

CENTRAL ADMINISTRATIVE OFFICE OF THE  
ROMAN CATHOLIC DIOCESE OF SAN JOSE  
JUNE 30, 2008 AND 2007

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of the Central Administrative Office of the Roman Catholic Diocese of San Jose ("CAO") as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Administrative Office of the Roman Catholic Diocese of San Jose as of June 30, 2008 and 2007 and the changes in its net assets and in its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Berger/Lewis Accountancy Corporation*

BERGER/LEWIS ACCOUNTANCY CORPORATION  
San Jose, California  
October 15, 2008

**CENTRAL ADMINISTRATIVE OFFICE OF THE  
ROMAN CATHOLIC DIOCESE OF SAN JOSE  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2008 AND 2007**

ASSETS	2008	2007
Cash and cash equivalents	\$ 34,333,067	\$ 28,306,488
Marketable securities	18,494,211	18,343,937
Receivables		
Receivables from parishes and institutions (net of allowance for doubtful accounts of \$1,054 in 2008 and \$30,460 in 2007)	169,469	166,096
Pledges (net of allowance for doubtful accounts and valuation reserves of \$41,249 in 2008 and \$38,920 in 2007)	1,523,857	113,204
Other (net of allowance for doubtful accounts and valuation reserves of \$799,414 in 2008 and \$569,155 in 2007)	2,980,919	2,140,722
Deposits and prepaid expenses	434,561	465,524
Inventory	9,264,238	8,761,084
Loans receivable from parishes and institutions in Deposit and Loan Fund (net of allowance for doubtful accounts and valuation reserves of \$3,992,555 in 2008 and \$3,364,480 in 2007)	24,561,066	28,049,639
Debenture issuance costs (net of accumulated amortization of \$42,924 in 2008 and \$27,315 in 2007)	425,349	440,958
Marketable securities held for long term purposes	3,596,036	3,465,214
Investment in real estate	839,216	839,216
Assets held in trust	1,286,192	1,385,204
Land, buildings and equipment	45,770,817	46,979,948
Total assets	\$ 143,678,998	\$ 139,457,234
<b>LIABILITIES &amp; NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 1,528,247	\$ 1,102,607
Pledges payable to parishes and others	1,075,051	16,724
Accrued liabilities	20,539,083	17,722,433
Deposits payable	29,292,826	27,869,605
Debentures payable	23,276,201	23,905,000
Notes payable	2,338,540	2,704,500
Trust assets held for parish	1,286,192	1,385,204
Held for parishes and institutions	8,174,652	8,945,960
Deferred revenue	13,508,520	12,645,582
Total liabilities	101,019,312	96,297,615
Net assets		
Unrestricted		
Undesignated	15,057,987	15,614,982
Designated	7,191,480	6,909,956
Funds functioning as endowment - cemetery endowment care	5,738,255	5,091,064
Total unrestricted assets	27,987,722	27,616,002
Temporarily restricted	11,052,384	12,078,403
Permanently restricted	3,619,580	3,465,214
Total net assets	42,659,686	43,159,619
Total liabilities and net assets	\$ 143,678,998	\$ 139,457,234

The Accompanying Notes are an Integral Part of these Financial Statements.

**CENTRAL ADMINISTRATIVE OFFICE OF THE  
ROMAN CATHOLIC DIOCESE OF SAN JOSE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues</b>				
Gifts, bequests and collections	\$ 2,434,358	\$ 5,670,980	\$ 154,366	\$ 8,259,704
Fees and expense reimbursements	2,471,570	-	-	2,471,570
Diocesan assessments	2,924,868	-	-	2,924,868
Education revenues	4,389,964	-	-	4,389,964
Rental income	999,001	-	-	999,001
Investment income	181,212	(618,463)	-	(437,251)
Interest income from loans	750,213	-	-	750,213
Insurance premiums	18,916,470	-	-	18,916,470
Newspaper income	367,203	-	-	367,203
Cemetery revenues	5,229,325	-	-	5,229,325
Other income	201,802	-	-	201,802
Net assets released from restrictions	6,078,536	(6,078,536)	-	-
<b>Total revenues</b>	<b>44,944,522</b>	<b>(1,026,019)</b>	<b>154,366</b>	<b>44,072,869</b>
<b>Expenses</b>				
Pastoral	4,362,631	-	-	4,362,631
Religious and personnel development	2,794,155	-	-	2,794,155
Education	4,329,566	-	-	4,329,566
Pension, priest retirement	2,647,615	-	-	2,647,615
Administrative	3,756,672	-	-	3,756,672
Depreciation	1,500,101	-	-	1,500,101
Interest expense	3,486,564	-	-	3,486,564
Insurance premiums and benefits	16,619,296	-	-	16,619,296
Newspaper	396,525	-	-	396,525
Cemetery	4,626,418	-	-	4,626,418
Fundraising	1,018,259	-	-	1,018,259
<b>Total expenses</b>	<b>45,537,802</b>	<b>-</b>	<b>-</b>	<b>45,537,802</b>
Increase in Net Assets before effect of adoption of FASB Statement No. 158	(593,280)	(1,026,019)	154,366	(1,464,933)
Effect of adoption of of FASB Statement No. 158 on prior period Net Assets	965,000	-	-	965,000
Increase (decrease) in Net Assets	371,720	(1,026,019)	154,366	(499,933)
Net assets at beginning of the year	27,616,002	12,078,403	3,465,214	43,159,619
Net assets at end of year	<u>\$ 27,987,722</u>	<u>\$ 11,052,384</u>	<u>\$ 3,619,580</u>	<u>\$ 42,659,686</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

**CENTRAL ADMINISTRATIVE OFFICE OF THE  
ROMAN CATHOLIC DIOCESE OF SAN JOSE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues</b>				
Gifts, bequests and collections	\$ 1,855,205	\$ 5,417,818	\$ 113,879	\$ 7,386,902
Fees and expense reimbursements	2,439,501	-	-	2,439,501
Diocesan assessments	2,802,720	-	-	2,802,720
Education revenues	4,291,130	-	-	4,291,130
Rental income	970,214	-	-	970,214
Investment income	1,763,674	1,161,128	-	2,924,802
Interest income from loans	1,068,161	-	-	1,068,161
Insurance premiums	17,476,835	-	-	17,476,835
Newspaper income	378,787	-	-	378,787
Cemetery revenues	5,401,316	-	-	5,401,316
Other income	167,948	-	-	167,948
Net assets released from restrictions	4,862,636	(4,847,436)	(15,200)	-
<b>Total revenues</b>	<u>43,478,127</u>	<u>1,731,510</u>	<u>98,679</u>	<u>45,308,316</u>
<b>Expenses</b>				
Pastoral	3,933,098	-	-	3,933,098
Religious and personnel development	2,471,496	-	-	2,471,496
Education	4,092,479	-	-	4,092,479
Pension, priest retirement	817,845	-	-	817,845
Administrative	3,136,374	-	-	3,136,374
Depreciation	1,610,999	-	-	1,610,999
Interest expense	2,614,624	-	-	2,614,624
Insurance premiums and benefits	15,443,918	-	-	15,443,918
Newspaper	380,539	-	-	380,539
Cemetery	4,880,968	-	-	4,880,968
Fundraising	543,620	-	-	543,620
<b>Total expenses</b>	<u>39,925,960</u>	<u>-</u>	<u>-</u>	<u>39,925,960</u>
Increase in Net Assets before effect of adoption of FASB Statement No. 158	<u>3,552,167</u>	<u>1,731,510</u>	<u>98,679</u>	<u>5,382,356</u>
Effect of adoption of of FASB Statement No. 158 on prior period Net Assets	<u>(6,903,487)</u>	<u>(13,288)</u>	<u>-</u>	<u>(6,916,775)</u>
Increase (decrease) in Net Assets	<u>(3,351,320)</u>	<u>1,718,222</u>	<u>98,679</u>	<u>(1,534,419)</u>
Net assets at beginning of the year	<u>30,967,322</u>	<u>10,360,181</u>	<u>3,366,535</u>	<u>44,694,038</u>
Net assets at end of year	<u>\$ 27,616,002</u>	<u>\$ 12,078,403</u>	<u>\$ 3,465,214</u>	<u>\$ 43,159,619</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**CENTRAL ADMINISTRATIVE OFFICE OF THE  
ROMAN CATHOLIC DIOCESE OF SAN JOSE  
STATEMENTS OF CASH FLOWS  
JUNE 30, 2008 AND 2007**

	2008	2007
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets after effect of FASB Statement No. 158	\$ (499,933)	\$ (1,534,419)
Effect of FASB Statement No. 158	(965,000)	6,916,774
Change in net assets from operations prior to effect of FASB Statement No. 158	(1,464,933)	5,382,356
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,500,101	1,610,998
Provision for losses on receivables	831,257	(493,249)
Amortization of bond issuance costs	15,609	15,609
Investment losses/(gains)	1,760,233	(2,336,980)
Cost of unfunded lay pension liability	872,670	510,635
Cost of SWAP rate differential	864,006	-
Changes in operating assets and liabilities:		
Receivables	(2,457,405)	1,897,276
Inventories	(503,154)	(1,666,882)
Deposits and prepaid expenses	30,963	4,244
Trust assets held for parish	(99,012)	(497,677)
Accounts payable and pledges payable	1,483,967	(1,662,353)
Accrued liabilities	2,908,979	(186,215)
Assets held in trust	99,012	497,677
Held for parishes and institutions	(771,308)	(733,885)
Deferred revenue	862,939	831,148
Contributions restricted for long-term purposes	(154,366)	(113,879)
Net cash provided by operating activities	5,779,558	3,058,824
Cash flows from investing activities		
Purchase of plant assets	(290,970)	(944,043)
Proceeds from repayment of loans receivable	2,976,390	1,542,667
Advances for loans receivable	(115,889)	(165,390)
Purchase of marketable securities	(2,673,744)	(4,421,050)
Proceeds from sale of marketable securities	632,412	4,348,176
Net cash provided by (used in) investing activities	528,199	360,360
Cash flows from financing activities:		
Proceeds from notes and bonds payable	-	1,220,000
Deposits payable	1,423,221	1,374,119
Payments on notes and bonds payable	(1,858,766)	(84,068)
Contributions restricted for investment in permanent endowments	154,366	175,754
Net cash provided by (used in) financing activities	(281,179)	2,685,805
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>6,026,579</b>	<b>6,104,989</b>
Cash and cash equivalents at beginning of the year	28,306,488	22,201,499
Cash and cash equivalents at end of the year	<b>\$ 34,333,067</b>	<b>\$ 28,306,488</b>
<b>SUPPLEMENTAL DISCLOSURE FOR CASH PAID FOR:</b>		
Interest	\$ 2,622,558	\$ 2,614,624
Taxes	\$ -	\$ 25,039

The Accompanying Notes are Integral Part of these Financial Statements.

**CENTRAL ADMINISTRATIVE OFFICE OF THE  
ROMAN CATHOLIC DIOCESE OF SAN JOSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007**

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**NOTE 1 -ORGANIZATION**

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

The financial statements include only those funds for which the Central Administrative Office ("CAO") maintains direct operational control. All significant inter-organizational and interfund balances and transactions have been eliminated. Those entities not included in these statements are the parish churches, certain elementary and secondary schools, The Roman Catholic Welfare Corporation, The Catholic Foundation of Santa Clara County, The Catholic Charities of 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** – This net asset class is not subject to donor-imposed stipulations. The following funds have unrestricted net assets:

- Current Funds

- Operating Fund

- This fund contains the unrestricted resources available for the support of the CAO and resources held for parishes and institutions. This includes the land, buildings and equipment held for use by the CAO, St. Joseph's Cathedral and sites held for sale and for future parishes and institutions. The operating fund also holds funds raised and spent for acquisition of a site for a future parish. A portion of unrestricted net assets of the operating fund has been designated for certain initiatives.

- 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  
JUNE 30, 2008 AND 2007

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NOTE 1 -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 activities of the Roman Catholic Cemeteries of San Jose are maintained in this fund. Amounts set aside for perpetual cemetery care are designated as funds functioning as endowment in the unrestricted net asset category.

• Employee Loan Fund

This fund has been established for loans to employees and priests of the Diocese. At June 30, 2008 and 2007, the interest rate on loans was 5.0%.

