Consolidated Financial Statements with Supplementary Information and Report of Independent Certified Public Accountants

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

June 30, 2019

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Most Reverend Oscar Cantu

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

We have audited the accompanying consolidated financial statements of Central Administrative Office of the Roman Catholic Diocese of San Jose and Affiliate ("CAO"), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's responsibility for the 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 that are 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Grant Thornton

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Central Administrative Office of the Roman Catholic Diocese of San Jose and Affiliate as of June 30, 2019 and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary information

The consolidating statements of financial position and of activities, on pages 40 and 41, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

San Jose, California
September 24, 2020

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS	
Cash and cash equivalents	$ 37,792,328
Investments	166,629,721
Receivables, net	
Receivables from parishes and institutions of the Roman Catholic Bishop of San Jose ("RCBSJ")	8,797,615
Pledges	4,652,270
Receivables from parties outside the RCBSJ	12,589,714
Deposits and prepaid expenses	395,256
Inventory	7,127,276
Loans receivable from parishes and institutions in Deposits and Loan Fund, net	18,142,151
Investments held for long-term purposes	4,337,868
Investment in real estate	43,770,000
Assets held in trust	284,179
Land, buildings and equipment, net	45,513,062
Total assets	$ 350,031,440
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	$ 6,467,933
Pledges payable to parishes	1,695,260
Accrued liabilities	59,091,404
Accrued cemetery maintenance cost	14,871,336
Deposits payable to parishes	77,472,231
Note payable	6,737,073
Trust assets held for parishes	284,179
Held for parishes and institutions	38,973,095
Deferred revenue	29,467,706
Total liabilities	235,060,217
Net Assets	
Without donor restrictions	36,653,737
With donor restrictions	78,317,486
Total net assets	114,971,223
Total liabilities and net assets	$ 350,031,440

The accompanying notes are an integral part of this consolidated financial statement.

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

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Gifts, bequests, and collections	$ 1,158,932	$ 8,393,353	$ 9,552,285
Fees	4,679,736	-	4,679,736
Diocesan assessment	3,481,500	-	3,481,500
Education income	1,163,647	-	1,163,647
Rental income	543,842	86,188	630,030
Investment income realized	10,007,543	5,669,443	15,676,986
Interest income from loans	585,474	-	585,474
Cemetery revenues	9,003,930	-	9,003,930
Insurance premium income	25,728,755	-	25,728,755
Newspaper income	456,090	-	456,090
Grant income	-	4,688,794	4,688,794
Other income	29,236	-	29,236
Subtotal revenues from operations	56,838,685	18,837,778	75,676,463
Net assets released from restrictions and reclassifications (See Note 9)	12,411,753	(12,411,753)	-
Total revenues	69,250,438	6,426,025	75,676,463
Expenses			
Compensation and benefits	14,357,217	-	14,357,217
Operating expenses	13,255,192	-	13,255,192
Travel and events	1,006,535	-	1,006,535
Professional services	2,053,711	-	2,053,711
Insurance	25,265,425	-	25,265,425
Depreciation	1,355,287	-	1,355,287
Interest	523,691	-	523,691
Total expenses	57,817,058	-	57,817,058
Change in net assets from operations	11,433,380	6,426,025	17,859,405
Gain (loss) on disposition of assets	(205,606)	-	(205,606)
Bad debt expense	(601,201)	(16,224)	(617,425)
Change in obligations for post-retirement benefits	(5,191,633)	-	(5,191,633)
Investment income unrealized	(6,286,733)	(2,575,086)	(8,861,819)
Non-Operational Net Asset Distribution	(15,000,000)	-	(15,000,000)
Income Taxes	(800)	-	(800)
Change in net assets	(15,852,593)	3,834,715	(12,017,878)
Net assets, beginning of the year, as previously reported	49,908,402	41,162,771	91,071,173
Cumulative effect of change in accounting principle	2,597,928	33,320,000	35,917,928
Adjusted net assets, beginning of the year, as restated	52,506,330	74,482,771	126,989,101
Net assets, end of the year	$ 36,653,737	$ 78,317,486	$ 114,971,223

The accompanying notes are an integral part of this consolidated financial statement.

