Report of Independent Auditors and Consolidated Financial Statements with Supplementary Information

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

June 30, 2017 and 2016

MOSSADAMS

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Report of Independent Auditors

To the Most Reverend Patrick J. McGrath
Central Administrative Office of the Roman Catholic Diocese of San Jose and Affiliate

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Central Administrative Office of the Roman Catholic Diocese of San Jose and Affiliate ("CAO"), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Central Administrative Office of the Roman Catholic Diocese of San Jose and Affiliate as of June 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 20 to the consolidated financial statements, the CAO has restated its 2016 financial statements to include the accounts and activities of The St. Katharine Drexel School Initiative. Our opinion is not modified with respect to this matter.

Moss Adams LLP

San Francisco, California
February 1, 2018

Consolidated Financial Statements

Central Administrative Office of
The Roman Catholic Diocese of San Jose and Affiliate
Consolidated Statements of Financial Position
June 30, 2017 and 2016

	2017	2016 As Restated
ASSETS		
Cash and cash equivalents	$ 54,612,320	$ 60,019,524
Marketable securities	102,643,154	83,433,680
Receivables		
Receivables from parishes and institutions (net of allowance for doubtful accounts as of June 30, 2017 and 2016, of $1,130,664 and $413,950, respectively)	3,938,073	3,805,886
Pledges (net of allowance for doubtful accounts and valuation reserves as of June 30, 2017 and 2016, of $530,539 and $180,414, respectively)	6,148,299	3,284,342
Other (net of allowance for doubtful accounts and valuation reserves as of June 30, 2017 and 2016, of $130,180 and $363,509, respectively)	10,712,487	10,845,878
Deposits and prepaid expenses	452,684	415,018
Inventory	8,125,069	8,992,284
Loans receivable from parishes and institutions in Deposit and Loan Fund (net of allowance for doubtful accounts and valuation reserves as of June 30, 2017 and 2016, of $5,018,462 and $2,109,759, respectively)	20,763,435	26,549,344
Marketable securities held for long-term purposes	4,287,868	4,444,717
Investment in real estate	5,812,072	5,812,072
Assets held in trust	572,694	626,150
Land, buildings and equipment (net of accumulated depreciation of $19,811,332 in 2017 and $21,081,856 in 2016)	52,710,688	53,696,534
Total assets	$ 270,778,843	$ 261,925,429
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 3,042,414	$ 1,998,777
Pledges payable to parishes	1,874,402	2,425,813
Accrued liabilities	31,632,601	39,289,466
Deposits payable to parishes	69,253,203	53,026,034
Notes payable	9,416,662	22,123,220
Trust assets held for parishes	323,407	377,499
Held for parishes and institutions	34,695,124	40,587,866
Deferred revenue	30,752,352	29,150,463
Total liabilities	180,990,165	188,979,138
Net Assets		
Unrestricted		
Undesignated	26,516,408	17,036,033
Designated	28,987,469	22,865,726
Total unrestricted assets	55,503,877	39,901,759
Temporarily restricted	29,996,933	28,599,815
Permanently restricted	4,287,868	4,444,717
Total net assets	89,788,678	72,946,291
Total liabilities and net assets	$ 270,778,843	$ 261,925,429

See accompanying notes.

Central Administrative Office of
The Roman Catholic Diocese of San Jose and Affiliate
Consolidated Statements of Activities
Years Ended June 30, 2017 and 2016

	2017				2016 As Restated			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues								
Gifts, bequests, and collections	$ 462,745	$ 11,517,011	$ -	$ 11,979,756	$ 1,299,895	$ 7,697,488	$ 105,223	$ 9,102,606
Fees	3,893,383	-	-	3,893,383	3,472,896	5,000	-	3,477,896
Diocesan Assessment	3,344,880	-	-	3,344,880	3,274,692	-	-	3,274,692
Education income	1,089,715	-	-	1,089,715	983,838	-	-	983,838
Rental income	511,727	93,792	-	605,519	505,374	110,209	-	615,583
Investment income realized	1,416,924	828,559	-	2,245,483	580,157	411,276	-	991,433
Interest income from loans	592,835	-	-	592,835	664,062	-	-	664,062
Cemetery revenues	9,761,780	-	-	9,761,780	8,955,206	-	-	8,955,206
Insurance premium income	27,626,183	-	-	27,626,183	27,555,729	-	-	27,555,729
Newspaper income	452,884	-	-	452,884	486,430	-	-	486,430
Grant income	639,550	4,543,772	-	5,183,322	727,386	2,965,373	-	3,692,759
Other income	127,748	-	-	127,748	67,355	1,042	-	68,397
Subtotal revenues from operations	49,920,354	16,983,134	-	66,903,488	48,573,020	11,190,388	105,223	59,868,631
Net assets released from restrictions and reclassifications (See Note 9)	17,608,586	(17,451,737)	(156,849)	-	10,703,667	(10,703,667)	-	-
Total revenues	67,528,940	(468,603)	(156,849)	66,903,488	59,276,687	486,721	105,223	59,868,631
Expenses								
Pastoral	4,762,754	-	-	4,762,754	5,253,245	-	-	5,253,245
Religious and personnel development	2,756,983	-	-	2,756,983	2,854,326	-	-	2,854,326
Education	6,767,067	-	-	6,767,067	4,447,923	-	-	4,447,923
Pension, priest retirement	2,006,556	-	-	2,006,556	6,014,915	-	-	6,014,915
Administration	4,623,952	-	-	4,623,952	4,187,855	-	-	4,187,855
Depreciation	1,322,181	-	-	1,322,181	1,603,750	-	-	1,603,750
Interest expense - deposits	225,064	-	-	225,064	240,085	-	-	240,085
Interest expense - notes	439,143	-	-	439,143	1,893,996	-	-	1,893,996
Insurance premiums and benefits	24,056,945	-	-	24,056,945	25,670,213	-	-	25,670,213
Newspaper	515,470	-	-	515,470	534,497	-	-	534,497
Cemetery operating	6,342,182	-	-	6,342,182	5,777,472	-	-	5,777,472
Fundraising	906,235	-	-	906,235	1,064,846	-	-	1,064,846
Total expenses	54,724,532	-	-	54,724,532	59,543,123	-	-	59,543,123
Change in net assets from operations	12,804,408	(468,603)	(156,849)	12,178,956	(266,436)	486,721	105,223	325,508
Gain (loss) on disposition of assets	(60,296)	-	-	(60,296)	2,644,807	-	-	2,644,807
Bad debt expense	(3,926,351)	-	-	(3,926,351)	(336,537)	-	-	(336,537)
Change in obligations for post-retirement benefits	3,838,554	-	-	3,838,554	(2,259,880)	-	-	(2,259,880)
Investment income (loss) unrealized	2,946,603	1,865,721	-	4,812,324	(286,757)	(191,171)	-	(477,928)
Taxes	(800)	-	-	(800)	-	-	-	-
Change in net assets	15,602,118	1,397,118	(156,849)	16,842,387	(504,803)	295,550	105,223	(104,030)
Net assets at the beginning of the year	39,901,759	28,599,815	4,444,717	72,946,291	40,406,562	26,784,619	4,339,494	71,530,675
Restatement of beginning of the year for 2016 (see Note 20)	-	-	-	-	-	1,519,646	-	1,519,646
Net assets at the beginning of the year, as restated	39,901,759	28,599,815	4,444,717	72,946,291	40,406,562	28,304,265	4,339,494	73,050,321
Net assets at the end of the year	$ 55,503,877	$ 29,996,933	$ 4,287,868	$ 89,788,678	$ 39,901,759	$ 28,599,815	$ 4,444,717	$ 72,946,291

See accompanying notes.

Central Administrative Office of
The Roman Catholic Diocese of San Jose and Affiliate
Consolidated Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016 As Restated
Operating activities		
Change in net assets	$ 16,842,387	$ (104,030)
Adjustment to reconcile change in net assets to net cash from operating activities		
Change in obligations for post-retirement benefits and unfunded pension liabilities	(3,838,554)	2,259,880
Allowance for doubtful accounts	3,682,309	(143,790)
Depreciation	1,322,181	1,603,750
Write down of bond issuance costs	-	345,379
Loss (gain) on disposition of assets	60,296	(2,644,807)
Investment income realized and unrealized	(7,057,807)	(513,505)
Changes in operating assets and liabilities:		
Receivables	(3,636,359)	(5,288,493)
Deposits and prepaid expenses	(37,666)	204,753
Inventory	867,215	(1,545,403)
Assets held in trust	53,456	10,744,793
Accounts payable and pledges payable	492,226	(89,773)
Accrued liabilities	(3,818,311)	3,711,888
Trust assets held for parishes	(54,092)	(2,890,582)
Held for parishes and institutions	(5,892,742)	4,281,886
Deferred revenue	1,601,889	2,224,846
Net cash provided by operating activities	586,428	12,156,792
Investing activities		
Additions to land, buildings and equipment	(396,631)	-
Disposal of land, buildings, and equipment	-	2,675,380
Increase in land held for investment	-	(5,580,000)
Decrease in loans and interest receivable	2,877,206	1,999,567
Less purchase of marketable securities	(28,284,000)	(26,918,736)
Add proceeds from sale of marketable securities	16,289,182	1,667,749
Net cash used in investing activities	(9,514,243)	(26,156,040)
Financing activities		
Increase in deposits payable	16,227,169	5,040,424
Increase in borrowings on notes payable	-	22,309,131
Less payments on notes payable	(12,706,558)	(22,487,936)
Net cash provided by financing activities	3,520,611	4,861,619
Net decrease in cash and cash equivalents	(5,407,204)	(9,137,629)
Cash and cash equivalents, beginning of year	60,019,524	69,157,153
Cash and cash equivalents, end of year	$ 54,612,320	$ 60,019,524
Supplemental disclosures for cash paid for:		
Interest	$ 458,677	$ 1,432,640
Taxes	$ 800	$ -

See accompanying notes.

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 Roman Catholic Bishop of San Jose Master Irrevocable Trust is a trust created August 8, 2011 of which the Roman Catholic Bishop of San Jose, a corporation sole, is the trustee of, formed to provide ease of administration for certain real property assets.

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

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

The consolidated financial statements include only those funds listed below for which the CAO maintains direct operational control. All significant inter-organizational and interfund balances and transactions have been eliminated. Those entities not included in these consolidated statements are the parish churches (except selected Cathedral and Christ the King assets), elementary, and secondary schools, The Catholic Community Foundation of Santa Clara County, Catholic Charities of Santa Clara County, The Roman Catholic Seminary Corporation of San Jose ("Seminary"), Pastor of Our Lady of Refuge, an unincorporated religious association, the Cathedral Foundation, Jeanne d'Arc Manor, Giovanni Center, Charities Housing Development Corporation of Santa Clara County, San Tomas/Charities Housing Corporation, Sierra Vista/Charities Housing Corporation, Sunset Charities Housing Corporation, Stoney Pine Villa, St. John XXIII College Preparatory, and the Roman Catholic Communications Corporation of the Bay Area/Catholic Telemedia Network.