• Endowment Fund

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

• Priest Retirement Fund

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

In 2006, a trust was established for the Medicare supplemental plan. The assets of this plan on deposit in the Deposit and Loan Fund were transferred to a custodian for management and the value of the investments are no longer shown as an asset of the Fund but now as an offset to accrued liabilities.

• 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. Prior to July 1, 2004, interest rates applied to deposits are 55% - 65% of prime rate on April 1 of each year. Since July 1, 2004, deposit interest rates were maintained at the same rates as for fiscal year 2004 and have not varied with changes in the prime rate. At June 30, 2008 and 2007, the effective rate was 2.2% - 4.0%, depending on term of the deposit. The variable interest rates applied to loans range from 2.25% to 5.0% as of June 30, 2008 and 2007.

The Deposit and Loan Fund had \$29,292,826 and \$27,869,606 of deposits from parishes and schools as of June 30, 2008 and 2007, respectively.

**CENTRAL ADMINISTRATIVE OFFICE OF THE  
ROMAN CATHOLIC DIOCESE OF SAN JOSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007**

**NOTE 1 -ORGANIZATION (Continued)**

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

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

  

As of June 30, 2007	Term			Total
	<1 Year	1 - 2 Years	6 Years	
Parishes	\$ 11,966,342	\$ 4,632,246	\$ 2,399,262	\$ 18,997,850
Schools	6,315,936	981,131	1,574,688	8,871,755
	<u>\$ 18,282,278</u>	<u>\$ 5,613,377</u>	<u>\$ 3,973,950</u>	<u>\$ 27,869,605</u>
Percent	66%	20%	14%	100%

- Fundraising Fund

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

- Holy Spirit-School

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

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

- Operating Fund

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

- Annual Appeal Fund

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

**CENTRAL ADMINISTRATIVE OFFICE OF THE  
ROMAN CATHOLIC DIOCESE OF SAN JOSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007**

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**NOTE 1 - 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.

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

- Endowment Fund

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**CENTRAL ADMINISTRATIVE OFFICE OF THE  
ROMAN CATHOLIC DIOCESE OF SAN JOSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- Fund Accounting

The accounts of the CAO are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded by fund group. However, for the financial statements, transactions are reported by the net asset categories described in Note 1.

- 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.

- Revenue Recognition

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

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

- Contributions and Pledges

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

**CENTRAL ADMINISTRATIVE OFFICE OF THE  
ROMAN CATHOLIC DIOCESE OF SAN JOSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- Marketable Securities

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

- Trade Receivables

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

- Loans Receivable

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal, net of the allowance for present value discount and loan losses. Interest on loans is calculated by using the simple interest method on the balance of the outstanding principle and interest. These loans are unsecured. However, the CAO has the ability to collect all unpaid amounts from the proceeds of sale of parish or school property upon their disposal.

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

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

- Allowance for Loan Losses in Deposit and Loan Fund

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

**CENTRAL ADMINISTRATIVE OFFICE OF THE  
ROMAN CATHOLIC DIOCESE OF SAN JOSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- Inventories

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

- Land, Buildings and Equipment

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

- Deferred Revenue

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

- Tax Exempt Status

The Diocese has been granted tax exempt status by the Internal Revenue Service and the California Franchise Tax Board under code Sections 501(c) 3 and 23701(d), respectively. The Diocese has received a ruling that it is not a private foundation. However, it is subject to tax on unrelated business income resulting from building lease income and newspaper advertising income received.

- Comparative Information

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

- Fair Value of Financial Instruments

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

- Cash and Equivalents

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

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

-       Receivables

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

-       Marketable Securities

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

-       Loans

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

-       Notes Payable

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

•       Use of Estimates

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

The CAO's allowances for present value adjustments and doubtful receivables, pledges and loans totaling \$4,834,272 for 2008 and \$4,003,015 for 2007 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.

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 refinancing of previously issued debentures are being amortized over the remaining life of the refinanced instrument.

- Liquidity

In fiscal 2008 liquid assets (Cash and Marketable Securities) increased by \$5,402,233. Approximately 55% of the increase was due to a reduction in loans by parishes and schools. Increasing insurance reserves and deferred revenues at the Cemeteries contributed to 19% of the increase. Additional deposits to the Deposit and Loan fund by parishes and schools accounted for another 26% of the increase.

At June 30, 2008, \$8,542,000 of net construction commitments were outstanding, an increase of \$2,239,000 from \$6,353,000 at June 30, 2007. The majority of commitments are fully funded by Parishes and Schools with deposits in the Deposit and Loan fund. In addition, the CAO provided standby commitment of \$350,000 to one parish to cover unforeseen cost overruns on construction of a parish hall.

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

During 2007 the Cemeteries, through the CAO, completely drew down on an unsecured line of credit of \$1,740,000 to finance the construction of a new mausoleum and converted the borrowings to a fully amortizing term loan. As of June 30, 2008 there was \$1,305,000 outstanding on this loan.

In fiscal 2003, the CAO instituted a Diocesan Assessment from the parishes based on 10% of Offertory collected in the prior fiscal year. In fiscal 2008, \$2,924,870 and in fiscal 2007, \$2,802,720 of revenue was raised from this Assessment. It is anticipated that this source of revenue will increase again in fiscal 2009, not due to an increase in the assessment rate, but due to increases in overall Offertory collections in the parishes by 1.3% in fiscal 2008. These funds are used to cover some of the fixed operating expenses of the CAO.

The Deposit and Loan Fund continues to be one source of existing and potential liquidity as well as liquidity problems for the CAO. At June 30, 2008, there were \$42,352,000 in deposits in the fund (before elimination of \$13,059,000 of Intrafund deposits) an increase of \$1,575,000, or 4% from June 30, 2007. The net amount of growth in deposits, after eliminations, grew \$1,423,000 or 5%, from June 30, 2007. As shown in the tables in Note 1, the amount of deposits committed for terms of 1 year or more decreased from 34% of total deposits to approximately 27% of the total. The cause of the decrease was a conversion of deposits from greater than 1 year terms to currently available deposits by parishes to enable them to meet their construction commitments.



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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

As of June 30, 2008 and 2007, over \$10 million of the outstanding loans of \$28,553,000 were on the equivalent of non-accrual of interest and another \$4,423,000 of the outstanding loans had a special amortization and loan rate different from standard loans because of the inability of the parishes to pay in accordance with the original terms. The CAO does not expect any principal losses on these loans that were made for the seismic retrofit of a parish church, the construction of a parish church and of a parish hall.

**NOTE 3 - MARKETABLE SECURITIES**

Marketable securities at June 30 consist of the following:

	<u>2008</u>	<u>2007</u>
Mutual Funds	\$ 21,907,510	\$ 21,243,172
Other	<u>182,737</u>	<u>565,979</u>
Total	<u>\$ 22,090,247</u>	<u>\$ 21,809,151</u>

	<u>2008</u>	<u>2007</u>
Marketable Securities	\$ 18,494,211	\$ 18,343,937
Marketable Securities held for long term purposes	<u>3,596,036</u>	<u>3,465,214</u>
Total	<u>\$ 22,090,247</u>	<u>\$ 21,809,151</u>

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**NOTE 3 - MARKETABLE SECURITIES (Continued),**

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

	2008	2007
Interest and dividends	\$ 578,575	\$ 464,475
Other income and settlements	-	34,791
Realized gains (losses), net	(14,308)	64,640
Unrealized gains (losses), net	(2,314,368)	2,272,341
Total income	<u>(1,750,101)</u>	<u>2,836,247</u>
Less: Portfolio manager and custodian fees	(35,364)	(31,699)
Net income from investment pool activities	<u>(1,785,465)</u>	<u>2,804,548</u>
Investment income – cash management and other	919,078	981,191
Total income from investment activities	<u>(866,387)</u>	<u>3,785,739</u>
Less income attributed to custodian and similar funds:		
Interest and dividends (net of manager fees of \$9,311 in 2008 and \$9,754 in 2007)	139,310	127,856
Other income and settlements	-	34,791
Realized and unrealized gains (losses)	<u>(568,446)</u>	<u>698,290</u>
	(429,136)	860,937
Total earnings from investment activities excluding custodian and similar funds	<u>\$ (437,251)</u>	<u>\$ 2,924,802</u>

**NOTE 4 - PLEDGES RECEIVABLE AND PAYABLE**

Pledges receivable are as follows at June 30, 2008:

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

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**NOTE 4 - PLEDGES RECEIVABLE AND PAYABLE (Continued),**

Pledges receivable are as follows at June 30, 2007:

	Annual Appeal	Holy Spirit School	Total
Due within one year	\$ -	\$ 152,124	\$ 152,124
Due in one to five years	-	-	-
	<u>-</u>	<u>152,124</u>	<u>152,124</u>
Less discount for present value	-	(7,850)	(7,850)
	<u>-</u>	<u>144,274</u>	<u>144,274</u>
Less allowance for doubtful accounts	-	(31,070)	(31,070)
Total Pledges Receivable	<u>\$ -</u>	<u>\$ 113,204</u>	<u>\$ 113,204</u>
Annual campaign pledges payable from CAO to parished as of June 30, 2007	<u>\$ 16,724</u>	<u>\$ -</u>	<u>\$ 16,724</u>

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

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

	2008		2007
		2008	\$ 1,725,044
2009	\$ 1,420,347	2009	1,414,010
2010	1,471,268	2010	1,490,385
2011	1,429,515	2011	1,442,125
2012	1,336,818	2012	1,414,006
2013	1,261,198		
Thereafter	<u>21,634,475</u>	Thereafter	<u>23,928,549</u>
Subtotal	<u>28,553,621</u>		<u>31,414,119</u>
Less allowance for loan losses and valuation reserves	<u>(3,992,555)</u>		<u>(3,364,480)</u>
Total	<u>\$ 24,561,066</u>		<u>\$ 28,049,639</u>

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

The CAO advances funds for construction projects to parishes and schools but does not set terms of repayment until these projects are complete. As of June 30, 2008 and 2007, there are no construction loans outstanding. Undistributed commitments to loan for cemetery and parish construction projects are \$350,000 at June 30, 2008 and \$400,000 at June 30, 2007.

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 3,364,480	\$ 3,431,694
Loans charged off	-	-
Recoveries	-	-
Present Value adjustment	901,867	(279,673)
Provisions for loan losses	(273,792)	212,459
Balance, end of year	<u>\$ 3,992,555</u>	<u>\$ 3,364,480</u>

Impaired loans were \$14,484,000 and \$7,861,249 at June 30, 2008 and 2007, respectively. The average recorded investment in impaired loans during 2008 was \$11,187,000 and during 2007 was \$7,918,300. The allowance for loan losses and the present value discount related to these loans was \$3,706,000 in 2008 and \$2,804,151 in 2007.

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**NOTE 6 - LAND, BUILDINGS AND EQUIPMENT**

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

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

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**NOTE 6 - LAND, BUILDINGS AND EQUIPMENT (Continued)**

Land, building and equipment consist of the following at June 30, 2007:

	Operating Fund	Cemetery Fund	Priest Retirement Fund	Holy Spirit School	Total
Buildings and Improvements	\$ 29,875,304	\$ 5,123,163	\$ -	\$ 11,644,814	\$ 46,643,281
Leasehold improvements	1,337,310	-	400,058	-	1,737,368
Furniture and fixtures	1,437,213	416,982	-	917,347	2,771,542
Vehicles	58,982	930,217	-	-	989,199
Equipment	-	706,835	-	-	706,835
Other improvements	154,276	-	-	-	154,276
	<u>32,863,085</u>	<u>7,177,197</u>	<u>400,058</u>	<u>12,562,161</u>	<u>53,002,501</u>
Less accumulated depreciation	(8,783,186)	(3,596,625)	(400,058)	(2,755,988)	(15,535,857)
	<u>24,079,899</u>	<u>3,580,572</u>	<u>-</u>	<u>9,806,713</u>	<u>37,466,644</u>
Land					
Sites for future parishes and institutions	2,844,253	-	-	-	2,844,253
Land under operating leases (see Note 11)	613,588	-	-	-	613,588
Operating properties	5,168,858	700,854	-	-	5,869,712
	<u>8,626,699</u>	<u>700,854</u>	<u>-</u>	<u>-</u>	<u>9,327,553</u>
Construction in progress	-	185,751	-	-	185,751
Total land, buildings and equipment	<u>\$ 32,706,598</u>	<u>\$ 4,467,177</u>	<u>\$ -</u>	<u>\$ 9,806,173</u>	<u>\$ 46,979,948</u>

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**NOTE 7 - SECURED LETTER OF CREDIT FACILITY AND UNSECURED DEBENTURES**

On December 1, 1999, the CAO concluded the sale of unsecured debentures with proceeds totaling \$19,240,000 and issuance costs of \$995,590. Proceeds from the sale of the unsecured debentures were used to build Holy Spirit Elementary School, to finance earthquake retrofit improvements at various parish and school facilities, for general corporate purposes and to pay costs of issuance. Principal and interest on the unsecured debentures are being paid from contributions.

