Report of Independent Auditors and
Consolidated Financial Statements

The Roman Catholic Diocese of Oakland, Central Services Administration

December 31, 2017 and 2016

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Report of Independent Auditors

To the Most Reverend Michael Barber
The Roman Catholic Bishop of Oakland, Central Services Administration

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Roman Catholic Diocese of Oakland, Central Services Administration ("Central Services Administration"), which comprise the consolidated statements of financial position as of December 31, 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 responsibility 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 we plan and perform the audits 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 consolidated financial position of The Roman Catholic Diocese of Oakland, Central Services Administration, as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

San Francisco, California
June 27, 2018

Consolidated Financial Statements

The Roman Catholic Diocese of Oakland,
Central Services Administration
Consolidated Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 7,100,488	$ 4,612,561
Restricted cash and cash equivalents	4,246,287	4,390,234
Investments	77,256,827	79,995,672
Receivables, net	14,710,535	14,690,652
Prepaid expenses and deposits	2,252,853	1,646,916
Loans to parishes, schools, institutions, and seminarians, net	15,102,932	15,888,824
Notes receivable – related parties	66,047,944	63,114,517
Note receivable	474,027	-
Assets held in trust for others	1,519,323	1,612,132
Land held for sale	587,112	966,065
Property and equipment, net	15,316,094	16,137,868
Total assets	$ 204,614,422	$ 203,055,441
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	$ 2,551,614	$ 2,219,063
Deferred revenue	4,465,747	4,445,103
Deposits payable	63,395,168	59,836,387
Note payable – related party	14,024,071	13,907,482
Notes payable	14,683,535	803,214
Agency funds	945,733	656,226
Assets held in trust for others	1,519,323	1,612,132
Equity of others in investments	20,376,781	17,441,109
Post-retirement employment benefits liability	11,070,311	7,820,076
Liability for pension benefits	8,401,000	8,970,000
Bonds payable, net of discount	48,368,376	70,041,839
Total liabilities	189,801,659	187,752,631
NET ASSETS		
Unrestricted	11,637,008	12,281,279
Temporarily restricted	1,692,635	1,538,411
Permanently restricted	1,483,120	1,483,120
Total net assets	14,812,763	15,302,810
Total liabilities and net assets	$ 204,614,422	$ 203,055,441

 See accompanying notes.