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

Following is a description of the fund groups, which were reassessed in 2017 as a result of the restatement:

1) ***Operating*** – This fund contains the unrestricted pastoral and administrative resources available for the support of the CAO. 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.

2) ***Restricted*** – This fund contains the permanently and temporarily restricted activities of the CAO.

3) ***Priests' retirement*** – This fund has been established to provide support for retired priests. Specific assets have been designated for this purpose from parish payments.

4) ***Service*** – This fund contains resources held by the CAO to provide centralized payroll, benefits and insurance for parishes, schools, and institutions. They are billed for their respective shares of the costs.

5) ***Cemeteries*** – The activities of the Roman Catholic Cemeteries of San Jose are maintained in this fund. Amounts set aside for perpetual cemetery care are designated as funds functioning as long-term care in the unrestricted net asset category. This fund consolidates the activities of Catholic Family Insurance Services of the Diocese of San Jose, Inc. ("CFIS").

6) ***Drexel –*** This fund contains the resources and activities of The St. Katharine Drexel School Initiative.

7) ***Investment pool*** – This fund contains investments of the CAO, as well as those investments held for parishes and institutions. Note that the CAO investments in the fund are shown in each of the separate CAO funds. Ownership by specific funds or entities is accounted for utilizing a pooling method based on market values. Revenues and expense of the pool are reflected as net asset changes in the fund or entity for which the assets are held.

8) ***Deposit and loan*** – This fund contains deposits held by the CAO for parishes and schools which are held for investment and/or loaned to other parishes and schools. At June 30, 2017 and 2016, the effective rate was 0.30% to 1.30%, depending on the term of the deposit. The interest rates applied to loans range from 2.25% to 5.00% as of June 30, 2017 and 2016, with some loans on nonaccrual of interest basis.

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

	By Term			
As of June 30, 2017	**<1 Year**	**1-2 Years**	**6 Years**	**Total**
Parishes	$ 51,638,141	$ 3,727,301	$ 2,470,244	$ 57,835,686
Schools	7,761,546	2,553,503	1,102,468	11,417,517
	$ 59,399,687	$ 6,280,804	$ 3,572,712	$ 69,253,203

	By Term			
As of June 30, 2016	**<1 Year**	**1-2 Years**	**6 Years**	**Total**
Parishes	$ 35,870,832	$ 3,351,653	$ 2,456,673	$ 41,679,158
Schools	7,852,948	2,534,419	959,509	11,346,876
	$ 43,723,780	$ 5,886,072	$ 3,416,182	$ 53,026,034

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and with the financial statement standards applicable to religious organizations. A summary of the significant accounting policies applied consistently in the preparation of the accompanying consolidated financial statements follows:

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

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

Principles of consolidation – The consolidated financial statements include the financial statements of the CAO funds and affiliate. All material inter-fund transactions and balances have been eliminated upon consolidation.

Net assets – The CAO is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets – Consist of resources of the CAO that have not been restricted by a donor. A portion of unrestricted net assets of the operating fund has been Board designated for certain initiatives.

Temporarily restricted net assets – Consist of cash and other assets received with donor stipulations that limit the use of donated assets. Donor restrictions are stipulated by either a time restriction or a purpose restriction. Upon expiration of a time restriction or completion of a purpose restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restriction.

Permanently restricted net assets – Consist of cash and other assets received from donors to provide a permanent source of income. If the donor does not restrict the allowed use of the income, the organization may determine the income's availability to the organization's operations. During fiscal year ended June 30, 2017, $156,849 was reclassified from permanently restricted net assets to unrestricted net assets due to a change in restriction by the donor.

Cash and cash equivalents – All highly liquid debt instruments purchased with a maturity of three months or less are considered cash equivalents, and may include short-term commercial paper and repurchase agreements. The cash and cash equivalents balances held in financial institutions at June 30, 2017 and 2016, exceeded federal depository insurance coverage. The CAO has not experienced any losses in such accounts.

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

These investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible changes in the values of investment securities will occur in the near term and such changes could materially affect total net assets and the amounts reported in the consolidated statements of financial position.

Receivables – 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. Receivables are noninterest bearing and unsecured. Receivables are determined to be past due based on contractual terms.

Also included in receivables are employee loans receivable, Valley Catholic Newspaper receivables, and beneficial interests in charitable remainder, unitrusts and other trusts.

In regards to the beneficial interests, the CAO is not the trustee for those trusts. The CAO records their interest in the trusts at the net present value of the CAO's interest in the underlying trust assets, of which the CAO will be either the full or partial beneficiary, and are included in other receivables and in temporarily restricted net assets in the consolidated statements of financial position. The asset of one of the trusts consists of real property, and the trust provides for the payment of the income on the property to the donor over the donor's lifetime.

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

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

A loan is identified as impaired when it is probable that interest and principal will not be collected according to the contracted terms of the loan agreement. The accrual of interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. Interest income is subsequently recognized only to the extent cash payments are received and where the future collection of principal is probable.

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

Investments in real estate – Investments in real estate are recorded at cost at the date of acquisition. The CAO evaluates investments in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down will be recorded to reduce the related asset to its estimated fair value. As of June 30, 2017 and 2016, no such write-downs have occurred.

Assets held in trust – The CAO has been named trustee for two unitrusts. The donor is the income beneficiary until death, at which time the property transfers to the designated beneficiary. The CAO is not the beneficiary (diocesan parishes or schools are) and, therefore, the CAO records an asset and a corresponding liability that is included in the held for parishes / institutions line item on the accompanying consolidated statements of financial position.

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

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

Deferred revenue – Consists principally of rental income, which is recognized on a straight-line basis over the term of the lease, and pre-need cemetery sales of future goods and services. Also consists of the sale of an investment project where the conditions of sale have not been fulfilled.

Revenue recognition – The CAO records revenue on the accrual basis. Gift, bequests, collections, and grant revenues are recognized when awarded. All other revenues, such as insurance premiums, assessments, and fees are billed by the CAO to the parishes and schools periodically throughout the year and recognized when earned.

Sales of developed cemetery property and at-need services and merchandise are recognized when the contracts are executed and the property and services are delivered. Revenues and costs associated with cemetery property sold on a pre-developed basis are deferred and recognized in accordance with the retail land sales provisions of GAAP. This method generally provides for the recognition of revenue in the period in which the customer's cumulative payments exceed 10% of the contract price related to the real estate.

Gifts, bequests, and collections – Contributions are recognized as pledges receivable in the consolidated statements of financial position at the time a donor makes a promise to give to the CAO that is, in substance, unconditional. Unconditional promises to give expected to be collected in future years are recorded at the discounted present value of their estimated future cash flows using the discount rate applicable to the years in which the promises are received. Conditional promises to give or intentions to give are not recorded in the consolidated financial statements until the conditions are substantially met.

Fair value measurements – Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The CAO recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the years ended June 30, 2017 and 2016.

Use of estimates – In preparing the consolidated financial statements in conformity GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as revenues and expenses during the reporting period. Actual results could differ from those estimates.

The CAO's allowances for present value adjustments and doubtful receivables, pledges, and loans totaling $6,809,855 as of June 30, 2017 and $2,902,032 as of June 30, 2016 are particularly sensitive estimates. The determination of the balances in these accounts is based on an analysis of the receivables and loans and reflects amounts which, in management's judgment, are adequate to provide for potential losses after giving consideration to the character of the receivables and loan portfolio, current economic conditions, past collection experience, and such other factors that deserve current recognition in estimating losses.

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

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

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

Functional expense allocations – Expenses are allocated among ministry and program services and supporting activities.

Reclassifications – Certain amounts reflected in the CAO's prior year consolidated financial statements have been reclassified in these consolidated financial statements to reflect current year presentation, (see Note 20).

Fair value of financial instruments – Unless otherwise indicated, the fair values of all reported assets and liabilities, which represent financial instruments, approximate their carrying values.

Recent Accounting Pronouncements – In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. The CAO adopted the update as of June 30, 2017. The adoption of ASU 2014-15 did not have a material impact on the CAO's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a new standard on revenue recognition. The new standard contains principles that an entity will need to apply to determine the measurement of revenue and timing of when revenue is recognized. The underlying principle is to recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The standard has a five step approach which includes identifying the contract or contracts, identifying the performance obligations, determining the transaction price, allocating the transaction price, and recognizing revenue. The standard also significantly expands the quantitative and qualitative disclosure requirements for revenue, which are intended to help users of financial statements understand the nature, amount, timing, and uncertainty of revenue and the related cash flows. In July 2015, the FASB voted to amend ASU 2014-09 by approving a one-year deferral of the effective date as well as allowing early adoption as of the original effective date, but not before the annual periods beginning after December 15, 2016. The standard is effective for annual reporting periods beginning after December 15, 2017. The CAO is currently evaluating this new standard and the impact it will have on its consolidated financial statements, information technology systems, processes, and internal controls.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements in the financial statements of lessees. This update is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The adoption is effective for the CAO's fiscal year ending June 30, 2020. Management is currently evaluating the impact of the provisions of ASU 2016-02 on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958)*: *Presentation of Financial Statements of Not-for-Profit Entities*, which improves the current net asset classification requirements and the information presented in financial statements and notes about an entity's liquidity, financial performance, and cash flows. The update replaces the requirement to present three classes of net assets with two classes, net assets with donor restrictions and net assets without donor restrictions. The update also removes the requirement to present or disclose the indirect method (reconciliation) if using the direct method for the statement of cash flows as well as added several additional enhanced disclosures to the notes. The amendments in this update are effective for fiscal years beginning after December 15, 2017 and interim periods beginning after December 15, 2018, with application to interim financial statements permitted but not required in the initial year of application. The adoption is effective for the CAO for the fiscal year ending June 30, 2019. Management is currently evaluating the impact of the provisions of ASU 2016-14 on the consolidated financial statements.