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

This process also allowed the CAO to borrow an additional \$5,500,000 that enabled it to purchase a fully leased investment office property that the CAO intends to use as office space on termination of the leases in 2009 on the space currently occupied by tenants.

Covenants

The CAO of the Roman Catholic Diocese of San Jose must comply with covenants including maintenance of specific ratios and timely submission of audited financial statements. The CAO was in compliance with these requirements at June 30, 2008 and 2007.

Aggregate maturities of the unsecured debentures are as follows:

2009	\$	655,000
2010		870,000
2011		870,000
2012		870,000
2013		870,000
Thereafter		18,340,000
Subtotal		<u>22,475,000</u>
Valuation of SWAP		801,201
Total debentures payable	\$	<u><u>23,276,201</u></u>

In June of 2006, the CAO entered into an interest rate SWAP (derivative) agreement for \$20,000,000 of the outstanding \$23,905,000 of bond indebtedness, exchanging a weekly floating London Interbank Offered Rate (LIBOR) based rate of 2.66% at June 30, 2007 for a fixed rate of 5.36% and an amortization period of 20 years. The fair value (i.e., gain or loss) of the derivative agreement would be recorded as either an asset or liability in the statement of financial position and the change in fair value recognized in the statement of activities. The derivative agreement is recognized on the CAO's financial statements as of June 30, 2008 because of the \$801,201 differential in values.

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**NOTE 7 - SECURED LETTER OF CREDIT FACILITY AND UNSECURED DEBENTURES**  
(Continued)

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

**NOTE 8 - NOTES PAYABLE AND LINES OF CREDIT**

Notes payable consist of the following at June 30:

	<u>2008</u>	<u>2007</u>
Term loan from Wells Fargo Bank, due March 1, 2012. Interest fixed at Libor + 2.25%, or 5.25% at April 1, 2007. Principal payments of \$29,000 per month.	\$ 1,305,000	\$ 1,653,000
Plus amount representing imputed interest on SWAP liability on Wells Fargo Bank Note	62,806	-
Non-interest bearing obligation to The Archdiocese of San Francisco, payable in annual installments of \$100,000 through 2020 and the balance due in 2021. The Value of this note has been determined based on an imputed Interest rate of 5.6%	970,734	1,051,500
<b>Total</b>	<b>\$ 2,338,540</b>	<b>\$ 2,704,500</b>

Aggregate maturities of notes payable as of June 30, 2008 are as follows:

2009	\$ 448,000
2010	448,000
2011	448,000
2012	361,000
2013	100,000
Thereafter	831,960
	2,636,960
Plus amount representing imputed interest on SWAP liability on Wells Fargo Bank Notice	62,806
Less amount representing imputed interest included above	(361,226)
	<b>\$ 2,338,540</b>



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**NOTE 9 - RESTRICTED NET ASSETS**

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

	<u>2008</u>	<u>2007</u>
Current Funds:		
Operating (time and purpose restrictions)	\$ 662,790	\$ 711,672
Fund Raising Funds:		
Annual appeal programs and general operations (time restriction)	6,614,491	6,504,885
Holy Spirit School:		
Endowments for scholarships (time and purpose restrictions)	362,243	418,836
Endowment Fund-cummulative earnings:		
Trust agreements and scholarships (purpose restrictions)	3,412,860	4,443,010
	<u>\$ 11,052,384</u>	<u>\$ 12,078,403</u>

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

	<u>2008</u>	<u>2007</u>
Priest retirement and seminarian education	\$ 793,800	\$ 793,800
Scholarships	2,825,780	2,671,414
	<u>\$ 3,619,580</u>	<u>\$ 3,465,214</u>

**NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets released from restrictions during 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
Purpose restrictions accomplished	\$ 576,839	\$ 170,985
Time restrictions expired	5,501,697	4,691,651
Total restrictions released	<u>\$ 6,078,536</u>	<u>\$ 4,862,636</u>

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**NOTE 11- FUTURE MINIMUM RENTAL INCOME**

In October 1987, the CAO entered into an 85 year lease which allowed the lessee to build and operate a continuing care retirement home on land owned by the CAO. First year base rent of \$480,000 was paid in October 1987. Base rent of \$600,000 was paid in October 1988, for the second year. Lease payments of \$7,180,000 were received during 1990. Lease payments of \$1,000,000 were due each October 1, from 1995 through 1999. The payments received in 1990 and later years are being recognized as income ratably (approximately \$144,578 annually) over the remaining term of the lease. Amounts to be recognized in future periods are recorded as deferred revenue. Deferred revenue associated with the lease was \$9,176,476 and \$9,320,988 at June 30, 2008 and 2007, respectively.

The CAO is the lessor of certain other rental properties. Future minimum rental income from long-term non-cancelable operating leases as of June 30, 2008 are as follows:

	Year Ending June 30
2009	\$ 466,702
2010	178,615
2011	147,098
2012	144,578
2013	144,578
Thereafter	8,566,263
	<u>\$ 9,647,834</u>

Rental income recognized for 2008 and 2007 was \$999,001 and \$970,214, respectively.

**NOTE 12 - 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 2008 and 2007 was \$852,571 and \$877,196, respectively.

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

	Year Ending June 30
2009	\$ 809,302
2010	311,946
2011	106,000
2012	106,000
2013	106,000
Thereafter	494,667
	<u>\$ 1,933,915</u>

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**NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)**

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 \$137,305 for 2008 and \$99,019 for 2007.

The CAO has entered into several construction agreements on behalf of various parishes and schools. At June 30, 2008, total commitments are \$12,428,873. The total amount expended as of June 30, 2008 on these commitments was \$3,844,832. All expenditures incurred with respect to these construction agreements are expenditures of the various parishes and schools and cemeteries.

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

**NOTE 13 -POSTRETIREMENT BENEFITS OTHER THAN PENSIONS**

The CAO sponsors a postretirement Medicare supplemental plan for retired priests who are eligible to receive Medicare. The plan pays medical costs not covered by Parts A and B of Medicare. The plan assumes that the priest has full Medicare coverage. In addition, the plan pays 90% of prescription drug costs. The maximum annual payout is \$7,500. The plan also pays 90% of reasonable and customary charges for dental benefits, with a \$35 deductible and maximum benefits of \$2,000 per year. The plan also pays vision benefits, with a \$25 deductible on eye exams.

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

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

**CENTRAL ADMINISTRATIVE OFFICE OF THE  
ROMAN CATHOLIC DIOCESE OF SAN JOSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007**

**NOTE 13 - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS (Continued)**

**Funded Status**

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

	Fiscal Year Ended <u>June 30, 2008</u>	Fiscal Year Ended <u>June 30, 2007</u>
Accumulated postretirement benefit obligation for service rendered to date	\$ (4,582,000)	\$ (5,057,000)
Plan assets at fair value	<u>1,854,000</u>	<u>1,628,000</u>
Funded status as of end of year	<u>(2,728,000)</u>	<u>(3,429,000)</u>
Liability for postretirement benefits	<u>\$ (2,728,000)</u>	<u>\$ (3,429,000)</u>

**Amounts recognized in the statement of financial position consist of:**

	Fiscal Year Ended <u>June 30, 2008</u>	Fiscal Year Ended <u>June 30, 2007</u>
Noncurrent assets	\$ -	\$ -
Current liabilities	-	-
Noncurrent liabilities	<u>(2,728,000)</u>	<u>(3,429,000)</u>
	<u>\$ (2,728,000)</u>	<u>\$ (3,429,000)</u>

**Amounts recognized in unrestricted net assets consist of:**

	Fiscal Year Ended <u>June 30, 2008</u>	Fiscal Year Ended <u>June 30, 2007</u>
Net loss (gain)	\$ 1,979,000	\$ 2,892,000
Net transition obligation (asset)	<u>96,000</u>	<u>148,000</u>
	<u>\$ 2,075,000</u>	<u>\$ 3,040,000</u>

**CENTRAL ADMINISTRATIVE OFFICE OF THE  
ROMAN CATHOLIC DIOCESE OF SAN JOSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007**

**NOTE 13 - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS (Continued)**

**Net Periodic Postretirement Benefit Cost**

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

	Fiscal Year Ended <u>June 30, 2008</u>	Fiscal Year Ended <u>June 30, 2007</u>
Service cost-benefits earned during the period	\$ 159,000	\$ 105,000
Interest cost on projected benefit obligation	309,000	223,000
Actual return on plan assets	73,000	(152,000)
Net amortization and deferral	<u>30,000</u>	<u>226,000</u>
Net periodic postretirement benefit cost	<u>\$ 571,000</u>	<u>\$ 402,000</u>

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

	Fiscal Year Ended <u>June 30, 2008</u>	Fiscal Year Ended <u>June 30, 2007</u>
Effect of implementation of SFAS 158	\$ N/A	\$ 3,040,000
Net loss (gain)	(764,000)	N/A
Prior service cost (credit)	0	N/A
Amortization of loss (gain)	(149,000)	N/A
Amortization of prior service cost (credit)	0	N/A
Amortization of transition obligation	(52,000)	N/A
Total recognized in unrestricted net assets	<u>\$ (965,000)</u>	<u>\$ 3,040,000</u>
Total recognized in net periodic benefit cost and unrestricted net assets	<u>\$ (394,000)</u>	<u>\$ 3,442,000</u>

**CENTRAL ADMINISTRATIVE OFFICE OF THE  
ROMAN CATHOLIC DIOCESE OF SAN JOSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007**

**NOTE 13 - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS (Continued)**

**Assumptions**

Assumptions Used to Determine Net Postretirement Benefit Cost

	Fiscal Year Ended <u>June 30, 2008</u>	Fiscal Year Ended <u>June 30, 2007</u>
Discount rate	6.25%	6.25%
Expected long-term rate of return on assets	6.00%	6.00%
Future Health Cost Inflation Rate	5.50%	5.50%

Assumption Used to Determine Benefit Obligations at Year-End

	Fiscal Year Ended <u>June 30, 2008</u>	Fiscal Year Ended <u>June 30, 2007</u>
Discount rate	6.75%	6.25%
Future Health Cost Inflation Rate	5.50%	5.50%

**Cash Flows**

**Estimated Future Benefit Payments**

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

Fiscal Year Ending June 30	Annual
2009	\$ 214,000
2010	235,000
2011	251,000
2012	266,000
2013	278,000
2014 – 2018	<u>1,591,000</u>
	<u>\$ 2,835,000</u>

**CENTRAL ADMINISTRATIVE OFFICE OF THE  
ROMAN CATHOLIC DIOCESE OF SAN JOSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007**

**NOTE 14 – PENSION PLANS**

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

**I. LAY EMPLOYEES**

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

Although the Diocese is exempt from the funding requirements of ERISA, it has been the Diocese's practice to make contributions annually to the plan that are not less than the pre-ERISA minimum funding requirement as applicable to churches, and not in excess of the amount that could be deducted for federal income tax purposes, assuming the Diocese was not exempt from taxation. In general, it has been the policy of the Diocese to fund any unfunded past service liability over no more than 30 years.

The CAO administers the plan and assesses each of the participating entities its portion of estimated annual pension cost. Contributions of \$8,087,000 and \$6,229,000 were made to the plan during the years ended June 30, 2008 and June 30, 2007, respectively. Benefit payments of \$4,114,000 and \$3,475,000 were made from the plan during the years ended June 30, 2008 and June 30, 2007, respectively. The Diocese expects to contribute \$8,982,000 to the pension plan during the fiscal year ending June 30, 2009.