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	Ministry and Program Services							Supporting Activities				
	Chancery Ministries/ Programs	Cemeteries	Restricted	Priests' Retirement	Deposits and Loan	Services	Total Ministry and Programs	Chancery Management and General	Fundraising	Total Supporting	Eliminations	Total Functional Expenses
Insurance premiums	$ -	$ -	$ -	$ -	$ -	23,733,144	23,733,144	$ -	$ -	$ -	$ -	$ 23,733,144
Compensation	2,455,877	2,109,164	-	179,187	-	-	4,744,228	4,313,945	492,644	4,806,589	-	9,550,817
Pension costs	381,671	227,877	-	32,973	-	-	642,521	810,320	77,097	887,417	(259,502)	1,270,436
Other benefits and payroll taxes	232,602	172,280	-	1,528,514	-	1,183,717	3,117,113	902,729	52,520	955,249	(101,322)	3,971,040
Gifts, grants, donations, subsidies	4,213,084	-	-	50,000	-	97,700	4,360,784	737,708	685	738,393	-	5,099,177
Health benefits	291,508	278,502	-	357,592	-	-	927,602	808,617	69,127	877,744	(1,499,982)	305,364
Depreciation	66,416	199,602	-	23,301	-	4,275	293,594	1,061,693	-	1,061,693	-	1,355,287
Interest	-	-	-	-	370,345	-	370,345	213,964	-	213,964	(60,618)	523,691
Professional services	107,549	1,151,632	-	51,024	-	91,807	1,402,012	1,290,190	159,823	1,450,013	-	2,852,025
Other expenses	244,991	854,888	-	238,691	-	(6,838)	1,331,732	2,615,279	106,669	2,721,948	(334,905)	3,718,775
Cost of goods sold - cemetery	-	2,412,956	-	-	-	-	2,412,956	-	-	-	-	2,412,956
Travel, conferences, hospitality	515,397	41,906	-	18,662	-	7,603	583,568	392,157	30,810	422,967	-	1,006,535
Supplies and office expenses	30,481	22,133	-	851	-	92	53,557	48,864	1,882	50,746	-	104,303
Computer software support	186,875	64,417	-	-	-	-	251,292	532,657	85,521	618,178	-	869,470
Financing, investment management	11,057	117,136	-	3,769	105	7,337	139,404	17,961	99,120	117,081	-	256,485
Diocesan assessment cemetery	-	751,061	-	-	-	-	751,061	-	-	-	(751,061)	-
Legal	-	14,000	-	56,671	-	-	70,671	176,494	-	176,494	-	247,165
Advertising	76,949	175,128	-	1,490	-	-	253,567	25,403	6,287	31,690	-	285,257
Membership and dues	34,253	4,084	-	50	-	500	38,887	214,600	1,645	216,245	-	255,132
Bad debt expense	-	(18,282)	16,224	-	-	-	(2,058)	619,483	-	619,483	-	617,425
Non-operational net asset distribution	-	-	-	-	-	-	-	15,000,000	-	15,000,000	-	15,000,000
Income taxes	-	800	-	-	-	-	800	-	-	-	-	800
Total functional expenses	$ 8,848,710	$ 8,579,284	$ 16,224	$ 2,542,775	$ 370,450	25,119,337	45,476,780	$ 29,782,064	$ 1,183,830	$ 30,965,894	$ (3,007,390)	$ 73,435,284

The accompanying notes are an integral part of this consolidated financial statement.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

Operating activities	
Change in net assets	$ (12,017,878)
Adjustment to reconcile change in net assets to net cash from operating activities	
Change in obligations for post-retirement benefits and unfunded pension liabilities	5,191,633
Allowance for doubtful accounts	271,655
Depreciation	1,355,287
Loss on disposition of assets	205,606
Investment income realized and unrealized	(4,775,167)
Changes in operating assets and liabilities:	
Receivables	2,080,225
Deposits and prepaid expenses	181,090
Inventory	685,998
Unrealized gain from investments in real estate	(2,040,000)
Assets held in trust	898
Accounts payable and pledges payable	452,879
Accrued liabilities	5,538,388
Trust assets held for parishes	(898)
Held for parishes and institutions	761,439
Deferred revenue	(3,337,914)
Net cash provided by operating activities	(5,446,759)
Investing activities	
Additions to land, buildings and equipment	7,486,306
Loans and interest receivable	1,703,674
Purchase of investments	(344,436,290)
Proceeds from sale of investments	343,083,391
Net cash used in investing activities	7,837,081
Financing activities	
Increase in deposits payable	5,857,726
Less payments on notes payable	(1,267,086)
Net cash provided by financing activities	4,590,640
Net change in cash and cash equivalents	6,980,962
Cash and cash equivalents, beginning of year	30,811,366
Cash and cash equivalents, end of year	$ 37,792,328
Supplemental disclosures for cash paid for:	
Interest	$ 523,691
Taxes	$ 800

The accompanying notes are an integral part of this consolidated financial statement.

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) 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 interorganizational and interfund balances and transactions have been eliminated. Those entities not included in these consolidated financial 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:

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

NOTE 1 - ORGANIZATION - Continued

5) ***Cemeteries*** – The activities of the Roman Catholic Cemeteries of San Jose are maintained in this fund. This fund consolidates the activities of CFIS.

6) ***Investment*** – 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 by utilizing a pooling method based on market values. Revenues and expenses of the pool are reflected as net asset changes in the fund or entity for which the assets are held.

7) ***Deposits 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, 2019, the deposit rates were 0.30% to 1.30%, depending on the term of the deposit. The interest rates applied to loans range from 0.00% to 5.00% for the year end June 30, 2019.

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

	By Term			
As of June 30, 2019	<1 Year	1-2 Years	6 Years	Total
Parishes	$ 58,350,990	$ 3,352,439	$ 2,449,680	$ 64,153,109
Schools	8,297,885	3,634,331	1,386,906	13,319,122
	$ 66,648,875	$ 6,986,770	$ 3,836,586	$ 77,472,231

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 ("U.S. 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:

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 interfund transactions and balances have been eliminated upon consolidation.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net assets - The CAO is required to report information regarding its consolidated financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restriction - Consist of resources of the CAO that have not been restricted by a donor. A portion of net assets without donor restriction of the operating fund has been Board designated for certain initiatives.

Net assets with donor restriction - 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, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the consolidated statement of activities as net assets released from restriction. Other net assets with donor restrictions include gifts with donor-imposed restrictions that the original gift amounts be maintained in perpetuity as an endowment, with only the income to be used to support operations or another specified purpose. Such undistributed earnings from donor-restricted endorsements remain as net assets with donor restrictions until appropriated for current year operations and utilized in accordance with their purpose restriction (if any), at which they become net assets without donor restrictions.

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, 2019, exceeded federal depository insurance coverage. The CAO has not experienced any losses in such accounts.