NOTE 3 – MARKETABLE SECURITIES

Marketable securities at June 30 consist of the following:

	2017	2016
Mutual funds		
Domestic	$ 65,645,280	$ 55,380,297
International	9,540,284	7,595,320
Cash and cash equivalents	4,164,506	746,460
Bonds	6,960,266	2,685,512
Corporate stocks	704,898	1,713,971
CDs	19,788,204	19,417,105
Other	127,584	339,732
	$ 106,931,022	$ 87,878,397

Investment income at June 30 consist of the following:

	2017	2016
Interest and dividends - investment accounts	$ 944,047	$ 687,828
Realized gains, net	962,124	165,397
Unrealized gains (losses), net	4,812,324	(477,928)
Total income from investment activities	6,718,495	375,297
Interest income - cash accounts	339,312	138,208
Total investment income	$ 7,057,807	$ 513,505

NOTE 4 – PLEDGES RECEIVABLE AND PAYABLE

Pledges receivable and payable are as follows at June 30, 2017:

	Drexel	Annual Appeal	Total
Due within one year	$ 875,000	$ 1,978,838	$ 2,853,838
Due greater than one year	3,825,000	-	3,825,000
Less allowance for doubtful accounts	(529,914)	(625)	(530,539)
Net pledges receivable	$ 4,170,086	$ 1,978,213	$ 6,148,299
Annual campaign pledges payable from CAO to parishes as of June 30, 2017	$ -	$ 1,874,402	$ 1,874,402

Pledges receivable and payable are as follows at June 30, 2016 as restated:

	Drexel	Annual Appeal	Total
Due within one year	$ 1,600,000	$ 1,864,756	$ 3,464,756
Less allowance for doubtful accounts	(165,600)	(14,814)	(180,414)
Net pledges receivable	$ 1,434,400	$ 1,849,942	$ 3,284,342
Annual campaign pledges payable from CAO to parishes as of June 30, 2016	$ -	$ 2,425,813	$ 2,425,813

Pledges due greater than a year are recorded after discounting future cash flows to present value using a discount rate of 5.00%.

Annual campaign pledges payable from the CAO to parishes are expected to be paid within one year.

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

Collections of loans receivable are scheduled as follows:

Year ended June 30, 2017		
2018	$	2,505,275
2019		1,050,293
2020		1,028,414
2021		1,010,657
2022		1,027,575
Thereafter		19,159,683
Subtotal		25,781,897
Less allowance for loan losses and valuation reserves		(5,018,462)
Total loan receivable, net	$	20,763,435
Year ended June 30, 2016		
2017	$	1,221,153
2018		2,253,779
2019		1,093,756
2020		1,072,095
2021		1,107,195
Thereafter		21,911,125
Subtotal		28,659,103
Less allowance for loan losses and valuation reserves		(2,109,759)
Total loan receivable, net	$	26,549,344

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, 2017 and 2016, there were $3,270,000 of construction loan commitments with $1,238,865 and $1,063,965 of outstanding balances, respectively.

Allowance for loan losses and valuation reserves are as follows:

	2017	2016
Balance, beginning of year	$ 2,109,759	$ 2,007,405
Present value adjustment	3,159,416	(44,088)
Provision for loan losses	(250,713)	146,442
Balance, end of year	$ 5,018,462	$ 2,109,759

NOTE 6 – LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consist of the following at June 30, 2017:

	Operating Fund	Cemeteries Fund	Priest Retirement Fund	Total
Buildings and improvements	$ 32,941,408	$ 5,707,753	$ -	$ 38,649,161
Leasehold improvements	48,500	-	407,388	455,888
Furniture and fixtures	673,611	322,771	-	996,382
Vehicles	33,838	719,513	-	753,351
Equipment	206,037	665,430	-	871,467
Other improvements	1,739,475	-	-	1,739,475
	35,642,869	7,415,467	407,388	43,465,724
Less accumulated depreciation	(14,814,416)	(4,589,528)	(407,388)	(19,811,332)
	20,828,453	2,825,939	-	23,654,392
Land				
Sites for future parishes	16,746,770	-	-	16,746,770
Land under operating leases	613,588	-	-	613,588
Operating properties	4,948,358	768,541	-	5,716,899
	22,308,716	768,541	-	23,077,257
Construction in progress	5,970,439	8,600	-	5,979,039
Total land, buildings, and equipment	$ 49,107,608	$ 3,603,080	$ -	$ 52,710,688

Land, buildings and equipment consist of the following at June 30, 2016:

	Operating Fund	Cemeteries Fund	Priest Retirement Fund	Total
Buildings and improvements	$ 32,893,498	$ 5,814,664	$ -	$ 38,708,162
Leasehold improvements	-	-	407,388	407,388
Furniture and fixtures	673,640	416,982	-	1,090,622
Vehicles	33,838	909,575	-	943,413
Equipment	87,989	915,331	-	1,003,320
Other improvements	3,433,083	227,922	-	3,661,005
	37,122,048	8,284,474	407,388	45,813,910
Less accumulated depreciation	(15,294,999)	(5,379,469)	(407,388)	(21,081,856)
	21,827,049	2,905,005	-	24,732,054
Land				
Sites for future parishes	16,746,245	-	-	16,746,245
Land under operating leases	613,588	-	-	613,588
Operating properties	4,948,358	768,541	-	5,716,899
	22,308,191	768,541	-	23,076,732
Construction in progress	5,879,148	8,600	-	5,887,748
Total land, buildings and equipment	$ 50,014,388	$ 3,682,146	$ -	$ 53,696,534

NOTE 7 – NOTES PAYABLE

During the year ended June 30, 2016, the Diocese entered into a fixed rate loan agreement and a variable rate loan agreement with US Bank for the purpose of refinancing the series 2010 California Municipal Finance Authority Revenue Bonds Series and the 2005 Taxable Variable Rate Demand Bonds. The proceeds from the refinance were used to pay off the combined principal balance of $17,466,000 and to settle the swap liability of $4,777,000.

The fixed rate loan agreement, dated April 1, 2016, is unsecured with US Bank in the initial amount of $10,000,000 at an annual rate of 2.83%, with a maturity date of March 31, 2021. Principal on the fixed rate note shall be paid monthly in the amount of $41,667. To the extent not paid prior to the maturity date, all principal due shall be paid on the maturity date. As of June 30, 2017 and 2016, the outstanding principal balance was $9,416,662 and $9,916,666, respectively. Interest expense totaled $439,143 and $131,003 for the years ended of June 30, 2017 and 2016, respectively.

Future minimum principal payment on the fixed rate loan are as follows:

For the year ending June 30:	
2018	$ 500,004
2019	500,004
2020	500,004
2021	500,004
2022	500,004
Thereafter	6,916,642
Total	$ 9,416,662

The variable rate loan agreement was unsecured with US Bank in the initial amount of $12,309,130. The variable interest rate was calculated based on the LIBOR Rate plus 1.45%. The interest rate as of February 17, 2017 and June 30, 2016 was 2.26% and 1.95%, respectively. This loan was paid off early on February 17, 2017. As of June 30, 2016, the outstanding principal balance was $12,206,554. Interest expense totaled $160,847 and $59,761 for the years ended of June 30, 2017 and 2016, respectively.

NOTE 8 – RESTRICTED NET ASSETS

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

	2017	2016 As Restated
Drexel / Current Fund		
Operating (time and purpose restrictions)	$ 5,556,760	$ 8,245,481
Fundraising Fund		
Annual appeal programs and general operations (time restriction)	-	5,812,179
Restricted / Endowment Fund - cumulative earnings		
Trust agreements and scholarships (purpose restrictions)	24,440,173	14,542,155
Total temporarily restricted net assets	$ 29,996,933	$ 28,599,815

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

	2017	2016
Priest retirement and seminarian education	$ 764,009	$ 811,190
Scholarships	3,523,859	3,633,527
Total permanently restricted net assets	$ 4,287,868	$ 4,444,717

NOTE 9 – 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 the years ended June 30, 2017 and 2016, consisted of the following:

	2017	2016 As Restated
Purpose restrictions accomplished	$ -	$ 767,231
Change in restriction by donor	156,849	-
Time restrictions expired	17,451,737	9,936,436
Total restrictions released	$ 17,608,586	$ 10,703,667

NOTE 10 – ENDOWMENTS

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

Interpretation of relevant law – The CAO has interpreted the California version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the CAO classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for the expenditure by the CAO in a manner consistent with the standard of prudence prescribed by the California version of UPMIFA. In accordance with the California version of UPMIFA, the CAO considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

1. Duration and preservation of the fund

2. The purposes of the organization and the donor-restricted endowment fund

3. General economic conditions

4. The possible effect of inflation and deflation

5. The expected total return from income and the appreciation of investments

6. Other resources of the organization

7. The investment policies of the organization

Endowment Net Asset Composition by Type of Fund

	June 30, 2017			
	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Board designated	$ -	$ -	$ -	$ -
Donor restricted	-	6,889,480	4,287,868	11,177,348
Total funds	$ -	$ 6,889,480	$ 4,287,868	$ 11,177,348

	June 30, 2016			
	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Board designated	$ 1,956,960	$ -	$ -	$ 1,956,960
Donor restricted	-	5,567,468	4,444,717	10,012,185
Total funds	$ 1,956,960	$ 5,567,468	$ 4,444,717	$ 11,969,145

Changes in Endowment Net Assets

	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2015	$ 1,956,960	$ 5,788,708	$ 4,339,494	$ 12,085,162
Investment income/expenses	-	218,382	-	218,382
Investment depreciation	-	(51,841)	-	(51,841)
Contributions	-	-	105,223	105,223
Appropriations for expenditure	-	(387,781)	-	(387,781)
Endowment net assets, June 30, 2016	1,956,960	5,567,468	4,444,717	11,969,145
Investment income/expenses	-	138,773	-	138,773
Investment appreciation	-	1,148,687	-	1,148,687
Contributions	-	205,806	-	205,806
Appropriations for expenditure	-	(68,188)	-	(68,188)
Reclass for donor/board intent	(1,956,960)	(103,066)	(156,849)	(2,216,875)
Endowment net assets, June 30, 2017	$ -	$ 6,889,480	$ 4,287,868	$ 11,177,348

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or California version of UPMIFA requires the CAO to retain as a fund of permanent duration. These deficiencies would generally result from unfavorable fluctuations in the underlying value of the funds held for these accounts. In accordance with GAAP, the deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2017 and 2016, none of the funds had deficiencies.

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

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

Spending policy and how the investment objectives relate to spending policy – The CAO has a policy of appropriating for distribution each year up to five percent of the restricted endowment funds average fair value over the prior year. In establishing this policy, the CAO considered the long-term expected return on its endowment. This policy is subject to periodic review and revision by the Diocesan Finance Council. Other restricted funds are spent in accordance with their restrictions.

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 received each October 1 from 1995 through 1999. The payments received in 1990 and later years are being recognized as income ratably (approximately $142,830 annually) over the remaining term of the lease. Amounts to be recognized in future periods are recorded as deferred revenue. Deferred revenue associated with the lease was $7,891,317 and $8,034,147 at June 30, 2017 and 2016, respectively.