**Plan Asset Investment Strategy and Allocation**

The asset allocation for the pension plan as of June 30, 2008 and June 30, 2007 and the target allocation, by asset category, are:

<u>Asset Category</u>	<u>Policy Asset Allocation Range</u>	<u>Policy Benchmark Asset Allocation</u>	<u>Actual Percentage of Plan Assets at June 30</u>	
			<u>2008</u>	<u>2007</u>
Equities	25-65%	60%	62%	57%
Fixed Income	25-50%	30%	36%	41%
Cash Equivalent	0-50%	10%	2%	2%

**CENTRAL ADMINISTRATIVE OFFICE OF THE  
ROMAN CATHOLIC DIOCESE OF SAN JOSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007**

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**NOTE 14 – PENSION PLANS (Continued)**

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

The Diocese employs a methodical process to determine the estimates of expected long-term rate of return on assets. These estimates are primarily driven by actual historical asset-class returns and advice from external actuarial and investment consulting firms while incorporating specific asset-class risk factors. For the fiscal years ending June 30, 2007 and June 30, 2008, the expected long-term rate of return used in determining net periodic pension cost was 7.75%.

**2. PRIESTS**

**A. Retirement Plan**

The CAO also sponsors a defined benefit pension plan for all Diocesan priests who are ordained for or incardinated in the Diocese and in good standing and not on probation. The plan provides benefits based on a flat benefit prorated for years and months of service less than 35 years.

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

Contributions of \$521,000 and \$544,000 were made to the plan in the years ended June 30, 2008 and 2007 respectively, by the parishes, schools or other units to which the participating clergy were assigned. Benefit payments of \$654,000 and \$642,000 were made from the plan during the years ended June 30, 2008 and 2007, respectively. The Diocese expects to contribute \$518,000 to the pension plan during the fiscal year ending June 30, 2009.



**CENTRAL ADMINISTRATIVE OFFICE OF THE  
ROMAN CATHOLIC DIOCESE OF SAN JOSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007**

**NOTE 14 – PENSION PLANS (Continued)**

**Plan Asset Investment Strategy and Allocation**

The asset allocation for the pension plan as of June 30, 2008 and June 30, 2007 and the target allocation, by asset category, are:

<u>Asset Category</u>	<u>Policy Asset Allocation Range</u>	<u>Policy Benchmark Asset Allocation</u>	<u>Actual Percentage of Plan Assets at June 30</u>	
			<u>2008</u>	<u>2007</u>
Equities	25-65%	60%	62%	60%
Fixed Income	25-60%	30%	36%	38%
Cash Equivalents	0-50%	10%	2%	2%

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

The Diocese employs a methodical process to determine the estimates of expected long-term rate of return on assets. These estimates are primarily driven by actual historical asset-class returns and advice from external actuarial and investment consulting firms while incorporating specific asset-class risk factors. For the fiscal years ending June 30, 2007 and June 30, 2008, the expected long-term rate of return used in determining net periodic pension cost was 7.5%.

**B. Supplemental Plan**

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

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

**CENTRAL ADMINISTRATIVE OFFICE OF THE  
ROMAN CATHOLIC DIOCESE OF SAN JOSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007**

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**NOTE 14 – PENSION PLANS (Continued)**

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

Contributions of \$241,000 and \$208,000 were made to the plan in the years ended June 30, 2008 and 2007, respectively, by the parishes, schools or other units to which the participating clergy were assigned. Benefit payments of \$201,000 and \$173,000 were made from the plan during the years ended June 30, 2008 and 2007, respectively. The Diocese expects to contribute \$208,000 to the pension plan during the fiscal year ending June 30, 2009.

**Plan Asset Investment Strategy and Allocation**

Plan assets for the supplemental plan are insufficient to necessitate an independent investment policy. As of June 30, 2008, 42% of plan assets were invested in a balanced mutual fund and the balance in cash equivalents. As of June 30, 2007, 63% of plan assets were invested in a balanced mutual fund and the balance in cash equivalents.

CENTRAL ADMINISTRATIVE OFFICE OF THE  
ROMAN CATHOLIC DIOCESE OF SAN JOSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007

**NOTE 14 - PENSION PLANS (Continued)**  
**TABLE 1 - FUNDED STATUS**

The funded status of the plans and the net amount recognized in the statement of financial position at June 30, 2008 and 2007 are as follows:

	Lay Retirement Plan		Priests Retirement Plan		Priests Supplemental Plan	
	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2007	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2007	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2007
Vested benefit obligation	\$ (116,716,000)	\$ (114,045,000)	\$ (9,382,000)	\$ (9,410,000)	\$ (1,971,000)	\$ (1,901,000)
Accumulated benefit obligation	\$ (120,949,000)	\$ (118,219,000)	\$ (9,575,000)	\$ (9,624,000)	\$ (1,979,000)	\$ (1,919,000)
Projected benefit obligation	\$ (137,375,000)	\$ (132,648,000)	\$ (11,744,000)	\$ (11,397,000)	\$ (2,316,000)	\$ (2,141,000)
Plan assets at fair value	76,713,000	73,940,000	5,553,000	5,947,000	991,000	965,000
Funding status of the Plan	\$ (60,662,000)	\$ (58,708,000)	\$ (6,191,000)	\$ (5,450,000)	\$ (1,325,000)	\$ (1,176,000)
Net amount recognized	\$ (60,662,000)	\$ (58,708,000)	\$ (6,191,000)	\$ (5,450,000)	\$ (1,325,000)	\$ (1,176,000)
Allocated portions of net amount recognized						
Central Administrative Office	\$ (2,649,000)	\$ (2,565,000)	\$ (6,191,000)	\$ (5,450,000)	\$ (1,325,000)	\$ (1,176,000)
Cemeteries (lay plan only)	(1,091,000)	(1,051,000)	N/A	N/A	N/A	N/A
Holy Spirit School (lay plan only)	(1,044,000)	(975,000)	N/A	N/A	N/A	N/A

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

CENTRAL ADMINISTRATIVE OFFICE OF THE  
ROMAN CATHOLIC DIOCESE OF SAN JOSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007

**NOTE 14 - PENSION PLANS (Continued)**

**TABLE 2 - AMOUNTS RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION**

The amount recognized in the statement of financial position at June 30, 2008 and 2007 consist of:

	Lay Retirement Plan		Priests Retirement Plan		Priests Supplemental Plan	
	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2007	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2007	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2007
Noncurrent assets	\$ 0	0 \$	0	0 \$	0	0
Current liabilities	0	0	0	0	0	0
Noncurrent liabilities	(60,662,000)	(58,708,000)	(6,191,000)	(5,450,000)	(1,325,000)	(1,176,000)
Total	<u>\$ (60,662,000)</u>	<u>\$ (58,708,000)</u>	<u>\$ (6,191,000)</u>	<u>\$ (5,450,000)</u>	<u>\$ (1,325,000)</u>	<u>\$ (1,176,000)</u>

**TABLE 3 - AMOUNTS RECOGNIZED IN UNRESTRICTED NET ASSETS**

The amounts recognized in unrestricted net assets at June 30, 2008 and 2007 consist of:

	Lay Retirement Plan		Priests Retirement Plan		Priests Supplemental Plan	
	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2007	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2007	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2007
Net loss (gain)	\$ 30,531,000	\$ 30,224,000	\$ 40,000	\$ (637,000)	\$ 1,121,000	\$ 843,000
Net transition obligation (asset)	0	0	364,000	546,000	6,000	55,000
Prior service cost (credit)	(3,006,000)	(3,436,000)	1,623,000	1,772,000	270,000	306,000
	<u>\$ 27,525,000</u>	<u>\$ 26,788,000</u>	<u>\$ 2,027,000</u>	<u>\$ 1,681,000</u>	<u>\$ 1,397,000</u>	<u>\$ 1,204,000</u>

CENTRAL ADMINISTRATIVE OFFICE OF THE  
ROMAN CATHOLIC DIOCESE OF SAN JOSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007

**NOTE 14 - PENSION PLANS (Continued)**

**TABLE 4 - NET PERIODIC PENSION COST**

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

	Lay Retirement Plan		Priests Retirement Plan		Priests Supplemental Plan	
	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2007	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2007	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2007
Service cost-benefits earned during the period	\$ 5,784,000	\$ 5,271,000	\$ 332,000	\$ 320,000	\$ 0	\$ 0
Interest cost on projected benefit obligation	8,145,000	7,556,000	689,000	688,000	128,000	148,000
Actual return on plan assets	952,000	(8,146,000)	195,000	(675,000)	10,000	(102,000)
Net amortization and deferral	(5,577,000)	5,149,000	(300,000)	607,000	59,000	205,000
Net periodic pension cost	\$ 9,304,000	\$ 9,830,000	\$ 916,000	\$ 940,000	\$ 197,000	\$ 251,000
Allocated portions of net periodic pension cost (benefit)						
Central Administrative Office	\$ 84,000	\$ 620,000	\$ 916,000	\$ 940,000	\$ 197,000	\$ 251,000
Cemeteries (lay plan only)	40,000	264,000	N/A	N/A	N/A	N/A
Holy Spirit School (lay plan only)	69,000	459,000	N/A	N/A	N/A	N/A

CENTRAL ADMINISTRATIVE OFFICE OF THE  
ROMAN CATHOLIC DIOCESE OF SAN JOSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007

**NOTE 14 - PENSION PLANS (Continued)**

**TABLE 5 - OTHER CHANGES IN PLAN ASSETS AND BENEFIT OBLIGATIONS RECOGNIZED IN UNRESTRICTED NET ASSETS**

The amounts recognized in unrestricted net assets as June 30, 2008 and 2007 consist of:

	Lay Retirement Plan		Priests Retirement Plan		Priests Supplemental Plan	
	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2007	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2007	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2007
Effect of implementation of SFAS 158	\$ N/A	\$ 10,189,000	\$ N/A	\$ 1,681,000	\$ N/A	\$ 192,000
Net loss (gain)	2,003,000	N/A	677,000	N/A	320,000	N/A
Prior service cost (credit)	0	N/A	0	N/A	0	N/A
Amortization of loss (gain)	(1,696,000)	N/A	0	N/A	(42,000)	N/A
Amortization of prior service cost (credit)	430,000	N/A	(149,000)	N/A	(36,000)	N/A
Amortization of transition obligation	0	N/A	(182,000)	N/A	(49,000)	N/A
Total recognized in unrestricted net assets	\$ 737,000	\$ 10,189,000	\$ 346,000	\$ 1,681,000	\$ 193,000	\$ 192,000
Total recognized in net periodic benefit cost and unrestricted net assets	\$ 10,041,000	\$ 20,019,000	\$ 1,262,000	\$ 2,621,000	\$ 390,000	\$ 443,000

CENTRAL ADMINISTRATIVE OFFICE OF THE  
 ROMAN CATHOLIC DIOCESE OF SAN JOSE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2008 AND 2007

NOTE 14 - PENSION PLANS (Continued)

TABLE 6 -ASSUMPTIONS

	Lay Retirement Plan		Priests Retirement Plan		Priests Supplemental Plan	
	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2007	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2007	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2007
<b>For Net Periodic Pension Cost:</b>						
Discount Rate	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%
Expected long-term rate of return on assets	7.75%	7.75%	7.50%	7.50%	6.00%	6.00%
Salary scale	4.50%	4.50%	N/A	N/A	N/A	N/A
Future Benefit Increases	N/A	N/A	2.00%	2.00%	2.00%	2.00%
<b>For Benefit Obligation At Year End:</b>						
Discount Rate	6.80%	6.25%	6.75%	6.25%	6.75%	6.25%
Salary Scale	5.00%	4.50%	N/A	N/A	N/A	N/A
Future Benefit Increases	N/A	N/A	2.00%	2.00%	2.00%	2.00%

**CENTRAL ADMINISTRATIVE OFFICE OF THE  
ROMAN CATHOLIC DIOCESE OF SAN JOSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007**

**NOTE 14 - PENSION PLANS (Continued)**

**TABLE 7 - ESTIMATED FUTURE BENEFIT PAYMENTS**

Fiscal Year Ending June 30	Lay Retirement Plan (annual benefits)	Priests Retirement Plan (annual benefits)	Priests Supplemental Plan (annual benefits)
2009	\$ 5,356,000	\$ 747,000	\$ 210,000
2010	5,834,000	765,000	202,000
2011	6,280,000	755,000	194,000
2012	6,883,000	819,000	216,000
2013	7,617,000	805,000	209,000
2014-2018	<u>51,489,000</u>	<u>4,444,000</u>	<u>961,000</u>
	<u>\$ 83,459,000</u>	<u>\$ 8,335,000</u>	<u>\$ 1,992,000</u>



**CENTRAL ADMINISTRATIVE OFFICE OF THE  
ROMAN CATHOLIC DIOCESE OF SAN JOSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007**

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**NOTE 15 -RELATED PARTY TRANSACTIONS**

The CAO performs various administrative services, including payroll processing, for various parishes and schools. Fees received for these services were \$597,354 for the year ending June 30, 2008 and \$569,141 for the year ending June 30, 2007. The CAO paid \$225,893 in the fiscal year 2008 and \$296,365 in the fiscal year 2007 for the benefit of St. Joseph's Cathedral parish to support the operations of the Cathedral. The CAO, through the Deposit and Loan Funds, makes loans to eligible employees for amounts not exceeding \$10,000 payable by automatic withdrawal over a term of 4 years. The loans are only for purposes indicated in the Employee Loan Policy. The net amounts outstanding at June 30, 2008 were \$316,619 and at June 30, 2007 were \$285,540. The loan rates are the same as those charged for loans to parishes and schools.