Concentration of credit risk - Financial instruments that potentially subject the Chancery to concentrations of credit risk consist principally of cash and cash equivalents, time certificates of deposit, loan receivables and receivables from schools and parishes. Such balances with any one institution may, at times, be in excess of federally insured limits. Risks associated with cash and cash equivalents, loan receivables, receivables form schools and parishes, and time certificates of deposit are mitigated by banking with credit worthy institutions. The Chancery has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility. To address the risk of investments, the Chancery maintains a diversified portfolio, subject to an investment policy that sets out performance criteria, investment guidelines, and asset allocation guidelines, and requires review of the investment performance. Investments are managed by multiple investment managers, who have responsibility for investing the funds in various investment classes. This entire process is actively overseen by the Finance Committee of the Diocese of San Jose.

Investments - Investments 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

These investments 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 statement 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 consolidated 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.

Allowances on receivables as of June 30, 2019 are as follows:

	Customer Grouping			
As of June 30, 2019	**Diocese Parishes and Institutions**	**Pledges**	**Non-Diocesan Entities**	**Total**
Gross	$ 11,511,992	$ 4,976,155	$ 12,717,592	$ 29,205,739
Allowances	(2,714,377)	(323,885)	(127,878)	(3,166,140)
Net	$ 8,797,615	$ 4,652,270	$ 12,589,714	$ 26,039,599

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 (at discount rate of 5%) of the CAO's interest in the underlying trust assets, of which the CAO will be either the full or partial beneficiary, and beneficial interest are included in receivables from parties outside the RCBSJ and in net assets with donor restrictions in the consolidated statement 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 net realizable value.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 borrower's ability to pay.

Allowances on loans receivables as of June 30, are as follows:

Gross	$	23,101,471
Allowances		(4,959,320)
Net	$	18,142,151

Investments in real estate - Investments in real estate are recorded at fair value as determined by periodic appraisals. Prior to 2019, real estate investments were held at cost. In 2019, the CAO changed its accounting policy to record such investments at fair value as this methodology was viewed to be preferable as it was a more relevant measure. The cumulative effect of the change in accounting principle to the beginning net assets was $35,917,928.

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 trust assets held for parishes item on the accompanying consolidated statement 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 fair 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Accrued cemetery maintenance - In connection with each sale of a lot or crypt, Diocese of San Jose’s cemeteries agrees to provide certain perpetual endowed care maintenance of the lot or crypt. Accrued cemetery maintenance costs represent the liability for the estimated cost to maintain the cemeteries’ existing graves and crypts in the future. For this estimate, the amount is calculated as the present value of the cemetery care obligation liability less the present value of the funds designated for endowed care (“fund's assets”). Current maintenance costs are divided by the estimated long-run rate of return on the fund's assets of 3.84%, less the inflation rate of 1.8%, at which they are projected to grow. The present value of the fund's assets is equivalent to the projected additions to the fund, net of outflows from projected maintenance costs, discounted at the estimated long-run rate of return on the fund's assets.

The undiscounted estimated costs may vary materially from actual future costs. Annually management updates its estimates and assumptions, including the discount rate. Any change in assumptions used for this estimate is recorded in the year such change is made. Such changes may be material to the consolidated financial statements.

Funds designated for endowed care are invested in accordance with the contracts; however, they are not segregated in the accompanying consolidated statement of financial position. Pursuant to cemetery maintenance agreements and commitments, a portion of the proceeds from sales of easement of graves and crypts is invested by the cemeteries in the pooled investment fund. Total amounts invested were approximately $15.2 million as of June 30, 2019.

At June 30, 2019, the accrued cemetery maintenance cost balance was $14.9 million.

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 U.S. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Gifts, bequests, and collections - Contributions are recognized as pledges receivable and revenue in the consolidated statement 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; and

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 year ended June 30, 2019.

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.

Use of estimates - In preparing the consolidated financial statements in conformity with U.S. 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 accounts on receivables, pledges, and loans totaling $8,125,460 as of June 30, 2019, 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Tax exempt status – The Roman Catholic Bishop of San Jose has been granted tax exempt status by the Internal Revenue Service ("IRS") 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 newspaper advertising income received.

The affiliate, CFIS, is a for-profit taxable entity that is required to file form 1120 with the IRS.

Accounting for income taxes - **uncertain tax positions** - U.S. 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 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.

Recent accounting pronouncements – In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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. The adoption is effective for the CAO for the fiscal year ending June 30, 2021. Management is currently evaluating the impact of the provisions of ASU 2014-09 on the consolidated financial statements.

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 consolidated 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, 2021, with early adoption permitted. The adoption is effective for the CAO's for the fiscal year ending June 30, 2023. Management is currently evaluating the impact of the provisions of ASU 2016-02 on the consolidated financial statements.

NOTE 3 - INVESTMENTS

Marketable securities at June 30 consist of the following:

	2019
Cash and cash equivalents	$ 12,968,489
Equity Securities	64,433,648
Fixed Income Securities	41,465,198
CDs	52,067,000
Other	33,255
Total	$ 170,967,588

Investment income for the year ended June 30, consists of the following:

	2019
Interest and dividends	$ 3,028,498
Realized gains	12,648,488
Unrealized losses	(10,901,819)
Unrealized gain on real estate investments (see Note 2)	2,040,000
Total investment income	$ 6,815,167

NOTE 4 - PLEDGES RECEIVABLE AND PAYABLE

Pledges receivable and payable are as follows at June 30, 2019:

	Drexel	Annual Appeal	Total
Due within one year	$ 900,000	$ 1,867,309	$ 2,767,309
Due greater than one year	2,350,000	-	2,350,000
Less discount for present value	(141,154)	-	(141,154)
Less allowance for doubtful accounts	(310,885)	(13,000)	(323,885)
Net pledges receivable	$ 2,797,961	$ 1,854,309	$ 4,652,270
Annual campaign pledges payable from CAO to parishes	$ -	$ 1,695,260	$ 1,695,260

Pledges due greater than one year are recorded after discounting future cash flows to present value using a discount rate equivalent to the T-bill rate maturing at that year-end.