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

For the years ending June 30:	
2018	$ 463,051
2019	347,919
2020	265,511
2021	261,234
2022	222,179
Thereafter	7,953,041
Total	$ 9,512,935

Rental income recognized for the years ended June 30, 2017 and 2016, was $605,519 and $615,583, respectively.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Leases

The CAO conducts its operations in leased facilities under operating leases, including the facilities used by Christ the King Parish, the Records and Archives Center, Institute for Leadership in Ministry (“ILM”), and the Clergy Retirement House. In addition to the minimum rental payments, the CAO must pay a proportionate share of the operating expenses of the facilities. Rent expense for the years ended June 30, 2017 and 2016, was $342,017 and $231,035, respectively. The increase from the prior fiscal year is due to renegotiated rent by ILM and by operations housed at a data center.

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

For the years ending June 30:		
2018	$	190,734
2019		46,997
Total	$	237,731

Construction agreements – The CAO has entered into several construction agreements on behalf of various parishes and schools. At June 30, 2017 and 2016, total commitments are $17,740,246 and $32,094,729, respectively. The total amount expended as of June 30, 2017 and 2016, on these commitments was $7,389,376 and $15,400,094, respectively. All expenditures incurred with respect to these construction agreements are expenditures of the various parishes and schools.

Litigation – 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.

Contingent sale – On August 28, 2012, the Diocese acquired a 10.85-acre parcel including buildings comprised of a chapel, school, and residence. This property was subdivided and part of it resold. The retained portion is subject to an agreement with the Holy Korean Martyrs Parish in which they paid for a pro-rata portion of the cost of acquisition of the site, agreed to pay for a pro-rata portion of the cost of installation of a cul-de-sac on the property, and agreed to repay a loan of up to $2,650,000 that they used to finish the improvements to the buildings on the site. As part of the agreement, the Parish sold the property it occupied in Sunnyvale and used the proceeds to pay down on the acquisition of half of the McLaughlin site and to pay for a portion of the improvement costs. In March 2014, the CAO entered into an agreement to sell approximately 4.8 acres of this parcel for approximately $5,500,000 subject to the recording of a final parcel map and certain other conditions including the completion of public street improvements. This sale closed in November 2014. The gross sale amount of $5,500,000 is classified as deferred revenue pending completion of hazardous material abatement on the property. Completion is expected in mid-fiscal year 2018.

NOTE 13 – POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

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

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

The CAO uses the accrual method of accounting for post-retirement benefits based on actuarially determined costs to be recognized over the period the employee provides service to the CAO. FASB Accounting Standard Codification (“ASC”) 715 requires entities to accrue for expected medical and other post-retirement benefits over the years that the employees render the necessary service. CAO also follows the disclosure provisions of ASC 715, which requires additional employers’ disclosures about pension and other post-retirement benefit plans.

Contributions of $138,000 and $80,333 were made to the plan in the years ended June 30, 2017 and 2016, respectively. Benefit payments of zero were made from the plan during the years ended June 30, 2017 and 2016. The Diocese expects to contribute zero to the plan’s rabbi trust fund during the year ending June 30, 2018.

Funded status – The following table sets forth the plan's funded status as of June 30, rounded to the nearest thousandth as of June 30:

	2017	2016
Accumulated postretirement benefit obligation for service rendered to date	$ (8,569,000)	$ (8,695,000)
Plan assets at fair value	7,435,000	6,471,000
Funded status as of end of year	(1,134,000)	(2,224,000)
Liability for postretirement benefits	$ (1,134,000)	$ (2,224,000)

Amounts included in the accrued liabilities line item on the accompanying consolidated statements of financial position consist of, rounded to the nearest thousandth:

	2017	2016
Noncurrent Liabilities	$ (1,134,000)	$ (2,224,000)

Amounts recognized in unrestricted net for the years ended June 30, rounded to the nearest thousandth:

	2017	2016
Net loss	$ 650,000	$ 1,953,000

Net periodic post-retirement benefit cost – The following items are the components of the net periodic post-retirement benefit cost for the plan as a whole for the years ended June 30, rounded to the nearest thousandth:

	2017	2016
Service cost-benefits earned during the period	$ 405,000	$ 371,000
Interest cost on projected benefit obligation	321,000	333,000
Actual return on plan assets	870,000	210,000
Net amortization and deferral	(1,245,000)	(656,000)
Net periodic postretirement benefit cost	$ 351,000	$ 258,000

Changes in plan assets and benefit obligations recognized in unrestricted net assets whole for the years ended June 30, rounded to the nearest thousandth:

	2017	2016
Net (gain) loss	$ (1,231,000)	$ 1,104,000
Amortization of gain during the year	(72,000)	(7,000)
Total recognized as (increase)/reduction in unrestricted net assets	$ (1,303,000)	$ 1,097,000
Total recognized in net periodic benefit cost and unrestricted net assets	$ (952,000)	$ 1,355,000

Assumptions – Assumptions used to determine net periodic post-retirement benefit cost for the years ended June 30:

	2017	2016
Discount rate	3.74%	4.48%
Expected long-term rate of return on assets	7.00%	7.00%
Future health cost inflation rate	5.00%	5.00%

Assumptions used to determine benefit obligations at year-end for the years ended June 30:

	2017	2016
Discount rate	4.04%	3.74%
Future health cost inflation rate	5.00%	5.00%

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

Year ending June 30:	Annual Benefits
2018	$ 268,000
2019	$ 287,000
2020	$ 304,000
2021	$ 319,000
2022	$ 337,000
2023-2027	$ 1,888,000

NOTE 14 – PENSION PLANS

The CAO uses the accrual method of accounting for post-retirement benefits based on actuarially determined costs to be recognized over the period the employee provides service to the CAO. ASC 715 requires entities to accrue for expected pension benefits over the years that the employees render the necessary service. CAO also follows the disclosure provisions of ASC 715, which requires additional employers' disclosures about pension and other post-retirement benefit plans.

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

Although the Diocese is exempt from the funding requirements of Employee Retirement Income Security Act of 1974 (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. The amounts allocated to the CAO for the years ended June 30, are as follows:

	Lay Retirement Plan	
	2017	**2016**
Net amount of pension liability recognized at year-end	$ (8,590,291)	$ (12,230,946)
Pension (income) expense	$ (2,495,385)	$ 3,487,625
Plan contributions	$ 924,169	$ 1,004,890

The assumptions used to determine net periodic pension cost and benefit obligations for the years ended June 30, are as follows:

	Lay Retirement Plan	
	2017	**2016**
For Net Periodic Pension Cost		
Discount rate	3.56%	4.34%
Expected long-term rate of return on assets	7.00%	7.00%
Salary scale	4.00%	4.00%
For Benefit Obligation At Year End		
Discount rate	3.81%	3.56%
Salary scale	4.00%	4.00%

The fair values of the Diocesan Lay Pension Plan assets as of June 30, 2017 and 2016, by asset category are as follows:

	2017 Fair Value Measurements			
Asset Category	Total Fair Value	Quoted Prices (Level 1)	Significant Observation Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	$ 769,896	$ 769,896	$ -	$ -
Cash equivalents	13,685,275	13,685,275	-	-
Equity securities				
Common stock	93,214,653	93,214,653	-	-
Foreign equities	8,549,597	8,549,597	-	-
Exchange traded funds	5,860,991	5,860,991	-	-
Fixed income securities				
U.S. T-bonds and notes	19,153,675	19,153,675	-	-
U.S. Government agency obligation	229,303	229,303	-	-
Corporate bonds/notes	24,041,569	24,041,569	-	-
Accrued income	386,721	386,721	-	-
Total	$ 165,891,680	$ 165,891,680	$ -	$ -

	2016 Fair Value Measurements			
Asset Category	Total Fair Value	Quoted Prices (Level 1)	Significant Observation Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	$ 710,168	$ 710,168	$ -	$ -
Cash equivalents	16,643,470	16,643,470	-	-
Equity securities				
Common stock	75,009,273	75,009,273	-	-
Foreign equities	6,404,853	6,404,853	-	-
Exchange traded funds	5,916,637	5,916,637	-	-
Fixed income securities				
U.S. T-bonds and notes	22,183,657	22,183,657	-	-
U.S. Government agency obligation	1,649,996	1,649,996	-	-
Corporate bonds/notes	14,326,351	14,326,351	-	-
Accrued income	303,752	303,752	-	-
Total	$ 143,148,157	$ 143,148,157	$ -	$ -

No one security in the plan represents more than 5% of total assets other than U.S. Treasury Securities and a money market fund which is an exchange traded fund.

Plan asset investment strategy and allocation – The asset allocation for the pension plan as of June 30, 2017 and 2016, and the target allocation, by asset category, are:

Asset Category	Policy Asset Allocation	Policy Benchmark Asset	Actual Percentage of Plan Assets at June 30,	
			2017	2016
Equities	25% - 65%	60%	65%	61%
Fixed income	25% - 50%	30%	26%	27%
Cash and cash equivalents	0% -50%	10%	9%	12%

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 both years ended June 30, 2017 and 2016, the expected long-term rate of return used in determining net periodic pension cost was 7.00%.

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

Since the CAO is exempt from the funding requirements of ERISA, it has been the CAO's practice to make contributions annually to the plan based on actuarial principles. In general, it has been the CAO's policy to fund any unfunded past service liability over 30 years. Contributions of $870,385 and $1,008,458 were made to the plan in the years ended June 30, 2017 and 2016, respectively, by the parishes, schools or other units to which the participating clergy were assigned. Benefit payments of $910,621 and $905,000 were made from the plan during the years ended June 30, 2017 and 2016, respectively. The Diocese expects to contribute $794,000 to the pension plan during the year ending June 30, 2018.

The fair values of the Diocesan Priest Pension Plan assets as of June 30, 2017 and 2016, by asset category are as follows:

	2017 Fair Value Measurements			
Asset Category	**Total Fair Value**	**Quoted Prices (Level 1)**	**Significant Observation Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash	$ 82,248	82,248	$ -	$ -
Cash equivalents	582,442	582,442	-	-
Equity securities				
Common stock	4,445,562	4,445,562	-	-
Foreign equities	813,626	813,626	-	-
Exchange traded funds	42,557	42,557	-	-
Fixed Income securities				
U.S. T-bonds and notes	776,717	776,717	-	-
U.S. Government agency obligation	776,069	776,069	-	-
Corporate bonds/notes	1,039,079	1,039,079	-	-
Accrued income	5,586	5,586	-	-
Total	$ 8,563,886	$ 8,563,886	$ -	$ -

Asset Category	2016 Fair Value Measurements Total Fair Value	Quoted Prices (Level 1)	Significant Observation Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	$ 71,334	$ 71,334	$ -	$ -
Cash equivalents	1,040,649	1,040,649	-	-
Equity securities				
Common stock	4,066,653	4,066,653	-	-
Foreign equities	687,127	687,127	-	-
Exchange traded funds	-	-	-	-
Fixed Income securities				
U.S. T-bonds and notes	642,545	642,545	-	-
U.S. Government agency obligation	673,451	673,451	-	-
Corporate bonds/notes	828,206	828,206	-	-
Accrued income	4,760	4,760	-	-
Total	$ 8,014,725	$ 8,014,725	$ -	$ -

No one security in the plan represents more than 5% of total assets other than a money market fund and exchange traded fund.

