26,467	\$ 27,041	\$ 40,870	\$ 30,410	\$ 71,280
Interest income from loans	2,753,143	-	2,753,143	2,891,406	-	2,891,406
Total revenues	2,753,717	26,467	2,780,184	2,932,276	30,410	2,962,686
Expenses						
Administrative	711,443	-	711,443	1,020,030	5,000	1,025,030
Interest expense	2,393,498	-	2,393,498	2,403,206	-	2,403,206
Other	-	149	149	-	130	130
Total expenses	3,104,941	149	3,105,090	3,423,236	5,130	3,428,366
Deficiency of revenues over expenses before transfers	(351,224)	26,318	(324,906)	(490,960)	25,280	(465,680)
Transfers	-	-	-	-	50,000	50,000
INCREASE (DECREASE) IN NET ASSETS	(351,224)	26,318	(324,906)	(490,960)	75,280	(415,680)
Net assets at beginning of year	\$ (886,393)	\$ 569,603	(316,790)	(395,433)	494,323	98,890
Net assets at end of year	\$ (1,237,617)	\$ 595,921	\$ (641,696)	\$ (886,393)	\$ 569,603	\$ (316,790)