The Roman Catholic Diocese of Oakland,
Central Services Administration
Consolidated Statements of Activities
Years Ended December 31, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES								
Bishop's Annual Appeal	$ 2,237,039	$ -	$ -	$ 2,237,039	$ 2,021,163	$ -	$ -	$ 2,021,163
Parish assessments	6,039,423	-	-	6,039,423	5,974,888	-	-	5,974,888
Gifts, grants, and bequests	3,645,230	57,840	-	3,703,070	2,861,287	663,213	-	3,524,500
Dividends and interest	1,179,118	33,660	-	1,212,778	1,411,298	33,649	-	1,444,947
Ministerial department revenue	1,181,087	-	-	1,181,087	1,106,628	-	-	1,106,628
Catholic Voice	1,282,929	-	-	1,282,929	1,244,860	-	-	1,244,860
Cemetery rent	2,000,000	-	-	2,000,000	2,000,000	-	-	2,000,000
Interest income on deposit and loan fund	292,968	-	-	292,968	270,685	-	-	270,685
Insurance revenue, net	3,254,471	-	-	3,254,471	3,017,376	-	-	3,017,376
Other income	398,150	-	-	398,150	1,838,754	-	-	1,838,754
Net assets released from restrictions	92,376	(92,376)	-	-	392,110	(392,110)	-	-
Total revenues	21,602,791	(876)	-	21,601,915	22,139,049	304,752	-	22,443,801
EXPENSES								
Central Services								
Pastoral Life	1,745,149	-	-	1,745,149	1,815,781	-	-	1,815,781
Resources	1,774,129	-	-	1,774,129	1,855,136	-	-	1,855,136
Canon Law	601,833	-	-	601,833	585,554	-	-	585,554
Office of the Chancellor	2,599,859	-	-	2,599,859	2,542,734	-	-	2,542,734
Communications	319,048	-	-	319,048	280,885	-	-	280,885
Office of the Bishop	882,576	-	-	882,576	763,816	-	-	763,816
Mission Advancement	1,104,192	-	-	1,104,192	1,014,068	-	-	1,014,068
Catholic Voice	1,213,066	-	-	1,213,066	1,193,269	-	-	1,193,269
Parishes, Schools/Diocesan General								
Interest expense on deposit and loan fund	613,461	-	-	613,461	558,023	-	-	558,023
School subsidies	1,421,235	-	-	1,421,235	451,021	-	-	451,021
Parish subsidies	89,736	-	-	89,736	99,868	-	-	99,868
Capital grants	218,770	-	-	218,770	58,833	-	-	58,833
Clergy retirement	4,646,694	-	-	4,646,694	529,049	-	-	529,049
Unassigned clergy	496,327	-	-	496,327	503,474	-	-	503,474
Legal expenses	326,943	-	-	326,943	394,346	-	-	394,346
Professional fees	745,110	-	-	745,110	836,411	-	-	836,411
Provision for uncollectible receivables and loans	124,075	-	-	124,075	1,901,795	-	-	1,901,795
Overhead	4,029,653	-	-	4,029,653	4,298,950	-	-	4,298,950
Total expenses	22,951,856	-	-	22,951,856	19,683,013	-	-	19,683,013
CHANGE IN NET ASSETS BEFORE OTHER INCOME (LOSSES)	(1,349,065)	(876)	-	(1,349,941)	2,456,036	304,752	-	2,760,788

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OTHER INCOME (LOSSES)								
Gain on sale of land, property, and equipment	555,197	-	-	555,197	736,687	-	-	736,687
Interest income on notes from related parties	963,697	-	-	963,697	1,038,666	-	-	1,038,666
Bonds and other financing interest expense	(4,901,665)	-	-	(4,901,665)	(6,069,261)	-	-	(6,069,261)
Net realized and unrealized gains on investments	4,074,565	155,100	-	4,229,665	2,632,925	80,657	-	2,713,582
Total other income (losses)	691,794	155,100	-	846,894	(1,660,983)	80,657	-	(1,580,326)
CHANGE IN NET ASSETS BEFORE IMPACT OF PENSION-RELATED CHANGES	(657,271)	154,224	-	(503,047)	795,053	385,409	-	1,180,462
PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	13,000	-	-	13,000	(473,000)	-	-	(473,000)
CHANGE IN NET ASSETS	(644,271)	154,224	-	(490,047)	322,053	385,409	-	707,462
NET ASSETS, beginning of year	12,281,279	1,538,411	1,483,120	15,302,810	11,959,226	1,153,002	1,483,120	14,595,348
NET ASSETS, end of year	$ 11,637,008	$ 1,692,635	$ 1,483,120	$ 14,812,763	$ 12,281,279	$ 1,538,411	$ 1,483,120	$ 15,302,810