Plan asset investment strategy and allocation – The asset allocation for the pension plan as of June 30, 2017 and 2016, and the target allocation, by asset category, are:

Asset Category	Policy Asset Allocation	Policy Benchmark Asset	Actual Percentage of Plan Assets at June 30, 2017	2016
Equities	25%-65%	60%	62%	59%
Fixed income	25%-60%	30%	30%	27%
Cash equivalents	0%-50%	10%	8%	14%

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 years ended June 30, 2017 and 2016, the expected long-term rate of return used in determining net periodic pension cost was 7.00%.

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

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

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

Contributions of $194,000 and $75,000 were made to the plan in the years ended June 30, 2017 and 2016, respectively, by the parishes, schools, or other units to which the participating clergy were assigned. Benefit payments of $259,163 and $245,000 were made from the plan during the years ended June 30, 2017 and 2016, respectively. The Diocese expects to contribute $114,000 to the pension plan during the fiscal year ending June 30, 2018.

The fair values of the Diocesan Priest Supplemental Pension Plan assets as of June 30, 2017 and 2016, by asset category are as follows:

	2017 Fair Value Measurements			
Asset Category	**Total Fair Value**	**Quoted Prices (Level 1)**	**Significant Observation Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash	$ 24,580	$ 24,580	$ -	$ -
Cash equivalents	158,942	158,942	-	-
Equity securities				
Common stock	1,208,066	1,208,066	-	-
Foreign equities	221,278	221,278	-	-
Exchange traded funds	11,606	11,606	-	-
Fixed income securities				
U.S. Government agency obligation	252,346	252,346	-	-
Corporate bonds/notes	452,717	452,717	-	-
Accrued income	1,528	1,528	-	-
Total	$ 2,331,063	$ 2,331,063	$ -	$ -

	2016 Fair Value Measurements			
Asset Category	Total Fair Value	Quoted Prices (Level 1)	Significant Observation Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	$ 20,837	$ 20,837	$ -	$ -
Cash equivalents	285,144	285,144	-	-
Equity securities				
Common stock	1,114,990	1,114,990	-	-
Foreign equities	188,381	188,381	-	-
Exchange traded funds	-	-	-	-
Fixed income securities				
U.S. Government agency obligation	203,574	203,574	-	-
Corporate bonds/notes	197,128	197,128	-	-
Accrued income	227,969	227,969	-	-
Total	$ 2,238,023	$ 2,238,023	$ -	$ -

No one security in the plan represents more than 5% of total assets other than a money market fund and an Exchange Traded Fund.

Plan asset investment strategy and allocation – Plan assets for the supplemental plan are insufficient to necessitate an independent investment policy. As of June 30, 2017, 62% of plan assets were invested in equities, 30% in fixed income securities and the balance in cash equivalents. As of June 30, 2016, 58% of plan assets were invested in equities, 28% in fixed income securities, and the balance in cash equivalents.

Table 1 – **Funded status –** The funded status of the priest plans and the net amount recognized in the consolidated statements of financial position at June 30, rounded to the nearest thousandth are as follows:

	Priests Retirement Plan		Priests Supplemental Plan	
	2017	2016	2017	2016
Vested benefit obligation	$ (16,335,000)	$ (16,489,000)	$ (3,748,000)	$ (3,589,000)
Accumulated benefit obligation	$ (17,146,000)	$ (17,308,000)	$ (3,802,000)	$ (3,649,000)
Projected benefit obligation	$ (22,407,000)	$ (22,839,000)	$ (4,816,000)	$ (4,677,000)
Plan assets at fair value	8,564,000	8,015,000	2,331,000	2,238,000
Funding status of the plan	$ (13,843,000)	$ (14,824,000)	$ (2,485,000)	$ (2,439,000)
Net amount recognized	$ (13,843,000)	$ (14,824,000)	$ (2,485,000)	$ (2,439,000)

Table 2 – **Amounts recognized in the consolidated statements of financial position –** The amounts included in the accrued liabilities line item on the accompanying consolidated statements of financial position at June 30, rounded to the nearest thousandth consist of:

	Priests' Retirement Plan		Priests' Supplemental Plan	
	2017	2016	2017	2016
Noncurrent liabilities	$ (13,843,000)	$ (14,824,000)	$ (2,485,000)	$ (2,439,000)

Table 3 – **Amounts recognized in unrestricted net assets –** The amounts recognized in unrestricted net assets at June 30, rounded to the nearest thousandth consist of:

	Priests' Retirement Plan		Priests' Supplemental Plan	
	2017	2016	2017	2016
Net loss	$ 5,241,000	$ 7,362,000	$ 3,330,000	$ 3,467,000
Prior service cost	1,527,000	995,000	277,000	166,000
Total	$ 6,768,000	$ 8,357,000	$ 3,607,000	$ 3,633,000

Table 4 – **Net periodic pension cost –** The following items are the components of the net periodic pension cost rounded to the nearest thousandth for the plan years ended June 30:

	Priests' Retirement Plan		Priests' Supplemental Plan	
	2017	2016	2017	2016
Service cost-benefits earned during the period	$ 796,000	$ 682,000	$ -	$ -
Interest cost on projected benefit obligation	802,000	873,000	164,000	170,000
Actual return on plan assets	(668,000)	(71,000)	(184,000)	24,000
Net amortization and deferral	548,000	(323,000)	289,000	(7,000)
Net periodic pension cost	$ 1,478,000	$ 1,161,000	$ 269,000	$ 187,000

Table 5 – **Other changes in plan assets and benefit obligations recognized in unrestricted net assets –** The amounts recognized in unrestricted net assets at June 30, 2017 and 2016, rounded to the nearest thousandth consist of:

	Priests' Retirement Plan		Priests' Supplemental Plan	
	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016
Net loss	$ (1,804,000)	$ 2,308,000	$ 77,000	$ 941,000
Prior service cost	646,000	-	140,000	-
Amortization of gain	(317,000)	(187,000)	(214,000)	(152,000)
Amortization of prior service credit	(114,000)	(114,000)	(29,000)	(29,000)
Total recognized as a (reduction) increase in unrestricted net assets	$ (1,589,000)	$ 2,007,000	$ (26,000)	$ 760,000
Total recognized in net periodic benefit cost and unrestricted net assets	$ (111,000)	$ 3,168,000	$ 243,000	$ 947,000

Table 6 – Assumptions

	Priests' Retirement Plan		Priests' Supplemental Plan	
	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016
For Net Periodic Pension Cost				
Discount rate	3.59%	4.34%	3.59%	4.34%
Expected long-term rate of return on investments	7.00%	7.00%	6.50%	7.00%
Salary scale	N/A	N/A	N/A	N/A
Future benefit increases	2.00%	2.00%	2.00%	2.00%
For Benefit Obligation At Year End				
Discount rate	3.82%	3.59%	3.82%	3.59%
Salary scale	N/A	N/A	N/A	N/A
Future benefit increases	2.00%	2.00%	2.00%	2.00%

Table 7 – Estimated future benefit payments

Year ending June 30,	Priests' Retirement Plan (annual benefits)	Priests' Supplemental Plan (annual benefits)
2018	$ 981,000	$ 266,000
2019	$ 972,000	$ 257,000
2020	$ 983,000	$ 255,000
2021	$ 1,020,000	$ 244,000
2022	$ 1,083,000	$ 265,000
2023-2026	$ 5,723,000	$ 1,233,000

NOTE 15 – RELATED PARTY TRANSACTIONS

The CAO performs various administrative services including payroll processing, for various parishes and schools. Fees received for the payroll services were $978,347 and $973,822 for the years ended June 30, 2017 and 2016, respectively. The CAO incurred expenses to support the operations of the Cathedral, net of restricted receipts from the rental of a piece of property for the benefit of St. Joseph's Cathedral parish, of $535,169 and $500,669 for the years ended June 30, 2017 and 2016, respectively. The Department of Education performs various services for the elementary and secondary schools of the Diocese. Fees received for these services excluding fees received and passed through to the Roman Catholic Communications Corporation of the Bay Area/Catholic Telemedia Network ("CTN") as noted below were $806,023 for the year ended June 30, 2017 and $726,443 for the year ended June 30, 2016. The CAO collects fees from schools and pays them to CTN, a corporation of which the Diocese is a member. Fees paid to CTN were $81,876 for the year ended June 30, 2017, and $82,603 for the year ended June 30, 2016.

NOTE 16 – SELF-INSURED RISK

As of July 1, 2015, the Diocese was self- insured with respect to its general liability coverage for the first $50,000 per occurrence and insured through a nonaffiliated insurer to $250,000. In excess of $250,000, the Diocese had additional coverage through a risk retention group of which the Diocese was a minority owner and two nonaffiliated insurers.

For sexual abuse and harassment coverage, the Diocese had a larger per claim deductible of $250,000. In excess of $250,000, the Diocese had additional insurance through a risk retention group of which the Diocese was a minority owner and a nonaffiliated insurer.

As of July 1, 2015, the Diocese was self- insured through a $25,000 deductible with respect to Fiduciary Liability coverage and a $50,000 deductible with respect to Crime coverage.

As of July 1, 2015, the Diocese was self- insured with respect to its property all- risk coverage (excluding earthquake and flood) through a $250,000 deductible per occurrence. The Diocese was self- insured through a deductible of 5% or $100,000 per occurrence with respect to its earthquake and $100,000 per occurrence except $500,000 per occurrence for locations within Special Flood Hazard Areas for catastrophic flood insurance coverage.

Since January 1, 2006, the Diocese has been self-insured for the first $500,000 for worker's compensation and has Excess Workers Compensation coverage through a nonaffiliated insurer.

The Diocese is also self-insured with respect to retired priests' medical costs not covered by Medicare.

Monetary reserves are maintained to cover the probable self-insured exposure for the various insurance coverages.