**NOTE 16 - SELF-INSURED RISK**

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

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

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

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

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

**NOTE 17 – SUBSEQUENT EVENTS**

Land Purchase and Option Agreements

Subsequent to year end, the Organization entered into an agreement to purchase land in southern Santa Clara County for \$4,000,000 for the construction of a secondary school. The Organization also acquired an option, at a cost of \$50,000, to purchase an additional 20 acres for \$3,600,000.

**SUPPLEMENTARY INFORMATION**

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

EMERITUS

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



CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

Daniel C. Moors  
Randy G. Peterson  
David R. Sheets  
Robert W. Smiley  
Suzanne M. Weber

INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTARY INFORMATION

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

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

*Berger/Lewis Accountancy Corporation*

BERGER/LEWIS ACCOUNTANCY CORPORATION  
San Jose, California  
October 15, 2008

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

	Current Fund	Service Funds	Cemetery Fund	Endowment Fund	Priest Retirement Funds	Pooled Investment Fund	Deposit and Loan Funds	Fundraising Funds	Holy Spirit School	Eliminations	Total
<b>ASSETS</b>											
Cash and cash equivalents	\$ 3,925,567	\$ 4,988,987	\$ 326,969	\$ 361,001	\$ 754,354	\$ -	\$ 15,800,671	\$ 6,452,239	\$ 1,725,279	\$ -	\$ 34,333,067.00
Marketable securities	1,045,968	5,727,447	1,598,416	4,583,338	68,991	5,467,551	-	-	-	-	18,494,211
Receivables	11,733	157,736	-	-	-	-	-	-	-	-	169,469
Parishes and institutions (net of allowance for doubtful accounts of \$30,460)	-	-	-	-	-	-	-	1,475,628	48,229	-	1,523,857
Pledges (net of allowance for doubtful accounts and valuation reserves of \$38,920)	-	-	-	-	-	-	-	-	-	-	2,980,919
Other (net of allowance for doubtful accounts and valuation reserves of \$569,155)	1,385,391	-	1,044,283	90,539	-	-	459,303	-	1,353	-	9,264,238
Inventory	-	-	9,181,655	-	-	-	-	-	82,583	-	-
Loans receivable from parishes and institutions (net of allowance for doubtful accounts of \$3,992,555)	-	-	-	-	-	-	36,561,361	-	-	(12,000,295)	24,561,066
Debtenture issuance costs (net of amortization of \$27,315)	-	-	-	-	-	-	425,349	-	-	-	425,349
Deposits and prepaid expenses	42,018	356,067	1,700	3,190,528	-	-	-	-	34,776	-	434,561
Marketable securities held for long-term purposes	-	-	-	232,072	-	-	-	-	405,508	-	3,596,036
Investment in real estate	1,137,045	-	607,144	-	-	-	-	-	-	-	839,216
Assets held in trust	103,359	1,701,816	8,914,730	913,632	-	-	-	149,147	-	-	1,286,192
Interest bearing intrafund deposits	-	-	-	-	-	-	-	11,380	1,414,304	(13,059,221)	-
Land, buildings and equipment (net of accumulated depreciation)	32,186,232	-	4,256,590	-	5,510	-	-	-	9,322,485	-	45,770,817
Total assets	\$ 39,837,313	\$ 12,932,053	\$ 25,931,487	\$ 9,373,660	\$ 828,855	\$ 5,467,551	\$ 53,246,684	\$ 8,088,394	\$ 13,032,517	\$ (25,059,516)	\$ 143,678,998
<b>LIABILITIES &amp; NET ASSETS</b>											
<b>Liabilities</b>											
Accounts payable	\$ 687,467	\$ 133,351	\$ 153,632	\$ -	\$ -	\$ -	\$ 133,055	\$ 11,954	\$ 30,027	\$ -	\$ 1,528,247
Pledges payable to parishes and others	-	-	-	-	-	-	-	1,075,051	-	-	1,075,051
Accrued liabilities	2,808,099	3,050,003	1,253,796	6,081	11,768,786	-	33,857	229,734	1,388,727	-	20,539,083
Deposits payable	-	-	-	-	-	-	42,352,047	-	-	(13,059,221)	29,292,826
Debtentures payable	5,687,481	-	-	-	-	-	17,588,720	-	-	-	23,276,201
Notes payable	-	-	2,338,540	-	-	-	-	-	12,000,295	(12,000,295)	2,338,540
Trust assets held for parish	1,137,045	-	-	-	-	-	-	149,147	-	-	1,286,192
Held for parishes and institutions	2,706,806	-	295	-	-	-	-	-	-	-	8,174,652
Deferred revenue	9,176,476	-	3,483,102	-	-	5,467,551	-	-	848,942	-	13,508,520
Due to (from) other funds	(579,845)	-	97,795	600,944	(118,894)	-	-	-	-	-	-
Total liabilities	21,623,529	3,183,354	7,327,160	607,025	12,028,653	5,467,551	60,107,679	1,465,886	14,267,991	(25,059,516)	101,019,312
<b>Net assets (deficit)</b>											
Unrestricted	16,051,739	7,345,842	12,866,072	-	(11,199,798)	-	(6,860,995)	8,016	(3,152,839)	-	15,057,987
Designated	1,499,255	2,402,857	-	2,163,248	-	-	-	-	1,126,120	-	7,191,480
Funds functioning as endowment	-	-	-	-	-	-	-	-	-	-	5,738,255
-Cemetery endowment care	662,790	-	5,738,255	3,412,859	-	-	-	6,614,492	362,243	-	11,052,384
Temporarily restricted	-	-	-	3,190,528	-	-	-	-	429,052	-	3,619,580
Permanently restricted	-	-	-	-	-	-	-	-	-	-	-
Total net assets (deficit)	18,213,784	9,748,699	18,604,327	8,766,635	(11,199,798)	-	(6,860,995)	6,622,508	(1,235,474)	-	42,659,686
Total liabilities and net assets	\$ 39,837,313	\$ 12,932,053	\$ 25,931,487	\$ 9,373,660	\$ 828,855	\$ 5,467,551	\$ 53,246,684	\$ 8,088,394	\$ 13,032,517	\$ (25,059,516)	\$ 143,678,998

CENTRAL ADMINISTRATIVE OFFICE OF THE  
ROMAN CATHOLIC DIOCESE OF SAN JOSE  
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - ALL FUNDS  
JUNE 30, 2007

	Current Fund	Service Funds	Cemetery Fund	Endowment Fund	Priest Retirement Funds	Pooled Investment Fund	Deposit and Loan Funds	Fundraising Funds	Holy Spirit School	Eliminations	Total
<b>ASSETS</b>											
Cash and cash equivalents	\$ 4,220,190	\$ 3,296,886	\$ 760,786	\$ 308,655	\$ -	\$ -	\$ 12,106,107	\$ 6,743,244	\$ 870,520	\$ -	\$ 28,306,488
Marketable securities	1,159,800	3,593,757	1,712,430	5,655,274	73,147	6,133,093	-	-	16,436	-	18,343,937
Receivables	-	-	-	-	-	-	-	-	-	-	-
Parishes and institutions (net of allowance for doubtful accounts of \$30,460)	30,863	135,233	-	-	-	-	-	-	-	-	166,096
Pledges (net of allowance for doubtful accounts and valuation reserves of \$38,920)	-	-	-	-	-	-	-	-	113,204	-	113,204
Other (net of allowance for doubtful accounts and valuation reserves of \$569,155)	1,236,153	-	81,345	-	-	-	823,224	-	-	-	2,140,722
Inventory	-	-	8,729,266	-	-	-	-	-	31,818	-	8,761,084
Loans receivable from parishes and institutions (net of allowance for doubtful accounts of \$3,364,480)	-	-	-	-	-	-	40,499,934	-	-	(12,450,295)	28,049,639
Debtenture issuance costs (net of amortization of \$27,315)	-	-	-	-	-	-	440,958	-	-	-	440,958
Deposits and prepaid expenses	95,732	268,268	133	3,043,662	-	-	78,892	-	22,499	-	465,524
Marketable securities held for long-term purposes	-	-	-	232,072	-	-	-	-	421,552	-	3,465,214
Investment in real estate	-	-	607,144	-	-	-	-	-	-	-	839,216
Assets held in trust	1,278,168	-	-	-	-	-	-	107,036	-	-	1,385,204
Interest bearing irrevocable deposits	115,991	1,619,738	8,388,317	869,567	-	-	-	10,831	1,903,766	(12,908,210)	1,385,204
Land, buildings and equipment (net of accumulated depreciation)	-	-	4,467,177	-	-	-	-	-	9,806,173	-	46,979,948
Total assets	\$ 40,843,495	\$ 8,913,882	\$ 24,746,598	\$ 10,109,230	\$ 73,147	\$ 6,133,093	\$ 53,949,115	\$ 6,861,211	\$ 13,185,968	\$ (25,358,505)	\$ 139,457,234
<b>LIABILITIES &amp; NET ASSETS</b>											
<b>Liabilities</b>											
Accounts payable	\$ 743,554	\$ 110,260	\$ 313,699	\$ (95,712)	\$ 18,486	\$ -	\$ 2,757	\$ 4,971	\$ 4,592	\$ -	\$ 1,102,607
Pledges payable to parishes and others	-	-	-	-	-	-	-	16,724	-	-	16,724
Accrued liabilities	2,849,490	1,271,456	1,167,327	1,105	10,825,721	-	80,486	226,594	1,300,254	-	17,722,433
Deposits payable	-	-	-	-	-	-	40,777,815	-	-	(12,908,210)	27,869,605
Debtentures payable	5,500,000	-	-	-	-	-	18,405,000	-	-	-	23,905,000
Notes payable	-	-	2,704,500	-	-	-	-	107,036	12,450,295	-	2,704,500
Trust assets held for parishes	1,278,168	-	-	-	-	6,133,093	-	-	-	-	1,385,204
Hold for parishes and institutions	2,812,867	-	-	-	-	-	-	-	935,905	-	8,945,960
Deferred revenue	9,320,988	-	2,388,639	-	-	-	-	-	-	-	12,645,582
Due to (from) other funds	(59,790)	(524,407)	97,795	609,648	(123,246)	-	-	-	-	-	-
Total liabilities	22,445,277	857,309	6,672,010	515,041	10,720,961	6,133,093	59,266,058	355,325	14,691,046	(25,358,505)	96,297,615
<b>Net assets (deficit)</b>											
<b>Unrestricted</b>											
Undesignated	16,152,299	5,709,502	12,983,524	-	(10,647,814)	-	(5,316,943)	1,000	(3,266,586)	-	15,614,982
Designated	1,534,247	2,347,071	-	2,107,518	-	-	-	-	921,120	-	6,909,956
Funds functioning as endowment	-	-	-	-	-	-	-	6,504,886	-	-	5,091,064
-Cemetery endowment care	711,672	-	5,091,064	4,443,009	-	-	-	-	418,836	-	12,078,403
Temporarily restricted	-	-	-	3,043,662	-	-	-	-	421,552	-	3,465,214
Permanently restricted	-	-	-	-	-	-	(5,316,943)	6,505,886	(1,505,078)	-	43,159,619
Total net assets (deficit)	18,398,218	8,056,573	18,074,588	9,594,189	(10,647,814)	-	53,949,115	6,861,211	13,185,968	(25,358,505)	139,457,234
Total liabilities and net assets	\$ 40,843,495	\$ 8,913,882	\$ 24,746,598	\$ 10,109,230	\$ 73,147	\$ 6,133,093	\$ 53,949,115	\$ 6,861,211	\$ 13,185,968	\$ (25,358,505)	\$ 139,457,234