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (490,047)	$ 707,462
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized gains on investments	(4,229,665)	(2,713,582)
Change in allowance for doubtful accounts	88,109	1,901,795
Amortization of bond issuance costs	79,594	101,362
Depreciation	126,817	133,343
Gain on sale of land, property, and equipment	(555,197)	(736,687)
Amortization of discount on bonds payable	246,943	317,806
Loss on change in pension assumptions	1,278,000	420,000
Loss (gain) due to pension re-measurement	125,000	(1,130,000)
Changes in operating assets and liabilities:		
Receivables	(682,012)	(7,131,879)
Prepaid expenses and deposits	(605,937)	599,556
Accounts payable and accrued liabilities	332,551	440,560
Deferred revenue	20,644	123,499
Post-retirement employee benefits liability	3,250,235	(1,045,375)
Liability for pension benefits	(1,972,000)	842,000
Net cash used in operating activities	(2,986,965)	(7,170,140)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in restricted cash and cash equivalents	143,947	211,850
Purchases of investments	(40,955,933)	(20,268,809)
Proceeds from sales of investments	47,924,443	29,219,630
Loans made to parishes, schools, institutions, and seminarians	(1,043,693)	(2,933,102)
Payments received on loans made to parishes, schools, institutions, and seminarians	2,403,608	3,159,272
Loans made to related party	(3,894,877)	(1,038,666)
Loan payments received from related parties	961,450	10,124,368
Loan made to unrelated party	(562,990)	-
Loan payments received from unrelated party	88,963	410,000
Purchases of land, property, and equipment	(7,653)	-
Proceeds from sale of land, property, and equipment	1,636,757	2,984,194
Net cash provided by investing activities	6,694,022	21,868,737
CASH FLOWS FROM FINANCING ACTIVITIES		
Deposits made to deposits payable	12,860,636	17,674,472
Withdrawals from deposits payable	(9,301,855)	(12,592,508)
Proceeds from note payable – related party	348,810	349,765
Payments on note payable – related party	(232,221)	(291,471)
Proceeds from notes payable	16,326,037	1,998,941
Payments on notes payable	(2,445,716)	(2,210,925)
Change in agency funds	289,507	87,519
Change in equity of others in investments	2,935,672	927,575
Payments on bonds payable	(22,000,000)	(22,000,000)
Net cash used in financing activities	(1,219,130)	(16,056,632)
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,487,927	(1,358,035)
CASH AND CASH EQUIVALENTS, beginning of year	4,612,561	5,970,596
CASH AND CASH EQUIVALENTS, end of year	$ 7,100,488	$ 4,612,561

See accompanying notes.

The Roman Catholic Diocese of Oakland, Central Services Administration
Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2017 and 2016

	2017	2016
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 5,283,050	$ 6,514,170
Income taxes paid	$ 10,616	$ 27,706
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Note receivable carried on sale of land, property, and equipment	$ -	$ 1,747,146

See accompanying notes.

NOTE 1 – ORGANIZATION

The Roman Catholic Bishop of Oakland, a California corporation sole ("RCBO"), was incorporated on May 2, 1962, and together with (i) Adventus, (ii) The Roman Catholic Welfare Corporation of Oakland, (iii) The Roman Catholic Cemeteries of the Diocese of Oakland (and its subsidiary corporations), (iv) Christ the Light Cathedral Corporation and Catholic Cathedral Corporation of the East Bay, (v) Catholic Charities of the Diocese of Oakland, (vi) Oakland Society for the Propagation of the Faith, (vii) Catholic Church Support Services, (viii) Catholic Foundation for the Diocese of Oakland, and (ix) various activities, institutions, and unincorporated associations (including parishes and schools) operates as the Roman Catholic Diocese of Oakland in Alameda and Contra Costa Counties (the "Diocese").

The Chancery is the part of RCBO that provides administrative services and programmatic and financial support to those Diocesan entities, institutions, and associations identified above, each of which operate independently and account for their operations separately.

These consolidated financial statements include the Chancery, Adventus, and Furrer Properties, Inc., a California corporation wholly-owned by RCBO. Collectively, activities of these entities and their operations are known as the Central Services Administration. All intercompany balances and transactions have been eliminated.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

The accounting policies of the Central Services Administration conform to accounting principles generally accepted in the United States, which are applicable to not-for-profit organizations. A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows.