The rates used for the year ended June 30, 2019 were from 1.71% to 2.40%.

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 (DEPOSITS AND LOAN FUND)

Collections of loans receivable are scheduled as follows:

Year ended June 30, 2019		
2020	$	2,221,545
2021		1,756,278
2022		1,761,128
2023		1,760,928
2024		1,610,046
Thereafter		13,991,546
Subtotal		23,101,471
Less allowance for loan losses and valuation reserves		(4,959,320)
Total loan receivable, net	$	18,142,151

Allowance for loan losses and valuation reserves are as follows for the year ended June 30:

		2019
Balance, beginning of year	$	5,220,209
Present value adjustment		(229,086)
Provision for loan losses		(31,803)
Balance, end of year	$	4,959,320

NOTE 6 - LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consist of the following at June 30, 2019:

	Operating Fund	Cemeteries Fund	Priest Retirement Fund	Service Fund	Total
Buildings and improvements	$ 33,189,527	$ 5,707,753	$ -	$ -	$ 38,897,280
Leasehold improvements	48,500	-	427,991	-	476,491
Furnitures and fixtures	673,641	329,697	-	-	1,003,338
Vehicles	31,567	700,705	29,009	-	761,281
Equipment	96,847	722,465	6,752	11,705	837,769
Other	1,600,490	370,661	-	-	1,971,151
	35,640,572	7,831,281	463,752	11,705	43,947,310
Less accumulated depreciation	(16,661,169)	(4,975,933)	(420,871)	(9,734)	(22,067,707)
	18,979,403	2,855,348	42,881	1,971	21,879,603
Land					
Sites for furture 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	61,693	494,509	-	-	556,202
Total land, building and equipment	$ 41,349,812	$ 4,118,398	$ 42,881	$ 1,971	$ 45,513,062

NOTE 7 - NOTE PAYABLE

During the year ended June 30, 2016, the Diocese entered into a fixed 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, secured by the diocesan deposit account, is 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, 2019, the outstanding principal balance was $6,737,073. Interest expense totaled $213,964 for the year ended of June 30, 2019. The loan has certain restrictive covenants, which among other things, requires a certain minimum debt service coverage ratio.

The Diocese is currently in violation of a loan covenant to have submitted to the bank audited financial statements by November 30, 2019. On July 1, 2020, US Bank has declared the loan in technical default. Because the loan can be called, the CAO has sought and received approval from the San Jose Catholic Account for Parishes and Schools (CAPS) for a $5,500,000 loan with a 10-year amortization at 3% interest as a back-up plan.

NOTE 7 - NOTE PAYABLE - Continued

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

Year ended June 30:		
2020	$	500,004
2021		6,237,069
Total	$	6,737,073

NOTE 8 - NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction are available for the following at June 30:

		2019
Annual appeal programs for general operations with time restrictions	$	6,457,232
General education and tuition assistance (non-endowed) with purpose restrictions		16,438,295
Specific ministries and purposes (non-endowed) with purpose restrictions		43,602,046
Available endowment funds with purpose restrictions		7,482,045
Endowment funds invested in perpetuity and not available		4,337,868
Total donor restricted net assets	$	78,317,486

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 year ended June 30, 2019 consisted of the following:

		2019
Purpose restrictions accomplished	$	6,043,161
Time restrictions expired		6,368,592
Total restrictions released	$	12,411,753

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 U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 10 - ENDOWMENTS - Continued

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 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, 2019		
	With Donor Time and Purpose Restrictions	Perpertual Endowments	Total
Donor restricted	$ 7,482,046	$ 4,337,868	$ 11,819,914
Total funds	$ 7,482,046	$ 4,337,868	$ 11,819,914

NOTE 10 - ENDOWMENTS - Continued

Changes in Endowment Net Assets

	With Donor Time and Purpose Restrictions	Perpertual Endowments	Total
Endowment net assets, June 30, 2018	$ 7,444,132	$ 4,337,868	$ 11,782,000
Investment income/expenses	227,462	-	227,462
Investment appreciation	296,190	-	296,190
Appropriations for expenditure	(485,738)	-	(485,738)
Endowment net assets, June 30, 2019	$ 7,482,046	$ 4,337,868	$ 11,819,914

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. At June 30, 2019 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 fund's 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 $7,605,659 at June 30, 2019.

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

For the years ending June 30:		
2020	$	616,308
2021		512,625
2022		429,554
2023		404,446
2024		297,179
Thereafter		7,508,683
	$	9,768,795

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 year ended June 30, 2019 was $261,344.

Future minimum rental payments are as follows:

Year ended June 30:		
2020	$	231,893
2021		167,689
2022		169,540
2023		165,843
2024		106,000
Thereafter		388,667
Total	$	1,229,632

NOTE 12 - COMMITMENTS AND CONTINGENCIES - Continued

Construction agreements - The CAO has entered into several construction agreements on behalf of various parishes and schools. At June 30, 2019 total commitments are $13,647,129. The total amount expended as of June 30, 2019, on these commitments was $10,029,407. 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. The portion to be retained 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 the other portion of approximately 4.8 acres 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 was classified as deferred revenue pending completion of hazardous material abatement on the property. The conditions were met in 2019 and a net gain of $7,757 was recognized as revenue during fiscal year 2019.