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, 2008

	Current Fund	Service Funds	Cemetery Fund	Endowment Fund	Priest Retirement Funds	Deposit and Loan Funds	Fundraising Funds	Holy Spirit School	Eliminations	Total
<b>Revenues</b>										
Gifts, bequests and collections	\$ 381,370	\$ -	\$ -	\$ 140,858	\$ 6,570	\$ 1,035,000	\$ 5,436,606	\$ 1,259,500	\$ -	\$ 8,259,704
Fees and expense reimbursements	625,232	597,355	-	-	1,248,983	-	-	-	-	2,471,570
Diocesan assessments	2,924,868	-	-	-	-	-	-	-	-	2,924,868
Education revenues	951,392	-	-	-	-	-	-	3,472,714	(34,142)	4,389,964
Rental income	854,130	-	67,492	72,979	-	-	-	4,400	-	999,001
Investment income	(15,923)	(313,420)	188,637	(561,558)	(16,776)	474,991	255,230	36,693	(485,125)	(437,251)
Interest income from loans	-	-	-	-	-	750,213	-	-	-	750,213
Insurance premiums	-	18,916,470	-	-	-	-	-	-	-	18,916,470
Newspaper income	367,203	-	5,229,325	-	-	-	-	-	-	3,672,033
Cemetery revenues	-	-	110,925	-	-	-	-	-	-	5,229,325
Other income	87,760	-	-	-	-	-	-	3,118	-	201,803
<b>Total revenues</b>	<b>6,176,032</b>	<b>19,200,405</b>	<b>5,596,379</b>	<b>(347,721)</b>	<b>1,238,777</b>	<b>2,260,204</b>	<b>5,691,836</b>	<b>4,776,225</b>	<b>(519,267)</b>	<b>44,072,870</b>
<b>Expenses</b>										
Pastoral	4,362,631	-	-	-	-	-	-	-	-	4,362,631
Religious and personnel development	2,794,155	-	-	-	-	-	-	-	-	2,794,155
Education	858,215	-	-	349,650	-	-	-	3,155,843	(34,142)	4,329,566
Pension, priest retirement	-	-	-	-	2,647,615	-	-	-	-	2,647,615
Administrative	1,603,633	882,746	-	224	-	627,752	-	642,317	-	3,756,672
Depreciation	646,433	6,236	239,285	-	-	-	7,960	600,187	-	1,500,101
Interest expense	570,971	-	222,427	-	-	3,178,291	-	-	(485,125)	3,486,564
Insurance premiums and benefits	-	16,619,296	-	-	-	-	-	-	-	16,619,296
Newspaper	396,525	-	-	-	-	-	-	-	-	396,525
Cemetery	-	-	4,626,418	-	-	-	-	-	-	4,626,418
Fundraising	-	-	-	-	-	-	909,985	108,274	-	1,018,259
<b>Total expenses</b>	<b>11,232,563</b>	<b>17,508,278</b>	<b>5,088,130</b>	<b>349,874</b>	<b>2,647,615</b>	<b>3,806,043</b>	<b>917,945</b>	<b>4,506,621</b>	<b>(519,267)</b>	<b>45,537,802</b>
<b>Change in net assets before transfers</b>	<b>(5,056,531)</b>	<b>1,692,127</b>	<b>508,249</b>	<b>(697,595)</b>	<b>(1,408,838)</b>	<b>(1,545,839)</b>	<b>4,773,891</b>	<b>269,604</b>	<b>-</b>	<b>(1,464,932)</b>
<b>Transfers</b>										
Annual appeal transfer	4,634,269	-	-	-	-	-	(4,634,269)	-	-	-
Annual appeal distribution	-	-	-	-	23,000	-	(23,000)	-	-	-
Other transfers	237,829	-	21,490	(129,959)	(131,147)	1,787	-	-	-	-
<b>Total transfers</b>	<b>4,872,098</b>	<b>-</b>	<b>21,490</b>	<b>(129,959)</b>	<b>(108,147)</b>	<b>1,787</b>	<b>(4,637,269)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increase in Net Assets before effect of adoption of FASB Statement No. 158</b>	<b>(184,433)</b>	<b>1,692,127</b>	<b>529,739</b>	<b>(827,554)</b>	<b>(1,516,985)</b>	<b>(1,544,052)</b>	<b>116,622</b>	<b>269,604</b>	<b>-</b>	<b>(1,464,932)</b>
<b>Effect of adoption of FASB Statement No. 158 on prior period Net Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>965,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>965,000</b>
<b>Increase (decrease) in Net Assets</b>	<b>(184,433)</b>	<b>1,692,127</b>	<b>529,739</b>	<b>(827,554)</b>	<b>(551,985)</b>	<b>(1,544,052)</b>	<b>116,622</b>	<b>269,604</b>	<b>-</b>	<b>(499,932)</b>
<b>Net assets (deficit) at beginning of the year</b>	<b>18,398,218</b>	<b>8,056,573</b>	<b>18,074,588</b>	<b>9,594,189</b>	<b>(10,647,814)</b>	<b>(5,316,943)</b>	<b>6,505,886</b>	<b>(1,505,078)</b>	<b>-</b>	<b>43,159,619</b>
<b>Net assets (deficit) at end of year</b>	<b>\$ 18,213,784</b>	<b>\$ 12,932,053</b>	<b>\$ 18,604,327</b>	<b>\$ 8,766,635</b>	<b>\$ (11,199,798)</b>	<b>\$ (6,860,995)</b>	<b>\$ 6,622,508</b>	<b>\$ (1,235,474)</b>	<b>\$ -</b>	<b>\$ 42,659,686</b>

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, 2007

	Current Fund	Service Funds	Cemetery Fund	Endowment Fund	Priest Retirement Funds	Deposit and Loan Funds	Fundraising Funds	Holy Spirit School	Eliminations	Total
<b>Revenues</b>										
Gifts, bequests and collections	\$ 565,112	\$ -	\$ -	\$ 113,879	\$ 6,070	\$ 88,433	\$ 5,441,775	\$ 1,171,633	\$ -	\$ 7,386,902
Fees and expense reimbursements	691,159	569,142	-	-	1,179,200	-	-	-	-	2,439,501
Diocesan assessments	2,802,720	-	-	-	-	-	-	-	-	2,802,720
Education revenues	976,956	-	-	-	-	-	-	3,314,174	-	4,291,130
Rental income	824,194	-	78,284	66,898	-	-	-	838	-	970,214
Investment income	192,831	489,705	502,556	1,277,533	(16,163)	501,049	282,893	130,950	(435,952)	2,924,802
Interest income from loans	-	17,476,835	-	-	-	1,068,161	-	-	-	1,068,161
Insurance premiums	-	-	-	-	-	-	-	-	-	17,476,835
Newspaper income	378,787	-	-	-	-	-	-	-	-	378,787
Cemetery revenues	-	-	5,401,316	-	-	-	-	-	-	5,401,316
Other income	72,160	(7,603)	122,624	-	-	-	-	(19,233)	-	167,948
<b>Total revenues</b>	<b>6,503,919</b>	<b>18,528,079</b>	<b>6,104,780</b>	<b>1,458,310</b>	<b>1,169,107</b>	<b>1,657,643</b>	<b>5,724,668</b>	<b>4,597,762</b>	<b>(435,952)</b>	<b>45,308,316</b>
<b>Expenses</b>										
Pastoral	3,933,098	-	-	-	-	-	-	-	-	3,933,098
Religious and personnel development	2,471,496	-	-	-	-	-	-	-	-	2,471,496
Education	886,924	-	-	268,950	-	-	-	2,936,605	-	4,092,479
Pension, priest retirement	-	-	-	-	817,845	-	-	-	-	817,845
Administrative	1,830,389	723,920	-	-	-	(65,828)	-	647,892	-	3,136,373
Depreciation	705,668	6,262	315,007	-	-	-	7,992	576,070	-	1,610,999
Interest expense	394,791	-	96,048	-	-	2,559,737	-	-	(435,952)	2,614,624
Insurance premiums and benefits	-	15,443,918	-	-	-	-	-	-	-	15,443,918
Newspaper	380,539	-	-	-	-	-	-	-	-	380,539
Cemetery	-	-	4,880,968	-	-	-	-	-	-	4,880,968
Fundraising	-	-	-	-	-	-	430,622	112,998	-	543,620
<b>Total expenses</b>	<b>10,602,905</b>	<b>16,174,100</b>	<b>5,292,023</b>	<b>268,950</b>	<b>817,845</b>	<b>2,493,909</b>	<b>438,614</b>	<b>4,273,565</b>	<b>(435,952)</b>	<b>39,925,959</b>
<b>Change in net assets before transfers</b>	<b>(4,098,986)</b>	<b>2,353,979</b>	<b>812,757</b>	<b>1,189,360</b>	<b>351,262</b>	<b>(836,266)</b>	<b>5,286,054</b>	<b>324,197</b>	<b>-</b>	<b>5,382,357</b>
<b>Transfers</b>										
Annual appeal transfer	4,273,485	-	-	-	-	-	(4,273,485)	-	-	-
Annual appeal distribution	-	-	-	-	47,000	-	(47,000)	-	-	-
Other transfers	201,095	-	-	(71,692)	(120,403)	-	(9,000)	-	-	-
<b>Total transfers</b>	<b>4,474,580</b>	<b>-</b>	<b>-</b>	<b>(71,692)</b>	<b>(73,403)</b>	<b>-</b>	<b>(4,329,485)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increase in Net Assets before effect of adoption of FASB Statement No. 158</b>	<b>375,594</b>	<b>2,353,979</b>	<b>812,757</b>	<b>1,117,668</b>	<b>277,859</b>	<b>(836,266)</b>	<b>956,569</b>	<b>324,197</b>	<b>-</b>	<b>5,382,357</b>
<b>Effect of adoption of FASB Statement No. 158 on prior period Net Assets</b>	<b>(396,092)</b>	<b>(47,394)</b>	<b>(194,964)</b>	<b>-</b>	<b>(5,925,000)</b>	<b>-</b>	<b>(14,256)</b>	<b>(339,068)</b>	<b>-</b>	<b>(6,916,774)</b>
<b>Increase (decrease) in Net Assets</b>	<b>(20,498)</b>	<b>2,306,585</b>	<b>617,793</b>	<b>1,117,668</b>	<b>(5,647,141)</b>	<b>(836,266)</b>	<b>942,313</b>	<b>(14,871)</b>	<b>-</b>	<b>(1,534,417)</b>
<b>Net assets (deficit) at beginning of the year</b>	<b>17,667,426</b>	<b>5,749,987</b>	<b>17,456,795</b>	<b>9,227,811</b>	<b>(5,000,672)</b>	<b>(4,480,677)</b>	<b>5,563,573</b>	<b>(1,490,207)</b>	<b>-</b>	<b>44,694,036</b>
<b>Intrafund Transfers of Net Assets</b>	<b>751,290</b>	<b>-</b>	<b>(751,290)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets (deficit) at end of year</b>	<b>\$ 18,398,218</b>	<b>\$ 8,056,573</b>	<b>\$ 18,074,588</b>	<b>\$ 9,594,189</b>	<b>\$ (10,647,814)</b>	<b>\$ (5,316,943)</b>	<b>\$ 6,505,886</b>	<b>\$ (1,505,078)</b>	<b>\$ -</b>	<b>\$ 43,159,619</b>

**CENTRAL ADMINISTRATIVE OFFICE OF THE ROMAN CATHOLIC DIOCESE OF SAN JOSE**  
**STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS**  
**CURRENT FUNDS**  
**JUNE 30, 2008 AND 2007**