Tax–exempt status – Entities of the Central Services Administration, except Furrer Properties Inc., have been granted tax-exempt status by the Internal Revenue Service, except to the extent of unrelated business taxable income as defined under Internal Revenue Code Sections 511 through 515 and the California Franchise Tax Board under Sections 501(c)(3) and 23701d, respectively. Accordingly, no tax provision has been recorded for the tax-exempt entities in the consolidated financial statements. Further, these entities of the Central Services Administration are not required to file tax returns as they are listed in the Catholic Register. The Central Services Administration, inclusive of the Chancery of the Roman Catholic Bishop of Oakland and Adventus, are exempt from preparing and filing Forms 990 and 199 as they are listed entities in the Catholic Registry. Catholic Voice (a division of the Central Services Administration) is subject to filing a Form 990-T. Furrer Properties, Inc. is required to file Forms 1120 and 100. The Central Services Administration had no unrecognized tax benefits at either December 31, 2017 or 2016, and had no uncertain tax positions. The Diocese is required to report unrelated business income, if any.

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

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Use of estimates – In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net assets – The Central Services Administration 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. For financial statement purposes, all financial transactions are reported by the following net asset categories as prescribed for not-for-profit organizations by the Financial Accounting Standards Board ("FASB").

Unrestricted net assets – Consist of resources of the Central Services Administration that have not been restricted by a donor. The major sources of revenue are parish assessments, the Bishop's Annual Appeal, investment income, and cemetery rent. Contributions received with restrictions that are met in the same reporting period (e.g., the Bishop's Annual Appeal) are recognized as increases in unrestricted net assets.

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. At December 31, 2017 and 2016, the Central Services Administration had $1,483,120 in permanently restricted net assets.

Functional expense allocations – Expenses are allocated among program services, management and general, and development based on management's estimate.

Recent accounting pronouncements – In February 2016, the FASB issued Accounting Standards Updates (ASU) No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities in 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, 2019, with early adoption permitted. The adoption is effective for the Central Service Administration for the calendar year ending December 31, 2020. Management is currently evaluating the impact of the provisions of ASU 2016-02 on the consolidated financial statements.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*: *Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which increases transparency and comparability among organizations by providing more decision-useful information about expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity. The amendments in this update are effective for fiscal years beginning after December 15, 2020, and interim periods beginning after December 15, 2021, with application to interim financial statements permitted but not required in the initial year of application. The adoption is effective for the Central Service Administration for the calendar year ending December 31, 2021. Management is currently evaluating the impact of the provisions of ASU 2016-13 on the consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958)*: *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"), 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 adds 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 Central Service Administration for the calendar year ending December 31, 2018. Management is currently evaluating the impact of the provisions of ASU 2016-14 on the consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230)*: *Restricted Cash* ("ASU 2016-18"), which increases transparency and comparability among organizations by recognizing restricted cash and cash equivalents in the statement of cash flows and disclosing key information about restrictions on cash and cash equivalents. The amendments in this update are effective for fiscal years beginning after December 15, 2018, and interim periods beginning after December 15, 2019, with application to interim financial statements permitted but not required in the initial year of application. The adoption is effective for the Central Service Administration for the calendar year ending December 31, 2019. Management is currently evaluating the impact of the provisions of ASU 2016-18 on the consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715)* ("ASU 2017-07"), which improves the current presentation requirements and the information presented in financial statements and notes about an entity's net periodic pension costs and net periodic postretirement benefit cost. The ASU introduces the requirement to present employer service cost component in the same line item as other compensation costs arising from services rendered by the pertinent employees during the period. The amendments in this update are effective for fiscal years beginning after December 15, 2018, and interim periods beginning after December 15, 2019, with application to interim financial statements permitted but not required in the initial year of application. The adoption is effective for the Central Service Administration for the calendar year ending December 31, 2019. Management is currently evaluating the impact of the provisions of ASU 2017-07 on the consolidated financial statements.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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 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 supported by little or no market activity and significant to the fair value of the assets or liabilities.

The fair value of investments in investment companies (limited partnerships) have a value of their capital account or net asset value calculated in accordance with, or in a manner consistent with U.S. generally accepted accounting principles ("U.S. GAAP") (referred to as NAV). As a practical expedient, the Central Services Administration is permitted under U.S. GAAP to estimate the fair value of an investment at the measurement date using the reported NAV without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with U.S. GAAP. The Central Services Administration's investments in certain hedge funds in the alternative investment portfolio are generally valued based on the most current NAV received. As of December 31, 2017, the Central Services Administration had adopted FASB ASU No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent),* and therefore is not required to assign a level in the hierarchy to investments measured using NAV.