NOTE 13 - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

The Roman Catholic Bishop of San Jose 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 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 Standards 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.

NOTE 13 - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - Continued

Contributions of $0 were made to the plan in the year ended June 30, 2019. Benefit payments of $515,000 were made from the plan during the year ended June 30, 2019. The Diocese expects to contribute $0 to the plan’s rabbi trust fund during the year ending June 30, 2020.

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:

		2019
Accumulated post-retirement benefit obligations for service rendered to date	$	(8,248,000)
Plan assets at fair value		7,117,000
Funded status as of end of year		(1,131,000)
Liability for post-retirement benefits	$	(1,131,000)

Amounts recognized in net assets without donor restriction for the year ended June 30, rounded to the nearest thousandth:

		2019
Net loss	$	57,000

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 year ended June 30, rounded to the nearest thousandth:

		2019
Service cost-benefits earned during the period	$	375,000
Interest cost on projected benefit obligation		374,000
Actual return on plan assets		(249,000)
Net amortization and deferral		(151,000)
Net periodic post-retirement benefit cost	$	349,000

NOTE 13 - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - Continued

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

	2019
Net (gain) loss	$ (1,267,000)
Amortization of gain during the year	(30,000)
Total recognized as (increase)/reduction in unrestricted net assets	$ (1,297,000)
Total recognized in net periodic benefit cost and unrestricted net assets	$ (948,000)

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

	2019
Discount rate	4.20%
Expected long-term rate of return on assets	6.25%
Future health cost inflation rate	Graded 8.00% - 4.50%

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

	2019
Discount rate	3.59%
Future health cost inflation rate	Graded 6.10% - 4.50%

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

Year ending June 30:	Annual Benefits
2020	$ 238,000
2021	254,000
2022	271,000
2023	279,000
2024	292,000
2025-2029	1,681,000

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 Roman Catholic Bishop of San Jose. 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. In September 2019, the Diocese announced that effective July 1, 2020 the defined benefit pension plan will be frozen and a new 403(b) plan will be implemented. The pension benefits accrued will remain for participating employees, and eligible employees will participate in the 403(b) plan.

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 20 years.

The CAO administers the plan and assesses each of the participating entities its portion of estimated annual pension cost. The aggregate pension liability for the plan as a whole is $130,885,000 for the year ended June 30, 2019. The amounts allocated to the CAO for the year ended June 30, are as follows:

	Lay Retirement Plan 2019
Net amount of pension liability recognized at year-end	$ (8,024,385)
Pension (income) expenses	243,221
Plan contributions	1,702,638

NOTE 14 - PENSION PLANS - Continued

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

	Lay Retirement Plan 2019
For Net Periodic Pension Cost	4.14%
Discount rate	6.00%
Expected long-term rate of return on assets	4.00%
Salary scale	
	3.46%
	4.00%

The fair values of the Diocesan Lay Pension Plan assets as of June 30, 2019, by asset category are as follows:

	2019 Fair Value Measurements			
Asset Category	Total Fair Value	Quoted Prices (Level 1)	Significant Observation Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 26,618,471	$ 26,618,471	$ -	$ -
Equity securities	101,555,739	101,555,739	-	-
Fixed income securities	75,647,814	-	75,647,814	-
CDs	-	-	-	-
Other	-	-	-	-
Total	$ 203,822,024	$ 128,174,210	$ 75,647,814	$ -

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.

NOTE 14 - PENSION PLANS - Continued

Plan asset investment strategy and allocation - The asset allocation for the pension plan as of June 30, 2019 and the target allocation, by asset category, are:

Asset Category	Policy Range (Min - Max)	Policy Target	Actual Percentage of Plan Assets at June 30, 2019
Equities	40% - 70%	55%	50%
Fixed income	20% - 40%	30%	37%
Real assets	5% - 10%	8%	0%
Hedge funds	0% - 10%	7%	0%
Cash and cash equivalents	n/a	n/a	13%
Total		100%	100%

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. 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. Due to subsequent move to a new investment manager (January 2019) they had not fully invested to the new benchmarks as of June 30, 2019 but have subsequently. 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, 2019 the expected long-term rate of return used in determining net periodic pension cost was 6.00%.

Priests' combined retirement plans - The Roman Catholic Bishop of San Jose has sponsored a nonqualified 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.

The Roman Catholic Bishop of San Jose has also sponsored a non-qualified 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.

NOTE 14 - PENSION PLANS - Continued

Effective January 1, 2019, these two plans were frozen and merged together into The Diocese of San Jose Combined Nonqualified Retirement Plan for Priests. Plan assets for this plan are held in a rabbi trust. Also, effective January 1, 2019, a new qualified plan was formed, The Diocese of San Jose Qualified Retirement Plan for Priests. This qualified plan covers priest benefit accrual for service after January 1, 2019 as well as benefits accrued when the benefit formula is increased.

Since the Roman Catholic Bishop of San Jose 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 not more than 20 years.

Contributions of $1,215,000 were made to the plans in the years ended June 30, 2019 by the CAO on behalf of the parishes, schools or other units to which the participating clergy were assigned. Benefit payments of $1,239,000 were made from the plans during the year ended June 30, 2019. The Diocese expects to contribute $1,475,000 to the pension plans during the year ending June 30, 2020.

The fair values of certain Diocesan Priest Pension Plans assets as of June 30, 2019 by asset category follow. Assets are held in rabbi trusts and, as such, are held as general assets of the CAO in the consolidated statement of financial position in the amount of $9,481,000 as of June 30, 2019. At June 30, 2019 $1,215,703 of investments held in the new qualified plan are presented as an offset to the projected benefit obligation.