	2008			2007		
	Operating Fund	Newspaper Fund	Total	Operating Fund	Newspaper Fund	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 5,253,791	\$ (1,328,224)	\$ 3,925,567	\$ 5,024,088	\$ (803,898)	\$ 4,220,190
Marketable securities	1,045,968	-	1,045,968	1,159,800	-	1,159,800
Receivables - Parishes/Institutions						
Parishes and institutions (net of allowance for doubtful accounts of \$614 in 2008 and \$4,975 in 2007)	11,733	-	11,733	30,863	-	30,863
Other receivables (net of allowance for doubtful accounts of \$1,477 in 2008 and \$8,682 in 2007)	1,361,783	23,608	1,385,391	1,206,167	29,986	1,236,153
Deposits and prepaid expenses	42,018	-	42,018	95,732	-	95,732
Assets held in trust	1,137,045	-	1,137,045	1,278,168	-	1,278,168
Land, buildings and equipment	32,186,232	-	32,186,232	32,706,598	-	32,706,598
Interest bearing intrafund deposits	103,359	-	103,359	115,991	-	115,991
Total assets	<u>\$ 41,141,929</u>	<u>\$ (1,304,616)</u>	<u>\$ 39,837,313</u>	<u>\$ 41,617,407</u>	<u>\$ (773,912)</u>	<u>\$ 40,843,495</u>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>						
Accounts payable	\$ 681,540	\$ 5,927	\$ 687,467	\$ 738,696	\$ 4,858	\$ 743,554
Accrued liabilities	2,601,207	206,892	2,808,099	2,643,008	206,482	2,849,490
Debentures Payable	5,687,481	-	5,687,481	5,500,000	-	5,500,000
Trust assets held for parishes	1,137,045	-	1,137,045	1,278,168	-	1,278,168
Held for parishes and institutions	2,706,806	-	2,706,806	2,812,867	-	2,812,867
Deferred revenue	9,176,476	-	9,176,476	9,320,988	-	9,320,988
Due to (from) other funds	(579,845)	-	(579,845)	(584,197)	524,407	(59,790)
Total liabilities	<u>21,410,710</u>	<u>212,819</u>	<u>21,623,529</u>	<u>21,709,530</u>	<u>735,747</u>	<u>22,445,277</u>
Net assets (deficit)						
Unrestricted						
Undesignated	17,569,174	(1,517,435)	16,051,739	17,661,958	(1,509,659)	16,152,299
Designated	1,499,255	-	1,499,255	1,534,247	-	1,534,247
Temporarily restricted	662,790	-	662,790	711,672	-	711,672
Total net assets (deficit)	<u>19,731,219</u>	<u>(1,517,435)</u>	<u>18,213,784</u>	<u>19,907,877</u>	<u>(1,509,659)</u>	<u>18,398,218</u>
Total liabilities and net assets (deficit)	<u>\$ 41,141,929</u>	<u>\$ (1,304,616)</u>	<u>\$ 39,837,313</u>	<u>\$ 41,617,407</u>	<u>\$ (773,912)</u>	<u>\$ 40,843,495</u>



CENTRAL ADMINISTRATIVE OFFICE OF THE ROMAN CATHOLIC DIOCESE OF SAN JOSE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
CURRENT FUNDS  
YEARS ENDED JUNE 30, 2008 AND 2007

	2008			2007		
	Operating Fund	Newspaper Fund	Total	Operating Fund	Newspaper Fund	Total
<b>Revenues</b>						
Gifts, bequests and collections	\$ 381,369	\$ -	\$ 381,369	\$ 565,111	\$ -	\$ 565,111
Fees and expense reimbursements	625,232	-	625,232	691,159	-	691,159
Diocesan Assessments	2,924,868	-	2,924,868	2,802,720	-	2,802,720
Education revenues	951,392	-	951,392	976,956	-	976,956
Rental income	854,130	-	854,130	824,194	-	824,194
Investment income	25,792	(41,715)	(15,923)	232,713	(39,881)	192,832
Newspaper income	-	367,203	367,203	-	378,787	378,787
Other income	16,382	71,378	87,760	17,032	55,128	72,160
<b>Total revenues</b>	<b>5,779,165</b>	<b>396,866</b>	<b>6,176,031</b>	<b>6,109,885</b>	<b>394,034</b>	<b>6,503,919</b>
<b>Expenses</b>						
Pastoral	4,362,631	-	4,362,631	3,933,098	-	3,933,098
Religious and Personnel Development	2,794,155	-	2,794,155	2,471,496	-	2,471,496
Education	858,215	-	858,215	886,924	-	886,924
Administrative	1,603,633	-	1,603,633	1,830,389	-	1,830,389
Depreciation	638,316	8,117	646,433	697,518	8,149	705,667
Interest Expense	570,971	-	570,971	394,791	-	394,791
Newspaper	-	396,525	396,525	-	380,539	380,539
<b>Total expenses</b>	<b>10,827,921</b>	<b>404,642</b>	<b>11,232,563</b>	<b>10,214,216</b>	<b>388,688</b>	<b>10,602,904</b>
<b>Change in net assets before transfers</b>	<b>(5,048,756)</b>	<b>(7,776)</b>	<b>(5,056,532)</b>	<b>(4,104,331)</b>	<b>5,346</b>	<b>(4,098,985)</b>
<b>Transfers</b>						
Annual appeal transfer	4,634,269	-	4,634,269	4,273,485	-	4,273,485
Annual appeal distribution	-	-	-	-	-	-
Other transfers	237,829	-	237,829	201,094	-	201,094
<b>Total transfers</b>	<b>4,872,098</b>	<b>-</b>	<b>4,872,098</b>	<b>4,474,579</b>	<b>-</b>	<b>4,474,579</b>
<b>Increase in Net Assets before effect of adoption of FASB Statement No. 158</b>	<b>(176,658)</b>	<b>(7,776)</b>	<b>(184,434)</b>	<b>370,248</b>	<b>5,346</b>	<b>375,594</b>
<b>Effect of adoption of FASB Statement No. 158 on prior period Net Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(370,249)</b>	<b>(25,843)</b>	<b>(396,092)</b>
<b>Increase (decrease) in Net Assets</b>	<b>(176,658)</b>	<b>(7,776)</b>	<b>(184,434)</b>	<b>(1)</b>	<b>(20,497)</b>	<b>(20,498)</b>
<b>Net assets (deficit) at beginning of the year</b>	<b>19,907,877</b>	<b>(1,509,659)</b>	<b>18,398,218</b>	<b>19,156,588</b>	<b>(1,489,162)</b>	<b>17,667,426</b>
<b>Intrafund Transfers of Net Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>751,290</b>	<b>-</b>	<b>751,290</b>
<b>Net assets (deficit) at end of year</b>	<b>\$ 19,731,219</b>	<b>\$ (1,517,435)</b>	<b>\$ 18,213,784</b>	<b>\$ 19,907,877</b>	<b>\$ (1,509,659)</b>	<b>\$ 18,398,218</b>

CENTRAL ADMINISTRATIVE OFFICE OF THE ROMAN CATHOLIC DIOCESE OF SAN JOSE  
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS  
SERVICE FUNDS  
YEARS ENDED JUNE 30, 2008 AND 2007

ASSETS	2008			2007		
	Payroll Fund	Benefit Fund	Comprehensive Insurance Fund	Payroll Fund	Benefit Fund	Comprehensive Insurance Fund
Cash and cash equivalents	\$ 635,441	\$ 3,916,528	\$ 437,018	\$ 473,189	\$ 2,197,392	\$ 626,305
Marketable securities	-	1,292,911	4,434,536	-	476,494	3,117,263
Receivables	-	-	-	-	-	-
Parishes and institutions (net of allowance for doubtful accounts of \$0 in 2008 and \$9,841 in 2007)	72,247	68,027	17,462	5,340	85,668	44,225
Other receivables	-	-	-	-	-	-
Deposits and prepaid expenses	-	-	356,067	-	-	268,268
Interest bearing intrafund deposits	-	921,504	780,312	-	877,060	742,678
Total assets	\$ 707,688	\$ 6,198,970	\$ 6,025,395	\$ 478,529	\$ 3,636,614	\$ 4,798,739
			\$ 12,932,053			\$ 8,913,882
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>						
Accounts payable	\$ 117,382	\$ 9,917	\$ 6,052	\$ 98,752	\$ 4,124	\$ 7,384
Accrued liabilities	51,582	973,495	2,024,926	55,674	74,615	1,141,167
Due to (from) other funds	-	-	-	-	(524,407)	-
Total liabilities	168,964	983,412	2,030,978	154,426	(445,668)	1,148,551
Net assets (deficit)			3,183,354			857,509
Unrestricted						
Undesignated	538,724	4,999,575	1,807,543	324,103	3,902,112	1,483,287
Designated	-	215,983	2,186,874	-	180,170	2,166,901
Total net assets (deficit)	538,724	5,215,558	3,994,417	324,103	4,082,282	3,650,188
Total liabilities and net assets (deficit)	\$ 707,688	\$ 6,198,970	\$ 6,025,395	\$ 478,529	\$ 3,636,614	\$ 4,798,739
			\$ 12,932,053			\$ 8,913,882

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

YEARS ENDED JUNE 30, 2008 AND 2007

	2008			2007				
	Payroll Fund	Benefit Fund	Comprehensive Insurance Fund	Total	Payroll Fund	Benefit Fund	Comprehensive Insurance Fund	Total
<b>Revenues</b>								
Fees and expense reimbursements	\$ 597,354	\$ -	\$ -	\$ 597,354	\$ 569,140	\$ -	\$ -	\$ 569,140
Investment income	17,465	56,272	(387,157)	(313,420)	11,199	157,812	320,694	489,705
Insurance premiums	-	14,536,880	4,379,590	18,916,470	-	12,515,228	4,961,607	17,476,835
Other income	-	-	-	-	-	(7,603)	-	(7,603)
<b>Total revenues</b>	<u>614,819</u>	<u>14,593,152</u>	<u>3,992,433</u>	<u>19,200,404</u>	<u>580,339</u>	<u>12,665,437</u>	<u>5,282,301</u>	<u>18,528,077</u>
<b>Expenses</b>								
Administrative	343,097	89,077	450,572	882,746	247,228	46,796	429,895	723,919
Depreciation	3,024	1,065	2,147	6,236	3,036	1,070	2,155.44	6,261
Interest Expense	-	-	-	-	-	-	-	-
Insurance premiums and benefits	54,077	13,369,734	3,195,485	16,619,296	90,772	12,190,004	3,163,142	15,443,918
<b>Total expenses</b>	<u>400,198</u>	<u>13,459,876</u>	<u>3,648,204</u>	<u>17,508,278</u>	<u>341,036</u>	<u>12,237,870</u>	<u>3,595,192</u>	<u>16,174,098</u>
Increase in Net Assets before effect of adoption of FASB Statement No. 158	<u>214,621</u>	<u>1,133,276</u>	<u>344,229</u>	<u>1,692,126</u>	<u>239,303</u>	<u>427,567</u>	<u>1,687,109</u>	<u>2,353,979</u>
Effect of adoption of FASB Statement No. 158 on prior period Net Assets	-	-	-	-	(7,900)	(7,266)	(32,227)	(47,393)
Increase (decrease) in Net Assets	<u>214,621</u>	<u>1,133,276</u>	<u>344,229</u>	<u>1,692,126</u>	<u>231,403</u>	<u>420,301</u>	<u>1,654,882</u>	<u>2,306,586</u>
Net assets at beginning of the year	<u>324,103</u>	<u>4,082,282</u>	<u>3,650,188</u>	<u>8,056,573</u>	<u>92,700</u>	<u>3,661,981</u>	<u>1,995,306</u>	<u>5,749,987</u>
<b>Net assets at end of year</b>	<u>\$ 538,724</u>	<u>\$ 5,215,558</u>	<u>\$ 3,994,417</u>	<u>\$ 9,748,699</u>	<u>\$ 324,103</u>	<u>\$ 4,082,282</u>	<u>\$ 3,650,188</u>	<u>\$ 8,056,573</u>

CENTRAL ADMINISTRATIVE OFFICE OF THE ROMAN CATHOLIC DIOCESE OF SAN JOSE  
 STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS  
 PRIEST RETIREMENT FUNDS  
 YEAR ENDED JUNE 30, 2008 AND 2007