Cash equivalents – The Central Services Administration considers all highly liquid debt instruments purchased with a maturity of three months or less and not held by an investment manager to be cash equivalents. The cash and cash equivalents balances held in financial institutions at December 31, 2017 and 2016 exceeded federal depository insurance coverage. The Central Services Administration has not experienced any credit losses in such accounts.

Restricted cash and cash equivalents – Monthly principal (commencing November 2014) and interest payments are required by the Master Trust and Bond Indenture entered into by the Roman Catholic Bishop of Oakland in November 2007. The principal payments are deposited in advance of annual bond redemptions and the interest payments are deposited in advance of semi-annual coupon payments made to bond purchasers by the Trustee. Such advance payments held by the Trustee are restricted and totaled $4,246,287 and $4,390,234 as of December 31, 2017 and 2016, respectively. The Central Services Administration has invested these funds in cash and cash equivalents. The balances held in restricted cash at December 31, 2017 and 2016, exceeded federal depository insurance coverage. The Central Services Administration has not experienced any losses in such accounts.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Investments – Investments are reported at fair value based on quoted market prices. Marketable securities include the investments held for others in the amount of $20,376,781 and $17,441,109 as of December 31, 2017 and 2016, respectively. Net appreciation (depreciation) in investments, including realized gains or losses and unrealized appreciation or depreciation on those investments, as well as all dividends, interest, and other investment income, is reported in the consolidated statements of activities. Investment income is reported as an increase in unrestricted or temporarily restricted net assets, depending on donor-imposed restrictions on the use of the 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 consist of various trade and miscellaneous receivables. Trade receivables include amounts billed to the parishes and other Diocesan institutions for health, general liability, and workers' compensation insurance. In addition, the annual parish assessments are a component of these receivables. Receivables are reported at face value, which approximates fair value, and are not subject to interest. Payments received from Diocesan institutions are generally applied to the balances identified by the accompanying remittance advices first, unless prior agreement has been reached with the institution.

Loans to parishes, schools, institutions, and seminarians – These loans represent credit extended to related entities. Credit is extended based upon evaluation of the borrowing entity's financial condition and other factors. Collateral is not generally required. Loans are reported at face value, which approximates fair value. Loans receivable typically have no stated maturity dates and may be due either on demand or in accordance with scheduled payments. Loans are generally not considered past due or delinquent, since the Bishop has various means available to collect on any loan extended and reserves the right to convert any loan, including interest accrued, to a contribution.

Interest accrues on loans receivable daily in accordance with the interest rates applicable to the loans. The average annual interest rate on loans in 2017 and 2016 was 1.55% and 1.35%, respectively.

Allowance for doubtful accounts – The Central Services Administration provides an allowance for both loans and other receivables management believes may not be collected in full. An evaluation of the collectability of the amounts outstanding is conducted based on a combination of factors. When a specific organization is unable to meet its financial obligations (due to, for example, financial difficulties or fluctuation in offertory), a specific reserve is recorded. For all other organizations, the Central Services Administration recognizes reserves for bad debts based on historical collection experience. If circumstances change (i.e., higher than expected defaults or an unexpected material adverse change in an organization's ability to meet its financial obligations), the Central Services Administration's estimates of the recoverability of amounts due may change in the near term.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Assets held in trust for others – The Central Services Administration serves as the trustee of a charitable remainder trust for which it is not the remainder beneficiary. A related entity, Christ the Light Cathedral Corporation, is the remainder beneficiary. For this trust, the assets are recorded in the consolidated statements of financial position at fair value; a corresponding liability for the same amount is also recorded in the consolidated statements of financial position. The underlying composition of the assets held in trust for others is marketable securities classified within Level 1 and Level 2 of the valuation hierarchy. Investments measured at NAV per share under the existing practical expedient in Accounting Standards Codification (ASC) 820 have been removed from the fair value hierarchy.