	2019 Fair Value Measurements			
Asset Category	Total Fair Value	Quoted Prices (Level 1)	Significant Observation Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 1,460,082	$ 1,460,082	$ -	$ -
Equity Securities	5,200,587	5,200,587	-	-
Fixed Income Securities	4,036,034	-	4,036,034	-
CDs	-	-	-	-
Other	-	-	-	-
Total	$ 10,696,703	$ 6,660,669	$ 4,036,034	$ -

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

NOTE 14 - PENSION PLANS - Continued

Plan asset investment strategy and allocation - The asset allocation for the pension plan as of June 30, 2019 and the target allocation, by asset category, are:

Asset Category	Policy Range (Min - Max)	Policy Target	Actual Percentage of Plan Assets at June 30, 2019
Equities	40% - 70%	55%	49%
Fixed income	20% - 40%	30%	38%
Real Assets	5% - 10%	8%	0%
Hedge Funds	0% - 10%	7%	0%
Cash and cash equivalents	n/a	n/a	13%
Total		100%	100%

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. 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. Due to the recent move to the new investment manager (January 2020) they had not fully invested to the new benchmarks as of year-end but have subsequently. 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 year ended June 30, 2019, the expected long-term rate of return used in determining net periodic pension cost was 6.15%.

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' Combined Retirement Plans 2019
Vested benefit obligation	$ (22,656,000)
Accumulated benefit obligation	$ (23,401,000)
Projected benefit obligation	$ (30,559,000)
Plan assets at fair value	10,696,703
Funding status of the plan	$ (19,862,297)
Net amount recognized	$ (19,862,297)

NOTE 14 - PENSION PLANS - Continued

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

	Priests' Combined Retirement Plans 2019
Non-current liabilities	$ (19,862,297)

Table 3 - Amounts recognized in net assets without donor restrictions – The amounts recognized in net assets without donor restrictions for the year ended June 30, rounded to the nearest thousandth consist of:

	Priests' Combined Retirement Plans 2019
Net loss	$ 9,285,000
Prior service cost	2,564,000
Total	$ 11,849,000

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

	Priests' Combined Retirement Plans 2019
Service cost-benefits earned during the period	$ 705,000
Interest cost on projected benefit obligation	1,047,000
Actual return on plan assets	(496,000)
Net amortization and deferral	329,000
Net periodic pension cost	$ 1,585,000

NOTE 14 - PENSION PLANS - Continued

Table 5 - Other changes in plan assets and benefit obligations recognized in unrestricted net assets - The amounts recognized in net assets without donor restriction for the year ended June 30, 2019, rounded to the nearest thousandth consist of:

	Priests' Combined Retirement Plans 2019
Net loss	$ 3,304,000
Prior service cost	1,153,000
Amortization of gain	(270,000)
Amortization of prior service credit	(196,000)
Total recognized as a (reduction) increase in unrestricted net assets	$ 3,991,000
Total recognized in net periodeic beneift cost and unrestricted net assets	$ 5,576,000

Table 6 - Assumptions

	Priests' Combined Retirement Plans 2019
For Net Periodic Pension Cost	
Discount rate	4.16%
Expected long-term rate of return on investments	6.15%
Salary scale	N/A
Future benefit increases	2.00%
For Benefit Obligation At Year End	
Discount rate	3.51%
Salary scale	N/A
Future benefit increases	2.00%

NOTE 14 - PENSION PLANS - Continued

Table 7 - Estimated future benefit payments

Year ending June 30,	Priests' Combined Retirement Plans (annual benefits)
2020	$ 1,409,000
2021	1,392,000
2022	1,444,000
2023	1,415,000
2024	1,422,000
2025-2029	6,472,000

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 $908,937 for the year ended June 30, 2019. The CAO incurred expenses to support the operations of the Cathedral of $908,736 for the year ended June 30, 2019. 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 $899,501 for the year ended June 30, 2019. 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 $76,126 for the year ended June 30, 2019.

NOTE 16 - SELF-INSURED RISK

The Diocese is self-insured with respect to its general liability coverage for the first $250,000 per occurrence.

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

The Diocese is self-insured through a $25,000 deductible with respect to fiduciary liability coverage and a $50,000 deductible with respect to crime coverage.

NOTE 16 - SELF-INSURED RISK - Continued

The Diocese is self-insured with respect to its property all-risk coverage (excluding earthquake and flood) through a $250,000 deductible per occurrence. The Diocese is 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.

The Diocese is 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 year 2019, the operating results and consolidating statements were:

	2019		
	Cemetery Fund	CFIS	Consolidated Total
Revenues			
Rental income	$ 30,900	$ -	$ 30,900
Investment income realized	3,210,704	-	3,210,704
Cemetery revenues	9,003,930	-	9,003,930
Other income	6,608	12,592	19,200
Total revenues	12,252,142	12,592	12,264,734
Expenses			
Administration			-
Depreciation expense	199,602	-	199,602
Cemetery expenses	8,388,331	8,833	8,397,164
Total expenses	8,587,933	8,833	8,596,766
Changes in net assets from operations	3,664,209	3,759	3,667,968
Bad debt expense	18,282	-	18,282
Change in obligations for post-retirement benefits	(377,230)	-	(377,230)
Investment income unrealized	(2,543,070)	-	(2,543,070)
Non-Operational Net Asset Distribution	(15,000,000)	-	(15,000,000)
Taxes		(800)	(800)
Changes in net assets	$ (14,237,809)	$ 2,959	$ (14,234,850)

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:

Securities - The fair value of investments is based on quoted market prices for those or similar assets.