NOTE 17 – CATHOLIC FAMILY INSURANCE SERVICES

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

CFIS and its agents earn commissions on the sale of the insurance products. The income and expenses of this entity are consolidated with those of the Catholic Cemeteries of the Diocese of San Jose. In fiscal years 2017 and 2016, the operating results and consolidating statements were:

	2017			2016		
	Cemetery Fund	CFIS	Consolidated Total	Cemetery Fund	CFIS	Consolidated Total
Revenues						
Rental income	$ 38,075	$ -	$ 38,075	$ 60,290	$ -	$ 60,290
Investment income realized	205,700	-	205,700	164,279	-	164,279
Cemetery revenues	9,761,780	-	9,761,780	8,955,206	-	8,955,206
Other income	11,338	96,748	108,086	14,655	47,565	62,220
Total revenues	10,016,893	96,748	10,113,641	9,194,430	47,565	9,241,995
Expenses						
Administration	-	-	-	-	55,962	55,962
Depreciation expense	172,884	-	172,884	159,808	-	159,808
Cemetery expenses	6,904,474	65,219	6,969,693	6,207,880	-	6,207,880
Total expenses	7,077,358	65,219	7,142,577	6,367,688	55,962	6,423,650
Changes in net assets from operations	2,939,535	31,529	2,971,064	2,826,742	(8,397)	2,818,345
Bad debt expense	(7,852)	-	(7,852)	-	-	-
Change in obligations for post-retirement benefits	864,609	-	864,609	(789,819)	-	(789,819)
Investment income unrealized	370,178	-	370,178	-	-	-
Taxes	-	(800)	(800)	-	-	-
Changes in net assets	$ 4,166,470	$ 30,729	$ 4,197,199	$ 2,036,923	$ (8,397)	$ 2,028,526

NOTE 18 – FAIR VALUE MEASUREMENTS

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:

Marketable securities – The fair value of investments is based on quoted market prices for those or similar assets.

Certificates of deposit – The fair value of certificates of deposit is based on maturity and interest rates.

Beneficial interest and charitable remainder trust – The beneficial interest stated in the consolidated statements of financial position has been estimated by management using net present value of the future cash flows.

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

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

Fair value measurements – The fair values of assets and liabilities measured on a recurring basis at June 30, 2017, are:

	Total	Level 1	Level 2	Level 3
Assets:				
Securities (Note 3)	$ 87,142,818	$ 87,142,818	$ -	$ -
CDs (Note 3)	19,788,204	-	19,788,204	-
Charitable remainder trust	381,875	-	-	381,875
Land charitable remainder trust	1,909,157	-	-	1,909,157
Beneficial interests	296,544	-	-	296,544

The fair values of assets and liabilities measured on a recurring basis at June 30, 2016, are:

	Total	Level 1	Level 2	Level 3
Assets:				
Securities (Note 3)	$ 68,461,292	$ 68,461,292	$ -	$ -
CDs (Note 3)	19,417,105	-	19,417,105	-
Charitable remainder trust	362,532	-	-	362,532
Land charitable remainder trust	1,909,157	-	-	1,909,157
Beneficial interests	296,544	-	-	296,544

NOTE 19 – SUBSEQUENT EVENTS

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

The CAO has evaluated subsequent events through February 1, 2018, which is the date the consolidated financial statements are available to be issued.

NOTE 20 – RESTATEMENT AND RECLASSIFICATIONS

In previous periods reported, the CAO did not include in the consolidated financial statements the activities of The St. Katharine Drexel School Initiative. It was subsequently determined that the CAO had direct operational control of The St. Katharine Drexel School Initiative for the years ended June 30, 2017 and 2016. As a result, the restated June 30, 2016 balances include the activities of The St. Katharine Drexel School Initiative. This restatement impacted net assets as of July 1, 2015 and June 30, 2016. The restatement had an effect on the previously reported change in net assets for the year ended June 30, 2016.

Certain amounts reflected in the restatement schedules below have been reclassified to reflect current year presentation. The most significant reclassification was moving certificates of deposits ("CDs") with maturities over 90 days from cash and cash equivalents to marketable securities. These reclassifications have no effect on net assets or changes in net assets.

The CAO restated the following amounts in the June 30, 2016 consolidated statement of financial position and the consolidated statements of activities and cash flows, as shown in the tables below, together with reclassifications.

	Fiscal Year 2016			
	As Reported as of June 30, 2016	Drexel	Reclassifications	June 30, 2016 As Restated
ASSETS				
Cash and cash equivalents	$ 78,666,470	$ 749,154	$ (19,396,100)	$ 60,019,524
Marketable securities	64,037,580	-	19,396,100	83,433,680
Receivables				
Receivables from parishes and institutions	3,805,886	-	-	3,805,886
Pledges	1,849,942	1,434,400	-	3,284,342
Other	10,845,878	-	-	10,845,878
Deposits and prepaid expenses	415,018	-	-	415,018
Inventory	8,992,284	-	-	8,992,284
Loans receivable from parishes and institutions in Deposit and Loan Fund	26,549,344	-	-	26,549,344
Marketable securities held for long-term purposes	4,444,717	-	-	4,444,717
Investment in real estate	5,812,072	-	-	5,812,072
Assets held in trust	626,150	-	-	626,150
Land, buildings, and equipment	53,696,534	-	-	53,696,534
Total assets	$ 259,741,875	$ 2,183,554	$ -	$ 261,925,429
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	$ 1,625,532	$ 373,245	$ -	$ 1,998,777
Pledges payable to parishes	2,425,813	-	-	2,425,813
Accrued liabilities	38,083,901	1,205,565	-	39,289,466
Deposits payable to parishes	53,026,034	-	-	53,026,034
Notes payable	22,123,220	-	-	22,123,220
Trust assets held for parish	377,499	-	-	377,499
Held for parishes and institutions	40,587,866	-	-	40,587,866
Deferred revenue	29,150,463	-	-	29,150,463
Total liabilities	187,400,328	1,578,810	-	188,979,138
Net Assets				
Unrestricted				
Undesignated	17,036,033	-	-	17,036,033
Designated	22,865,726	-	-	22,865,726
Total unrestricted assets	39,901,759	-	-	39,901,759
Temporarily restricted	27,995,071	604,744	-	28,599,815
Permanently restricted	4,444,717	-	-	4,444,717
Total net assets	72,341,547	604,744	-	72,946,291
Total liabilities and net assets	$ 259,741,875	$ 2,183,554	$ -	$ 261,925,429

	2016 As Reported June 30, 2016				2016 Drexel				2016 Reclassifications				2016 As Restated			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues																
Gifts, bequests, and collections	$ 1,299,895	$ 6,279,088	$ 105,223	$ 7,684,206	$ -	$ 1,418,400	$ -	$ 1,418,400	$ -	$ -	$ -	$ -	$ 1,299,895	$ 7,697,488	$ 105,223	$ 9,102,606
Fees	3,472,896	-	-	3,472,896	-	5,000	-	5,000	-	-	-	-	3,472,896	5,000	-	3,477,896
Diocesan Assessment	3,274,692	-	-	3,274,692	-	-	-	-	-	-	-	-	3,274,692	-	-	3,274,692
Education income	983,838	-	-	983,838	-	-	-	-	-	-	-	-	983,838	-	-	983,838
Rental income	505,374	110,209	-	615,583	-	-	-	-	-	-	-	-	505,374	110,209	-	615,583
Investment income realized	293,400	220,105	-	513,505	-	-	-	-	286,757	191,171	-	477,928	580,157	411,276	-	991,433
Interest income from loans	664,062	-	-	664,062	-	-	-	-	-	-	-	-	664,062	-	-	664,062
Cemetery revenues	8,955,206	-	-	8,955,206	-	-	-	-	-	-	-	-	8,955,206	-	-	8,955,206
Insurance premium income	27,555,729	-	-	27,555,729	-	-	-	-	-	-	-	-	27,555,729	-	-	27,555,729
Newspaper income	486,430	-	-	486,430	-	-	-	-	-	-	-	-	486,430	-	-	486,430
Grant income	727,386	2,776,598	-	3,503,984	-	188,775	-	188,775	-	-	-	-	727,386	2,965,373	-	3,692,759
Other income	67,355	-	-	67,355	-	1,042	-	1,042	-	-	-	-	67,355	1,042	-	68,397
Subtotal revenues from	48,286,263	9,386,000	105,223	57,777,486	-	1,613,217	-	1,613,217	286,757	191,171	-	477,928	48,573,020	11,190,388	105,223	59,868,631
Net assets released from restrictions and reclassification	8,175,548	(8,175,548)	-	-	2,528,119	(2,528,119)	-	-	-	-	-	-	10,703,667	(10,703,667)	-	-
Total revenues	56,461,811	1,210,452	105,223	57,777,486	2,528,119	(914,902)	-	1,613,217	286,757	191,171	-	477,928	59,276,687	486,721	105,223	59,868,631
Expenses																
Pastoral	5,253,245	-	-	5,253,245	-	-	-	-	-	-	-	-	5,253,245	-	-	5,253,245
Religious and personnel	2,854,326	-	-	2,854,326	-	-	-	-	-	-	-	-	2,854,326	-	-	2,854,326
Education	1,919,804	-	-	1,919,804	2,528,119	-	-	2,528,119	-	-	-	-	4,447,923	-	-	4,447,923
Pension, priest retirement	6,014,915	-	-	6,014,915	-	-	-	-	-	-	-	-	6,014,915	-	-	6,014,915
Administration	4,524,392	-	-	4,524,392	-	-	-	-	(336,537)	-	-	(336,537)	4,187,855	-	-	4,187,855
Depreciation	1,603,750	-	-	1,603,750	-	-	-	-	-	-	-	-	1,603,750	-	-	1,603,750
Interest - deposits	240,085	-	-	240,085	-	-	-	-	-	-	-	-	240,085	-	-	240,085
Interest - notes	1,893,996	-	-	1,893,996	-	-	-	-	-	-	-	-	1,893,996	-	-	1,893,996
Insurance premiums and benefits	25,670,213	-	-	25,670,213	-	-	-	-	-	-	-	-	25,670,213	-	-	25,670,213
Newspaper	534,497	-	-	534,497	-	-	-	-	-	-	-	-	534,497	-	-	534,497
Cemetery operating	5,777,472	-	-	5,777,472	-	-	-	-	-	-	-	-	5,777,472	-	-	5,777,472
Fundraising	1,064,846	-	-	1,064,846	-	-	-	-	-	-	-	-	1,064,846	-	-	1,064,846
Total expenses	57,351,541	-	-	57,351,541	2,528,119	-	-	2,528,119	(336,537)	-	-	(336,537)	59,543,123	-	-	59,543,123
Change in net assets from operatior	(889,730)	1,210,452	105,223	425,945	-	(914,902)	-	(914,902)	623,294	191,171	-	814,465	(266,436)	486,721	105,223	325,508
Gain on disposition of assets	2,644,807	-	-	2,644,807	-	-	-	-	-	-	-	-	2,644,807	-	-	2,644,807
Bad debt expense	-	-	-	-	-	-	-	-	(336,537)	-	-	(336,537)	(336,537)	-	-	(336,537)
Change in obligations for post-retirement benefits	(2,259,880)	-	-	(2,259,880)	-	-	-	-	-	-	-	-	(2,259,880)	-	-	(2,259,880)
Investment loss unrealized	-	-	-	-	-	-	-	-	(286,757)	(191,171)	-	(477,928)	(286,757)	(191,171)	-	(477,928)
Change in net assets	(504,803)	1,210,452	105,223	810,872	-	(914,902)	-	(914,902)	-	-	-	-	(504,803)	295,550	105,223	(104,030)
Net assets at the beginning of the year	40,406,562	26,784,619	4,339,494	71,530,675	-	1,519,646	-	1,519,646	-	-	-	-	40,406,562	28,304,265	4,339,494	73,050,321
Net assets at the end of the year	$ 39,901,759	$ 27,995,071	$ 4,444,717	$ 72,341,547	$ -	$ 604,744	$ -	$ 604,744	$ -	$ -	$ -	$ -	$ 39,901,759	$ 28,599,815	$ 4,444,717	$ 72,946,291