Property and equipment – Purchased plant assets are recorded at cost and donated plant assets are recorded at approximate fair value at the time of receipt. Depreciation expense is recorded on the straight-line basis for all plant assets over the estimated useful lives ranging from 5 to 50 years. The Central Services Administration's policy is to capitalize plant assets that have a cost or donated value in excess of $2,000.

Deferred revenue – Deferred revenue consists of amounts received and/or billed in advance for health and package insurance premiums from parishes, schools, and other institutions.

Deposits payable – The Central Services Administration provides a means for the various parishes, schools, and other institutions located within the Diocese to maintain deposits with the Central Services Administration and to borrow against these deposits. These deposits are classified as a liability and are held in the Central Services Administration marketable securities-pooled investments accounts. The average annual interest rate paid on deposits in 2017 and 2016 was 1% and 2%, respectively.

Agency funds – The Central Services Administration holds various assets received from parishes, schools, and institutions in an agency capacity. These assets represent collections taken up by the various institutions and not yet remitted to the ultimate recipient beneficiaries; gifts of stock received for the benefit of Diocesan entities but not yet sold and/or the proceeds not yet disbursed to the designated institution; and bequests held and administered for Diocesan entities.

Equity of others in investments – The endowment pool was established for participating parishes, schools, and other Diocesan institutions with long-term investment horizons, moderate growth and income requirements, and moderate risk objectives. The pool invests in stocks and bonds. The pool is operated under the total return concept, which allocates income/(loss) to each participant based upon the total return earned in invested funds, including realized and unrealized gains and losses, and taking investment management fees into account.

Contributions – Contributions are considered to be available for unrestricted use unless they are specifically restricted by the donor. Contributions designated for future periods or restricted by the donor for specific purposes or in perpetuity are reported as temporarily restricted or permanently restricted contribution revenue. The Central Services Administration recognizes all unconditional contributions and promises to give in the period notified. 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 risk-free 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.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Reclassification – Some items in the prior year consolidated financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year changes in net assets and net assets.

NOTE 3 – INVESTMENTS

Investments at December 31 are as follows:

	2017	2016
U.S. government debt securities	$ 7,677,870	$ 7,936,318
Corporate debt securities	10,106,706	9,696,326
Corporate equity securities	16,017,824	19,716,974
Mortgage pools and asset backed securities	9,961,183	8,281,470
Mutual funds – equity	6,088,749	9,452,910
Cash and money market funds	2,950,380	18,280,529
Mutual funds – international equity	4,350,653	5,760,835
Municipal debt securities	1,220,990	870,310
Hedge fund	18,882,472	-
	$ 77,256,827	$ 79,995,672

Investment income (which includes interest earned on restricted cash and cash equivalents) for the years ended December 31 are as follows:

	2017	2016
Source of investment income:		
Dividends and interest	$ 1,212,778	$ 1,444,947
Net realized and unrealized gains on investments	4,229,665	2,713,582
Total investment income	$ 5,442,443	$ 4,158,529

NOTE 4 – RECEIVABLES

Receivables at December 31 are as follows:

	2017	2016
Receivables, net		
Insurance and miscellaneous receivables	$ 16,584,699	$ 15,747,929
Assessments receivable	2,995,469	3,150,224
Less allowance for doubtful accounts	(4,869,633)	(4,207,501)
Total	$ 14,710,535	$ 14,690,652
Loans to parishes, schools, institutions, and seminarians, net		
Loans receivable	$ 18,693,383	$ 20,053,298
Less allowance for loan losses	(3,590,451)	(4,164,474)
Total	$ 15,102,932	$ 15,888,824
Changes in allowance for doubtful accounts and loan losses:		
Beginning balance	$ 8,371,975	$ 6,470,180
Provision for uncollectible receivables and loans	124,075	1,901,795
Write offs	(35,966)	-
Ending balance	$ 8,460,084	$ 8,371,975