Fixed Income Securities - The fair value of fixed income securities is estimated using recently executed transactions, market price quotations and pricing models that factor in, where applicable, interest rates, bond or credit-default swap spreads, and volatility. These investments are generally categorized in Level 2 of the fair value hierarchy.

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 statement of financial position has been estimated by management using net present value of the future cash flows.

Real estate held for investment – Fair value is estimated by periodic appraisals.

Fair value measurements –

The fair values of assets measured on a recurring basis at June 30, 2019, are:

	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents (Note 3)	$ 12,968,489	$ 12,968,489	$ -	$ -
Equity Securities (Note 3)	64,433,648	64,433,648	-	-
Fixed Income Securities (Note 3)	41,465,198	-	41,465,198	-
CDs (Note 3)	52,067,000	-	52,067,000	-
Other (Note 3)	33,255	-	-	33,255
Charitable remainder trust	420,261	-	-	420,261
Land charitable remainder trust	2,104,852	-	-	2,104,852
Beneficial interests	296,544	-	-	296,544
Real estate held for investment	43,770,000	-	43,770,000	-
Total	$ 217,559,247	$ 77,402,137	$ 137,302,198	$ 2,854,912

NOTE 19 - LIQUIDITY

Financial assets available within one year of the consolidated statement of financial position date of June 30, 2019 are as follows:

Operating Cash-US Bank, WFB, Paypal, Petty Cash	$	7,093,444
Cash to be released from ADA - Heritage Bank		4,267,633
Drexel cash which will meet restriction (including AR)		900,000
Total	$	12,261,077

The Roman Catholic Bishop of San Jose's goal is to maintain financial assets to meet at least 90 days of operating expenses (approximately $7 million). As part of its liquidity plan, excess cash is invested in short-term investments. In recent years, excess liquidity has been used to pay down debt.

NOTE 20 - 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 available to be 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 statement 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 September 24, 2020 which is the date the consolidated financial statements are available to be issued.

Subsequent to fiscal year end, the COA has legally reorganized such that the Cemeteries and Deposit and Loan funds have been separately incorporated and are no longer under the effective control of the Central Administrative Office. These funds will not be part of the audited reporting entity for the year ended June 30, 2020.

Beginning March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity across a broad range of industries have been severely impacted and could be for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. Our parishes are seeing significant reduction in income and our schools are currently seeing a less substantial financial impact. No adjustments have been made to these financial statements as a result of this uncertainty. However, subsequent to December 31, 2019, the investment and credit markets have experienced significant volatility. As a result, a substantial portion of

NOTE 20 - SUBSEQUENT EVENTS - Continued

the Diocese of San Jose's investments have experienced declines and it is anticipated that the underfunding of the Diocesan pensions will increase due to a substantial decrease in interest rates. Diocesan wide income has declined and so has income to the CAO. The CAO has responded by cutting nearly equal expenses including laying off approximately 25% of the staff.

NOTE 21 - NON-OPERATIONAL NET ASSET DISTRIBUTION

In Fiscal 2019 management decided to apply $15,000,000 of Cemetery Fund accumulated net assets without donor restrictions toward lay pension funding.

Supplementary Information

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

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - ALL FUNDS

As of June 30, 2019

	Operating	Restricted	Priests' Retirement	Services	Cemeteries	Investment Pool	Deposits and Loan	Eliminations	Total
ASSETS									
Cash and cash equivalents	$ 8,277,808	$ 8,017,803	$ 229,509	$ 4,693,328	$ 5,781,641	$ -	$ 10,792,239	$ -	$ 37,792,328
Investments	685,937	24,087,015	17,779,754	21,025,439	15,936,498	35,048,078	52,067,000	-	166,629,721
Receivables, net									
Receivables from parishes and institutions of the Roman Catholic Bishop of San Jose "RCBSJ"	7,947,625	-	-	841,111	-	-	8,879	-	8,797,615
Pledges	-	4,652,270	-	-	-	-	-	-	4,652,270
Receivables from parties outside the RCBSJ	48,182	2,981,657	-	70,427	9,395,837	-	93,611	-	12,589,714
Deposits and prepaid expenses	129,505	-	-	230,148	35,603	-	-	-	395,256
Inventory	-	-	-	-	7,127,276	-	-	-	7,127,276
Loans receivable from parishes and institutions in Deposits and Loan Fund, net	-	-	-	-	-	-	18,142,151	-	18,142,151
Investments held for long-term purposes	-	4,337,868	-	-	-	-	-	-	4,337,868
Investment in real estate	2,970,000	40,800,000	-	-	-	-	-	-	43,770,000
Assets held in trust	-	-	-	-	-	284,179	-	-	284,179
Due from Deposits and Loan	-	-	-	-	5,852,363	-	-	(5,852,363)	-
Land, buildings & equipment, net	41,349,812	-	42,881	1,971	4,118,398	-	-	-	45,513,062
Total assets	$ 61,408,869	$ 84,876,613	$ 18,052,144	$ 26,862,424	$ 48,247,616	$ 35,332,257	$ 81,103,880	$ (5,852,363)	$ 350,031,440
LIABILITIES & NET ASSETS									
Liabilities									
Accounts payable	6,091,985	-	69,753	119,811	80,225	-	106,159	-	6,467,933
Pledges payable to parishes	-	1,695,260	-	-	-	-	-	-	1,695,260
Accrued liabilities	11,943,632	4,863,867	38,297,310	757,282	3,229,313	-	-	-	59,091,404
Accrued cemetery maintenance cost	-	-	-	-	14,871,336	-	-	-	14,871,336
Deposits payable to parishes	-	-	-	-	-	-	83,324,594	(5,852,363)	77,472,231
Note payable	6,737,073	-	-	-	-	-	-	-	6,737,073
Trust assets held for parishes	-	-	-	-	-	284,179	-	-	284,179
Held for parishes and institutions	1,100,402	-	-	2,824,615	-	35,048,078	-	-	38,973,095
Deferred revenue	7,605,659	-	-	1,369,691	20,492,356	-	-	-	29,467,706
Total liabilities	33,478,751	6,559,127	38,367,063	5,071,399	38,673,230	35,332,257	83,430,753	(5,852,363)	235,060,217
Net Assets									
Without donor restrictions	27,930,118	-	(20,314,919)	21,791,025	9,574,386	-	(2,326,873)	-	36,653,737
With donor restrictions	-	78,317,486	-	-	-	-	-	-	78,317,486
Total net assets	27,930,118	78,317,486	(20,314,919)	21,791,025	9,574,386	-	(2,326,873)	-	114,971,223
Total liabilities and net assets	$ 61,408,869	$ 84,876,613	$ 18,052,144	$ 26,862,424	$ 48,247,616	$ 35,332,257	$ 81,103,880	$ (5,852,363)	$ 350,031,440