	As of June 30, 2016	Drexel	Reclassifications	June 30, 2016 As Restated
Operating activities				
Change in net assets	$ 810,872	$ (914,902)	$ -	$ (104,030)
Adjustment to reconcile change in net assets to net cash from operating activities				
Change in obligations for post-retirement benefits and unfunded pension liabilities	2,259,880	-	-	2,259,880
Allowance for doubtful accounts	(309,390)	165,600	-	(143,790)
Depreciation	1,603,750	-	-	1,603,750
Write down of bond issuance costs	345,379	-	-	345,379
Gain on disposition of assets	(2,644,807)	-	-	(2,644,807)
Investment Income realized and unrealized	265,235	-	(778,740)	(513,505)
Changes in operating assets and liabilities:				
Receivables	(3,688,493)	(1,600,000)	-	(5,288,493)
Deposits and prepaid expenses	204,753	-	-	204,753
Inventory	(1,545,403)	-	-	(1,545,403)
Assets held in trust	10,744,793	-	-	10,744,793
Accounts payable and pledges payable	(463,018)	373,245	-	(89,773)
Accrued liabilities	2,831,045	880,843	-	3,711,888
Trust assets held for parish	(2,890,582)	-	-	(2,890,582)
Held for parishes and institutions	4,281,886	-	-	4,281,886
Deferred revenue	2,224,846	-	-	2,224,846
Net cash provided by operating activities	14,030,746	(1,095,214)	(778,740)	12,156,792
Investing activities				
Additions to land, buildings, and equipment	-	-	-	-
Disposal of land, buildings, and equipment	2,675,380	-	-	2,675,380
Increase in land held for investment	(5,580,000)	-	-	(5,580,000)
Decrease in loans and interest receivable	1,999,567	-	-	1,999,567
Less purchase of marketable securities	(7,522,636)	-	(19,396,100)	(26,918,736)
Add proceeds from sale of marketable securities	889,009	-	778,740	1,667,749
Net cash used in investing activities	(7,538,680)	-	(18,617,360)	(26,156,040)
Financing activities				
Increase in deposits payable	5,040,424	-	-	5,040,424
Increase in borrowings on bonds payable	22,309,131	-	-	22,309,131
Less payments on notes and bonds payable	(22,487,936)	-	-	(22,487,936)
Net cash provided by financing activities	4,861,619	-	-	4,861,619
Net increase in cash and cash equivalents	11,353,685	(1,095,214)	(19,396,100)	(9,137,629)
Cash and cash equivalents, beginning of year	67,312,785	1,844,368	-	69,157,153
Cash and cash equivalents, end of year	$ 78,666,470	$ 749,154	$ (19,396,100)	$ 60,019,524
Supplemental disclosures for cash paid for:				
Interest	$ 1,432,640	$ -	$ -	$ 1,432,640
Taxes	$ -	$ -	$ -	$ -

NOTE 21 – FUNCTIONAL EXPENSES

Functional expenses for the CAO for the years ended June 30, 2017 and 2016, are shown in the following tables. Eliminations due to consolidation are not excluded from these total expenses. The change in the fair value of the swap are included in financing expenses but costs due to change in pension valuation are not included in the tables.

Functional expenses for the year ended June 30, 2017, are:

	Ministry and Program Services								Supporting Activities				
	Chancery Ministries / Programs	Cemeteries	Drexel Fund	Restricted Fund	Priest Retirement Funds	Deposit and Loan Funds	Services (Insurance and Payroll)	Total Ministries and Programs	Chancery Management and General	Fundraising Funds	Total Supporting	Eliminations	Total Functional Expenses
Insurance premiums	$ 72,397	$ 76,178	$ -	$ 210	$ 437	$ -	$ 24,142,525	$ 24,291,747	$ 144,368	$ -	$ 144,368	$ -	$ 24,436,115
Compensation	2,248,387	2,399,065	522,505	-	156,841	-	630,584	5,957,382	1,901,483	306,407	2,207,890	-	8,165,272
Pension costs	354,211	219,113	79,486	-	21,365	-	93,383	767,558	360,131	46,028	406,159	-	1,173,717
Occupancy expenses	32,110	452,155	16,074	-	84,559	-	22,391	607,289	968,326	326	968,652	-	1,575,941
Other benefits and payroll taxes	793,493	226,706	47,194	-	1,258,481	-	83,614	2,409,488	304,405	27,652	332,057	-	2,741,545
Gifts, grants, donations, subsidies	6,967	-	3,407,390	2,728,714	-	-	1,028	6,144,099	500,085	-	500,085	(1,635,119)	5,009,065
Health benefits	501,787	284,360	60,921	-	332,120	-	71,945	1,251,133	375,092	69,624	444,716	-	1,695,849
Depreciation	87,299	172,884	-	-	-	-	270,910	531,093	791,088	-	791,088	-	1,322,181
Interest	-	-	-	-	-	342,008	-	342,008	439,143	-	439,143	(116,944)	664,207
Professional services	213,692	590,704	390,031	-	22,740	6,683	174,947	1,398,797	884,420	136,421	1,020,841	-	2,419,638
Other expenses	7,406	4,627	-	-	7,026	41	52,148	71,248	(5,087)	14,445	9,358	-	80,606
Cost of goods sold - cemetery	-	1,409,612	-	-	-	-	-	1,409,612	-	-	-	-	1,409,612
Travel, conferences, hospitality	485,616	85,631	38,885	-	4,197	-	7,624	621,953	198,028	5,303	203,331	-	825,284
Supplies and office expenses	380,926	146,080	130,058	-	1,994	-	27,895	686,953	182,945	149,926	332,870	-	1,019,823
Computer software support	224,866	34,679	72,255	-	-	-	13,918	345,718	61,839	74,177	136,016	-	481,734
Financing, investment management	2,857	137,252	2,966	28,237	196,195	-	77,753	445,260	18,134	86,181	104,314	-	549,574
Diocesean assessment cemetery	-	627,511	-	-	-	-	-	627,511	-	-	-	(627,511)	-
Legal	-	17,393	299	-	2,695	-	1,918	22,305	149,952	-	149,952	-	172,257
Payroll services	-	-	-	-	-	-	237,428	237,428	-	-	-	-	237,428
Advertising	47,998	185,266	14,949	-	-	-	-	248,213	11,493	450	11,943	-	260,156
Membership and dues	43,184	3,747	-	-	50	-	450	47,431	199,218	2,785	202,003	-	249,434
Telecommunications	14,988	69,614	2,382	-	6,854	-	1,131	94,969	57,649	690	58,339	-	153,308
Pension loss (gain)	-	-	-	-	-	-	-	-	-	-	-	-	-
Catholic Telemedia Network fee	81,786	-	-	-	-	-	-	81,786	-	-	-	-	81,786
Total functional expenses	**$ 5,599,970**	**$ 7,142,577**	**$ 4,785,395**	**$ 2,757,161**	**$ 2,095,554**	**$ 348,732**	**$ 25,911,592**	**$ 48,640,981**	**$ 7,542,712**	**$ 920,415**	**$ 8,463,125**	**$ (2,379,574)**	**$ 54,724,532**

Functional expenses for the year ended June 30, 2016, as restated, are:

	Ministry and Program Services								Supporting Activities				
	Chancery Ministries / Programs	**Cemeteries**	**Drexel Fund**	**Endowment Fund**	**Priest Retirement Funds**	**Deposit and Loan Funds**	**Services (Insurance and Payroll)**	**Total Ministries and Programs**	**Chancery Management and General**	**Fundraising Funds**	**Total Supporting**	**Eliminations**	**Total Functional Expenses**
Insurance premiums	$ 72,929	$ 68,771	$ -	$ 199	$ -	$ -	$ 25,745,172	$ 25,887,071	$ 133,861	$ -	$ 133,861	$ -	$ 26,020,932
Compensation	2,155,477	2,174,238	532,625	-	62,402	-	794,649	5,719,391	2,082,781	304,268	2,387,049	-	8,106,440
Pension costs	308,147	497,851	76,250	-	3,897,678	-	199,894	4,979,820	262,007	35,009	297,016	-	5,276,836
Occupancy expenses	380,847	483,622	16,972	-	464	-	54,534	936,439	608,806	61,023	669,829	-	1,606,268
Other benefits and payroll taxes	549,281	185,748	73,750	-	1,164,004	-	88,973	2,061,756	294,162	27,046	321,208	-	2,382,964
Gifts, grants, donations, subsidies	21,612	348	791,397	694,314	-	-	1,864	1,509,535	902,019	-	902,019	-	2,411,554
Health benefits	505,127	288,310	58,020	-	240,223	-	94,646	1,186,326	414,597	68,320	482,917	-	1,669,243
Depreciation	40,289	159,808	-	-	-	-	360,241	560,338	1,043,412	-	1,043,412	-	1,603,750
Interest	-	-	-	-	-	1,398,732	-	1,398,732	427,724	-	427,724	(153,732)	1,672,724
Professional services	234,201	428,466	114,060	3,200	68,535	8,000	98,450	954,912	561,289	206,573	767,862	-	1,722,774
Other expenses	23,570	58,730	30,456	-	-	(9)	42,600	155,347	34,399	155	34,554	-	189,901
Cost of goods sold - cemetery	-	1,376,150	-	-	-	-	-	1,376,150	-	-	-	-	1,376,150
Travel, conferences, hospitality	528,212	78,118	38,625	-	1,706	-	15,082	661,743	234,356	6,200	240,556	-	902,299
Supplies and office expenses	510,913	114,807	15,749	-	30	-	56,845	698,344	84,655	146,870	231,525	-	929,869
Computer software support	200,938	25,058	754,025	-	-	-	129,704	1,109,725	143,405	67,750	211,155	-	1,320,880
Financing, investment management	4,278	106,706	-	-	153,520	321,809	70,148	656,461	144,410	91,393	235,803	-	892,264
Diocesean assessment cemetery	-	408,926	-	-	-	-	-	408,926	-	-	-	(430,408)	(21,482)
Legal	-	720	-	-	-	15,471	53,117	69,308	219,141	-	219,141	-	288,449
Payroll services	-	-	-	-	-	-	256,331	256,331	-	-	-	-	256,331
Advertising	55,722	165,037	22,399	-	-	-	-	243,158	13,350	450	13,800	-	256,958
Membership and dues	35,754	5,509	-	-	-	-	625	41,888	181,217	2,785	184,002	-	225,890
Telecommunications	44,221	74,269	3,791	-	761	-	6,540	129,582	51,468	6,948	58,416	-	187,998
Pension loss (gain)	-	-	-	-	188,557	-	-	188,557	(7,029)	-	(7,029)	-	181,528
Catholic Telemedia Network fee	82,603	-	-	-	-	-	-	82,603	-	-	-	-	82,603
Total functional expenses	**$ 5,754,121**	**$ 6,701,192**	**$ 2,528,119**	**$ 697,713**	**$ 5,777,880**	**$ 1,744,003**	**$ 28,069,415**	**$ 51,272,443**	**$ 7,830,030**	**$ 1,024,790**	**$ 8,854,820**	**$ (584,140)**	**$ 59,543,123**