NOTE 5 – NOTES RECEIVABLE - RELATED PARTIES

Principal and interest due from related parties at December 31 are as follows:

	2017	2016
Catholic Cathedral Corporation of the East Bay, secured note for a principal sum of up to $75,000,000; interest at 1.75%; unpaid principal and interest due November 1, 2029; includes accrued interest of $374,263 and $371,836, respectively.	$ 55,452,974	$ 55,450,547
Catholic Cathedral Corporation of the East Bay, secured note for a principal sum of up to $25,000,000; interest at 1.75%; unpaid principal and interest due November 1, 2029.	10,375,000	7,444,000
Catholic Cathedral Corporation of the East Bay, unsecured note for a principal sum of up to $350,000; interest at variable rate, which was 0% at December 31, 2017 and 2016; interest – only payments due quarterly; unpaid principal and interest due November 1, 2029; includes accrued interest of $2,315 for both 2017 and 2016.	219,970	219,970
	$ 66,047,944	$ 63,114,517

NOTE 6 – LAND HELD FOR SALE

Land held for sale of $587,112 and $966,065 as of December 31, 2017 and 2016, respectively, consists of certain land subject to a purchase and sales agreement with an unrelated development company. Sales proceeds from such land sales are recorded when the development company finalizes a sale of a parcel and remits payment to the Central Services Administration. During the years ended December 31, 2017 and 2016, there were sales amounting to $853,384 and $724,000, respectively, for which the carrying value of the land held was reduced and a gain on the sales was recorded in the consolidated statements of activities.

NOTE 7 – PROPERTY AND EQUIPMENT

Land, buildings, and equipment at December 31 are as follows:

	2017	2016
Central Services Administration buildings and improvements	$ 6,597,302	$ 6,916,519
Furniture and equipment	295,166	287,513
Automobiles	179,650	179,650
Land improvements	47,786	47,786
	7,119,904	7,431,468
Less accumulated depreciation	(3,249,114)	(3,144,909)
	3,870,790	4,286,559
Land	11,445,304	11,851,309
	$ 15,316,094	$ 16,137,868

Total depreciation for the years ended December 31, 2017 and 2016, amounted to $126,817 and $133,343, respectively.

NOTE 8 – NOTES PAYABLE

Notes payable at December 31 are as follows:

	2017	2016
Secured, delayed-draw note to a bank which converts to a 10-year term loan (with a 25-year amortization schedule) on November 1, 2019, interest payable quarterly during draw period at LIBOR plus an interest rate spread based on the composition of security.	$ 13,300,000	$ -
Unsecured note payable to an insurance premium financing company, monthly payments of $278,365 including interest at 2.37%, due June 1, 2018.	1,383,535	-
Unsecured note payable to an insurance premium financing company, monthly payments of $201,565 including interest at 1.82%, due May 1, 2017.	-	803,214
	$ 14,683,535	$ 803,214

NOTE 8 – NOTES PAYABLE (CONTINUED)

On February 1. 2017, the Central Services Administration entered into a new $70,000,000 bank credit facility, which will effectively refinance the existing indebtedness of the bonds payable more fully described in Note 10. The guarantors of this new credit facility are the same entities serving as the members of the bond obligated group.

The bank credit facility will bear interest at LIBOR plus an interest rate spread based on the composition of security (e.g. deposits. investments. and real estate). The interest rate has been partially hedged using a forward-starting interest rate swap agreement for a notional amount of $17,500,000, effectively fixing that amount at an interest rate of 4.58% per annum.

Maturities for the notes payable are as follows:

Year Ending December 31,	Payable
2018	$ 1,383,535
Thereafter	13,300,000
	$ 14,683,535

NOTE 9 – NOTE PAYABLE - RELATED PARTY

In February 2015, a note receivable from Roman Catholic Cemeteries of the Diocese of Oakland (“RCC”) was paid in full through the liquidation of investments executed as part of the debt reduction and refinancing plan of the Diocese of Oakland. RCC liquidated approximately $20,000,000 in investments, paid off its note to RCBO, and loaned the balance of $13,761,269 to RCBO. The loan is represented by an unsecured note with an interest rate of 2.5% per annum, interest payable semi-annually, and no scheduled maturity date. Accrued interest at December 31, 2017 and 2016, was $262,802 and $146,213, respectively.