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

CONSOLIDATING STATEMENT OF ACTIVITIES - ALL FUNDS

Year Ended June 30, 2019

	Operating	Restricted	Priests' Retirement	Services	Cemeteries	Investment Pool	Deposits and Loan	Eliminations	Total
Revenue									
Gifts, bequests, and collections	$ 953,546	$ 8,393,353	$ 205,386	$ -	$ -	$ -	$ -	$ -	$ 9,552,285
Fees	3,169,982	-	1,870,578	-	-	-	-	(360,824)	4,679,736
Diocesan assessment	4,232,561	-	-	-	-	-	-	(751,061)	3,481,500
Education income	1,163,647	-	-	-	-	-	-	-	1,163,647
Rental income	512,942	86,188	-	-	30,900	-	-	-	630,030
Investment income realized	117,107	5,669,443	1,287,109	4,215,433	3,210,704	-	1,237,808	(60,618)	15,676,986
Interest income from loans	2,480	-	-	-	-	-	582,994	-	585,474
Cemetery revenues	-	-	-	-	9,003,930	-	-	-	9,003,930
Insurance premium income	-	-	-	27,563,642	-	-	-	(1,834,887)	25,728,755
Newspaper income	456,090	-	-	-	-	-	-	-	456,090
Grant income	-	4,688,794	-	-	-	-	-	-	4,688,794
Other income	5,511	-	-	4,525	19,200	-	-	-	29,236
Subtotal revenues from operations	10,613,866	18,837,778	3,363,073	31,783,600	12,264,734	-	1,820,802	(3,007,390)	75,676,463
Net assets released from restrictions and reclassification (See Note 9)	12,999,124	(12,411,753)	41,796	(629,167)	-	-	-	-	-
Total revenues	23,612,990	6,426,025	3,404,869	31,154,433	12,264,734	-	1,820,802	(3,007,390)	75,676,463
Expenses									
Compensation and benefits	11,315,641	-	2,114,559	-	2,787,823	-	-	(1,860,806)	14,357,217
Operating expenses	8,764,349	-	284,303	95,081	4,862,415	-	105	(751,061)	13,255,192
Travel and events	938,364	-	18,662	7,603	41,906	-	-	-	1,006,535
Professional services	1,311,824	-	101,481	34,298	606,108	-	-	-	2,053,711
Insurance	522,871	-	469	24,978,079	98,911	-	-	(334,905)	25,265,425
Depreciation	1,128,109	-	23,301	4,275	199,602	-	-	-	1,355,287
Interest	213,964	-	-	-	-	-	370,345	(60,618)	523,691
Total expenses	24,195,122	-	2,542,775	25,119,336	8,596,765	-	370,450	(3,007,390)	57,817,058
Change in net assets from operations	(582,132)	6,426,025	862,094	6,035,097	3,667,969	-	1,450,352	-	17,859,405
Gain/(loss) on disposition of assets	582	-	(206,188)	-	-	-	-	-	(205,606)
Bad debt expense	(628,015)	(16,224)	-	(252,157)	18,282	-	260,689	-	(617,425)
Change in obligations for post-retirement benefits	(870,574)	-	(3,943,829)	-	(377,230)	-	-	-	(5,191,633)
Investment income unrealized	32,722	(2,575,086)	(445,739)	(3,330,646)	(2,543,070)	-	-	-	(8,861,819)
Non-Operational Net Asset Distribution	-	-	-	-	(15,000,000)	-	-	-	(15,000,000)
Income Taxes	-	-	-	-	(800)	-	-	-	(800)
Change in net assets	(2,047,417)	3,834,715	(3,733,662)	2,452,294	(14,234,849)	-	1,711,041	-	(12,017,878)
Net assets, beginning of the year, as previously reported	27,379,606	41,162,771	(16,581,257)	19,338,732	23,809,235	-	(4,037,914)	-	91,071,173
Cumulative effect of change in accounting principle	2,597,928	33,320,000	-	-	-	-	-	-	35,917,928
Adjusted net assets, beginning of the year, as restated	29,977,534	74,482,771	(16,581,257)	19,338,732	23,809,235	-	(4,037,914)	-	126,989,101
Net assets, end of the year	$ 27,930,117	$ 78,317,486	$ (20,314,919)	$ 21,791,026	$ 9,574,386	$ -	$ (2,326,873)	$ -	$ 114,971,223