ASSETS	2008				2007			
	Priest Retirement Fund	Supplemental Plan Fund	Post Retirement Fund	Total	Priest Retirement Fund	Supplemental Plan Fund	Post Retirement Fund	Total
Cash and cash equivalents	\$ 754,354	\$ -	\$ -	\$ 754,354	\$ -	\$ -	\$ -	\$ -
Marketable securities	68,991	-	-	68,991	73,147	-	-	73,147
Land, buildings and equipment	5,510	-	-	5,510	-	-	-	-
Interest bearing intrafund deposits	-	-	-	-	-	-	-	-
Total assets	\$ 828,855	\$ -	\$ -	\$ 828,855	\$ 73,147	\$ -	\$ -	\$ 73,147
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>								
Accounts payable	\$ 375,716	\$ -	\$ 3,045	\$ 378,761	\$ 8,724	\$ -	\$ 9,762	\$ 18,486
Accrued liabilities	6,224,704	1,588,724	3,955,358	11,768,786	5,170,669	1,500,743	4,154,309	10,825,721
Due to (from) other funds	(118,894)	-	-	(118,894)	(123,246)	-	-	(123,246)
Total liabilities	6,481,526	1,588,724	3,958,403	12,028,653	5,056,147	1,500,743	4,164,071	10,720,961
Net assets (deficit)								
Unrestricted								
Undesignated	(5,652,671)	(1,588,724)	(3,958,403)	(11,199,798)	(4,983,000)	(1,500,743)	(4,164,071)	(10,647,814)
Total net assets (deficit)	(5,652,671)	(1,588,724)	(3,958,403)	(11,199,798)	(4,983,000)	(1,500,743)	(4,164,071)	(10,647,814)
Total liabilities and net assets (deficit)	\$ 828,855	\$ -	\$ -	\$ 828,855	\$ 73,147	\$ -	\$ -	\$ 73,147

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

YEARS ENDED JUNE 30, 2008 AND 2007

	2008			2007		
	Priest Retirement Fund	Supplemental Plan Fund	Post Retirement Fund	Priest Retirement Fund	Supplemental Plan Fund	Post Retirement Fund
<b>Revenues</b>			<b>Total</b>			<b>Total</b>
Gifts, bequests and collections	\$ -	\$ 6,570	\$ 6,570	\$ -	\$ 6,070	\$ 6,070
Fees and expense reimbursements	1,248,983	-	1,248,983	1,179,088	110	1,179,198
Investment income	26,214	(10,750)	(32,239)	33,443	(17,795)	(31,810)
Total revenues	1,275,197	(4,180)	1,238,778	1,212,531	(11,615)	1,169,106
<b>Expenses</b>						
Pension, priest retirement	1,288,721	390,801	968,093	985,693	(761,573)	593,725
Total expenses	1,288,721	390,801	2,647,615	985,693	(761,573)	817,845
Change in net assets before transfers	(13,524)	(394,981)	(1,408,837)	226,838	749,958	(625,535)
<b>Transfers</b>						
Annual appeal distribution	23,000	-	23,000	47,000	-	-
Other transfers	(679,147)	307,000	(131,147)	(594,403)	208,000	266,000
Total transfers	(656,147)	307,000	(108,147)	(547,403)	208,000	266,000
Increase (decrease) in Net Assets before effect of adoption of FASB Statement No. 158	(669,671)	(87,981)	(759,332)	(320,565)	957,958	277,858
Effect of adoption of FASB Statement No. 158 on prior period Net Assets	-	-	965,000	(1,681,000)	(1,204,000)	(3,040,000)
Increase (decrease) in Net Assets	(669,671)	(87,981)	(551,984)	(2,001,565)	(246,042)	(3,399,535)
Net assets (deficit) at beginning of the year	(4,983,000)	(1,500,743)	(10,647,814)	(2,981,435)	(1,254,701)	(5,000,672)
Net assets (deficit) at end of year	\$ (5,652,671)	\$ (1,588,724)	\$ (3,958,403)	\$ (4,983,000)	\$ (1,500,743)	\$ (10,647,814)

**CENTRAL ADMINISTRATIVE OFFICE OF THE ROMAN CATHOLIC DIOCESE OF SAN JOSE**  
**STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS**  
**FUNDRAISING FUNDS**  
**JUNE 30, 2008 AND 2007**

ASSETS	2008				2007			
	Annual Appeal Fund	Fundraising Fund	Charitable Gift Annuities	Total	Annual Appeal Fund	Fundraising Fund	Charitable Gift Annuities	Total
Cash and cash equivalents	\$ 6,285,787	\$ 166,452	\$ -	\$ 6,452,239	\$ 6,579,367	\$ 163,977	\$ -	\$ 6,743,344
Pledges (net of allowance for doubtful accounts of \$10,000 in 2008 and \$0 in 2007)	1,475,628	-	-	1,475,628	-	-	-	-
Assets held in trust	-	-	149,147	149,147	-	-	107,036	107,036
Interest bearing intrafund deposits	-	11,380	-	11,380	-	10,831	-	10,831
Total assets	\$ 7,761,415	\$ 177,832	\$ 149,147	\$ 8,088,394	\$ 6,579,367	\$ 174,808	\$ 107,036	\$ 6,861,211
<b>LIABILITIES AND NET ASSETS</b>								
Accounts payable	\$ 5,908	\$ 6,046	\$ -	\$ 11,954	\$ 1,687	\$ 3,284	\$ -	\$ 4,971
Pledges payable to parishes and others	1,075,051	-	-	1,075,051	16,724	-	-	16,724
Trust assets held for Parish	-	-	149,147	149,147	-	-	107,036	107,036
Accrued liabilities	65,964	163,770	-	229,734	56,070	170,524	-	226,594
Total liabilities	1,146,923	169,816	149,147	1,465,886	74,481	173,808	107,036	355,325
Net assets (deficit)								
Unrestricted	-	8,016	-	8,016	-	1,000	-	1,000
Undesignated	6,614,492	-	-	6,614,492	6,504,886	-	-	6,504,886
Temporarily restricted	6,614,492	8,016	-	6,622,508	6,504,886	1,000	-	6,505,886
Total net assets (deficit)	\$ 7,761,415	\$ 177,832	\$ 149,147	\$ 8,088,394	\$ 6,579,367	\$ 174,808	\$ 107,036	\$ 6,861,211
Total liabilities and net assets								

CENTRAL ADMINISTRATIVE OFFICE OF THE ROMAN CATHOLIC DIOCESE OF SAN JOSE  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 FUNDRAISING FUNDS  
 YEARS ENDED JUNE 30, 2008 AND 2007

	2008		2007	
	Fundraising Fund	Annual Appeal	Fundraising Fund	Annual Appeal
<b>Revenues</b>		<b>Total</b>		<b>Total</b>
Gifts, bequests and collections	\$ 77,000	\$ 5,436,606	\$ 182,810	\$ 5,441,775
Investment income	3,533	251,697	3,163	282,893
Total revenues	80,533	5,691,836	185,973	5,724,668
<b>Expenses</b>				
Depreciation	3,604	4,356	3,618	7,992
Fundraising	194,313	715,672	230,956	430,622
Total expenses	197,917	720,028	234,574	438,614
<b>Other gains</b>				
Total other gains	-	-	-	-
Change in net assets before transfers	(117,384)	4,773,891	(48,601)	5,286,054
<b>Transfers</b>				
Annual appeal transfer	-	(4,634,269)	-	(4,273,485)
Annual appeal distribution	124,400	(147,400)	167,126	(214,126)
Other	-	-	(9,000)	(9,000)
Total transfers	124,400	(4,781,669)	158,126	(4,329,485)
Increase in Net Assets before effect of adoption of FASB Statement No. 158	7,016	109,606	109,525	956,569
Effect of adoption of FASB Statement No. 158 on prior period Net Assets	-	-	(968)	(14,256)
Increase (decrease) in Net Assets	7,016	109,606	108,557	942,313
Net assets (deficit) at beginning of the year	1,000	6,504,886	(107,557)	5,563,573
Net assets (deficit) at end of year	\$ 8,016	\$ 6,614,492	\$ 1,000	\$ 6,504,886
		\$ 6,622,508		\$ 6,505,886

CENTRAL ADMINISTRATIVE OFFICE OF THE ROMAN CATHOLIC DIOCESE OF SAN JOSE  
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS  
DEPOSIT AND LOAN FUNDS  
JUNE 30, 2008 AND 2007

ASSETS	2008			2007		
	Loan and Deposit		Employee Loan	Loan and Deposit		Employee Loan
	Fund	Total		Fund	Total	
Cash and cash equivalents	\$ 15,467,268	\$ 333,403	\$ 15,800,671	\$ 11,769,369	\$ 336,738	\$ 12,106,107
Receivables						
Other receivables (net of allowance for doubtful accounts and valuation reserves of \$55,292 in 2008 and \$55,015 in 2007)	142,684	316,619	459,303	537,684	285,540	823,224
Loans receivable from parishes and institutions (net of allowance for doubtful accounts and valuation reserves of \$3,992,555 in 2008 and \$3,364,480 in 2007)	36,561,361	-	36,561,361	40,499,934	-	40,499,934
Deposits and prepaid expenses	-	-	-	78,892	-	78,892
Debtenture issue costs (net of accumulated amortization of \$42,924 in 2008 and \$27,315 in 2007)	425,349	-	425,349	440,958	-	440,958
Total assets	<u>\$ 52,596,662</u>	<u>\$ 650,022</u>	<u>\$ 53,246,684</u>	<u>\$ 53,326,837</u>	<u>\$ 622,278</u>	<u>\$ 53,949,115</u>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>						
Accounts payable	\$ 133,055	\$ -	\$ 133,055	\$ 2,757	\$ -	\$ 2,757
Accrued liabilities	33,857	-	33,857	80,486	-	80,486
Deposits payable	42,352,047	-	42,352,047	40,777,815	-	40,777,815
Debtentures payable	17,588,720	-	17,588,720	18,405,000	-	18,405,000
Total liabilities	60,107,679	-	60,107,679	59,266,058	-	59,266,058
Net assets (deficit)						
Unrestricted						
Undesignated	(7,511,017)	650,022	(6,860,995)	(5,939,221)	622,278	(5,316,943)
Total net assets (deficit)	(7,511,017)	650,022	(6,860,995)	(5,939,221)	622,278	(5,316,943)
Total liabilities and net assets (deficit)	<u>\$ 52,596,662</u>	<u>\$ 650,022</u>	<u>\$ 53,246,684</u>	<u>\$ 53,326,837</u>	<u>\$ 622,278</u>	<u>\$ 53,949,115</u>



CENTRAL ADMINISTRATIVE OFFICE OF THE ROMAN CATHOLIC DIOCESE OF SAN JOSE  
 STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
 DEPOSIT AND LOAN FUNDS  
 YEARS ENDED JUNE 30, 2008 AND 2007

	2008			2007		
	Deposit and Loan Fund	Employee Loan Fund	Total	Deposit and Loan Fund	Employee Loan Fund	Total
Revenues						
Gifts, bequests and collections	\$ 1,035,000	\$ -	\$ 1,035,000	\$ 88,433	\$ -	\$ 88,433
Investment income	464,387	10,604	474,991	485,671	15,378	501,049
Interest income from loans	732,796	17,417	750,213	1,051,998	16,163	1,068,161
Total revenues	2,232,183	28,021	2,260,204	1,626,102	31,541	1,657,643
Expenses						
Administrative	627,475	277	627,752	(67,117)	1,289	(65,828)
Interest expense	3,178,291	-	3,178,291	2,559,737	-	2,559,737
Total expenses	3,805,766	277	3,806,043	2,492,620	1,289	2,493,909
Change in net assets before transfers	(1,573,583)	27,744	(1,545,839)	(866,518)	30,252	(836,266)
Transfers						
Other transfers	1,787	-	1,787	-	-	-
Total transfers	1,787	-	1,787	-	-	-
Increase (decrease) in Net Assets	(1,571,796)	27,744	(1,544,052)	(866,518)	30,252	(836,266)
Net assets (deficit) at beginning of the year	(5,939,221)	622,278	(5,316,943)	(5,072,703)	592,026	(4,480,677)
Net assets (deficit) at end of year	\$ (7,511,017)	\$ 650,022	\$ (6,860,995)	\$ (5,939,221)	\$ 622,278	\$ (5,316,943)