Supplementary Information

MOSSADAMS

Report of Independent Auditors on Supplementary Information

Most Reverend Patrick J. McGrath
Central Administrative Office of the Roman Catholic Diocese of San Jose and Affiliate

We have audited the consolidated financial statements of the Central Administrative Office of the Roman Catholic Diocese of San Jose and Affiliate as of and for the years ended June 30, 2017 and 2016, and our report thereon, dated February 1, 2018, expressed an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 42 through 43, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Moss Adams LLP

San Francisco, California
February 1, 2018

Central Administrative Office of
The Roman Catholic Diocese of San Jose and Affiliate
Consolidating Statement of Financial Position – All Funds
As of June 30, 2017

	Operating	Cemeteries	Restricted	Priests' Retirement	Investment Pool	Deposit and Loan Funds	Service	Drexel	Eliminations	Total
ASSETS										
Cash and equivalents	$ 15,770,818	$ 5,983,241	$ 2,010,898	$ 103,669	$ -	$ 27,223,957	$ 1,976,356	$ 1,543,381	$ -	$ 54,612,320
Marketable securities	1,156,418	8,366,840	16,272,596	1,455,530	29,734,764	26,489,797	19,167,209	-	-	102,643,154
Receivables (net of allowance for doubtful accounts and valuation reserves)										
Receivables from parishes and institutions	473,638	-	109,229	27,382	-	-	3,256,947	70,877	-	3,938,073
Pledges	-	-	1,978,213	-	-	-	-	4,170,086	-	6,148,299
Other	82,765	7,682,320	2,587,577	100,690	-	-	259,135	-	-	10,712,487
Deposits and prepaid expenses	45,728	273,959	-	-	-	-	132,997	-	-	452,684
Inventory	-	8,125,069	-	-	-	-	-	-	-	8,125,069
Loans receivable from parishes and institutions in Deposit and Loan Fund (net of allowance for doubtful accounts and valuation reserves)	-	-	-	-	-	20,763,435	-	-	-	20,763,435
Marketable securities held for long-term purposes	-	-	4,287,868	-	-	-	-	-	-	4,287,868
Investment in real estate	232,072	-	5,580,000	-	-	-	-	-	-	5,812,072
Assets held in trust	249,287	-	-	-	323,407	-	-	-	-	572,694
Land, buildings, and equipment	49,076,483	3,603,080	-	20,602	-	-	10,523	-	-	52,710,688
Interest bearing intrafund account	-	19,349,289	-	-	-	-	-	-	(19,349,289)	-
Total assets	$ 67,087,209	$ 53,383,798	$ 32,826,381	$ 1,707,873	$ 30,058,171	$ 74,477,189	$ 24,803,167	$ 5,784,344	$ (19,349,289)	$ 270,778,843
LIABILITIES AND NET ASSETS										
Liabilities										
Accounts payable	$ 725,372	$ 101,541	$ 622,152	$ 208,567	$ -	$ 1,129,378	$ 45,654	$ 209,750	$ -	$ 3,042,414
Pledges payable to parishes	-	-	1,874,402	-	-	-	-	-	-	1,874,402
Accrued liabilities	5,535,273	3,500,726	-	17,715,272	-	-	4,863,497	17,833	-	31,632,601
Deposits payable to parishes	-	-	-	-	-	88,602,492	-	-	(19,349,289)	69,253,203
Notes payable	9,416,662	-	-	-	-	-	-	-	-	9,416,662
Trust assets held for parishes	-	-	-	-	323,407	-	-	-	-	323,407
Held for parishes/institutions	664,150	-	-	-	29,734,764	-	4,296,210	-	-	34,695,124
Deferred revenue	13,030,719	16,311,542	-	-	-	-	1,410,091	-	-	30,752,352
Due to/from other funds	6,711,588	-	1,601,787	2,509,277	-	(10,236,219)	(586,433)	-	-	-
Total liabilities	36,083,764	19,913,809	4,098,341	20,433,116	30,058,171	79,495,651	10,029,019	227,583	(19,349,289)	180,990,165
Net Assets										
Unrestricted										
Undesignated	30,701,967	21,013,676	-	(20,180,773)	-	(5,018,462)	-	-	-	26,516,408
Designated	301,478	12,456,313	-	1,455,530	-	-	14,774,148	-	-	28,987,469
	31,003,445	33,469,989	-	(18,725,243)	-	(5,018,462)	14,774,148	-	-	55,503,877
Temporarily restricted	-	-	24,440,172	-	-	-	-	5,556,761	-	29,996,933
Permanently restricted	-	-	4,287,868	-	-	-	-	-	-	4,287,868
Total net assets	31,003,445	33,469,989	28,728,040	(18,725,243)	-	(5,018,462)	14,774,148	5,556,761	-	89,788,678
Total liabilities and net assets	$ 67,087,209	$ 53,383,798	$ 32,826,381	$ 1,707,873	$ 30,058,171	$ 74,477,189	$ 24,803,167	$ 5,784,344	$ (19,349,289)	$ 270,778,843

Central Administrative Office of
The Roman Catholic Diocese of San Jose and Affiliate
Consolidating Statement of Activities – All Funds
Year Ended June 30, 2017

	Operating	Cemeteries	Restricted	Priests' Retirement	Investment Pool	Deposit and Loan Funds	Service	Drexel	Eliminations	Total
Revenues										
Gifts, bequests, and collections	$ 440,545	$ -	$ 6,080,210	$ 22,200	$ -	$ -	$ -	$ 5,436,801	$ -	$ 11,979,756
Fees	1,445,411	-	-	1,469,625	-	-	978,347	-	-	3,893,383
Diocesan assessment	3,972,391	-	-	-	-	-	-	-	(627,511)	3,344,880
Education income	1,089,715	-	-	-	-	-	-	-	-	1,089,715
Rental income	473,652	38,075	93,792	-	-	-	-	-	-	605,519
Investment income realized	34,139	205,700	828,559	489,541	-	335,414	469,044	30	(116,944)	2,245,483
Interest income from loans	2,409	-	-	-	-	590,426	-	-	-	592,835
Cemetery revenues	-	9,761,780	-	-	-	-	-	-	-	9,761,780
Insurance premium income	-	-	-	-	-	-	27,626,183	-	-	27,626,183
Newspaper income	452,884	-	-	-	-	-	-	-	-	452,884
Grant income	446,500	-	1,549,633	-	-	-	193,050	4,629,258	(1,635,119)	5,183,322
Other income	19,662	108,086	-	-	-	-	-	-	-	127,748
Total revenues	8,377,308	10,113,641	8,552,194	1,981,366	-	925,840	29,266,624	10,066,089	(2,379,574)	66,903,488
Expenses										
Pastoral	4,681,435	-	-	81,319	-	-	-	-	-	4,762,754
Religious and personnel development	2,756,983	-	-	-	-	-	-	-	-	2,756,983
Education	984,077	-	2,632,714	-	-	-	-	4,785,395	(1,635,119)	6,767,067
Pension, priest retirement	(7,679)	-	-	2,014,235	-	-	-	-	-	2,006,556
Administration	2,909,044	-	124,447	-	-	6,724	1,583,737	-	-	4,623,952
Depreciation	878,387	172,884	-	-	-	-	270,910	-	-	1,322,181
Interest expense - deposits	-	-	-	-	-	342,008	-	-	(116,944)	225,064
Interest expense - notes and bonds	439,143	-	-	-	-	-	-	-	-	439,143
Insurance premiums and benefits	-	-	-	-	-	-	24,056,945	-	-	24,056,945
Newspaper	515,470	-	-	-	-	-	-	-	-	515,470
Cemetery operating	-	6,969,693	-	-	-	-	-	-	(627,511)	6,342,182
Fundraising	906,235	-	-	-	-	-	-	-	-	906,235
Total expenses	14,063,095	7,142,577	2,757,161	2,095,554	-	348,732	25,911,592	4,785,395	(2,379,574)	54,724,532
Change in net assets before transfers	(5,685,787)	2,971,064	5,795,033	(114,188)	-	577,108	3,355,032	5,280,694	-	12,178,956
Intrafund transfers										
Annual appeal transfer	5,928,182	-	(5,928,182)	-	-	-	-	-	-	-
Other interfund transfers	203,500	-	-	-	-	-	(203,500)	-	-	-
Intrafund transfers	6,131,682	-	(5,928,182)	-	-	-	(203,500)	-	-	-
Increase (decrease) in net assets from operations	445,895	2,971,064	(133,149)	(114,188)	-	577,108	3,151,532	5,280,694	-	12,178,956
Loss on disposition of assets	(60,296)	-	-	-	-	-	-	-	-	(60,296)
Bad debt expense	(47,380)	(7,852)	14,179	89,749	-	(2,908,703)	(596,344)	(470,000)	-	(3,926,351)
Change in obligations for post-retirement benefits	1,755,962	864,609	-	439,457	-	-	637,204	141,322	-	3,838,554
Investment income unrealized	76,371	370,178	1,865,721	1,496,598	-	(136,492)	1,139,948	-	-	4,812,324
Taxes	-	(800)	-	-	-	-	-	-	-	(800)
Increase (decrease) in net assets	2,170,552	4,197,199	1,746,751	1,911,616	-	(2,468,087)	4,332,340	4,952,016	-	16,842,387
Net assets at the beginning of the year	23,903,989	29,272,790	32,439,788	(22,065,667)	-	(12,213,403)	21,004,049	604,745	-	72,946,291
Reclassification of donor intent	4,928,904	-	(5,458,499)	1,428,808	-	9,663,028	(10,562,241)	-	-	-
Net assets at the end of the year	$ 31,003,445	$ 33,469,989	$ 28,728,040	$ (18,725,243)	$ -	$ (5,018,462)	$ 14,774,148	$ 5,556,761	$ -	$ 89,788,678

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