NOTE 10 – BONDS PAYABLE

The Central Services Administration entered into a credit facility effective November 13, 2007, for a total amount of $114,700,000. The basic terms of the debt facility are as follows:

- General obligation taxable bonds, stated interest rate of 6.04%
- Obligated group:
  - The Roman Catholic Bishop of Oakland, Central Services Administration
  - The Roman Catholic Welfare Corporation of Oakland
  - The Roman Catholic Cemeteries of the Diocese of Oakland
  - Adventus

NOTE 10 – BONDS PAYABLE (CONTINUED)

The bonds were issued at a discount of $3,420,354, resulting in an effective interest rate of 6.4%. The discount is being amortized utilizing the effective interest method. Cumulative amortization amounted to $3,168,621 and $2,921,678 as of December 31, 2017 and 2016, respectively. In addition, original bond issuance costs of $1,373,085 were incurred and are being amortized ratably over the lives of the bonds. Cumulative amortization amounted to $1,293,194 and $1,213,600 as of December 31, 2017 and 2016, respectively.

The bonds carry various financial reporting requirements for the obligated group. The obligated group must also provide the bond Trustee combined consolidated financial statements within 180 days of December 31 each year.

Required sinking funds, interest, and principal payments are as follows:

Year Ending December 31	Principal Sinking Fund Payments	Principal Maturities	Interest Sinking Fund Payments	Semi-Annual Interest Payments
2018	$ 22,783,333	$ 22,000,000	$ 2,720,013	$ 2,941,480
2019	22,250,000	26,700,000	1,343,900	1,612,680
	$ 45,033,333	$ 48,700,000	$ 4,063,913	$ 4,554,160

In addition to the required payments outlined above, the bond indenture carries collateral requirements. The RCBO and the Roman Catholic Cemeteries of the Diocese of Oakland have granted a security interest in certain of their investment accounts to bondholders through U.S. Bank National Association. These Diocesan entities are to maintain cash and investments in these pledged accounts in an aggregate amount equal to 60% of the then outstanding amount of the bonds.

The required investment balance (i.e., security) is 110% of the amount of cash and investments determined pursuant to the terms above; the required investment balance has been maintained each year since the issuance of the bonds.

On February 1, 2017, the Central Services Administration entered into a new $70,000,000 bank credit facility, which will effectively refinance the existing indebtedness of the bonds payable. The guarantors of this new credit facility are the same entities serving as the members of the bond obligated group.

NOTE 11 – SELF-INSURED RISK RETENTION GROUPS

The Diocese, along with certain other Roman Catholic Dioceses and Archdioceses in the Western United States, is a member of a captive mutual insurance company, The Ordinary Mutual ("TOM"), which is now in "run-off". As of November 14, 2011, and by unanimous agreement of its membership, TOM no longer provides liability coverage. On November 15, 2011, the Diocese and three other Roman Catholic Dioceses and one Archdiocese, all members of TOM previously, formed a new risk retention group known as the Western Catholic Insurance Company ("WCIC"), to secure general liability insurance coverage. Sexual misconduct coverage, formerly provided by TOM, is now purchased commercially through an insurance carrier syndicate. Although actuarially unlikely, amounts may be assessed periodically by WCIC to maintain minimum capitalization and reserve requirements. At December 31, 2017 and 2016, no such assessments were outstanding and $221,972 was invested in WCIC as the Diocese's portion of total capitalization required by the Vermont Department of Insurance to adequately fund the new risk retention group. As of July 1, 2017, and by unanimous agreement of its membership, WCIC no longer provides liability coverage and it is also now in "run-off". The Diocese joined The National Catholic Risk Retention Group, Inc., effective July 1, 2017, to secure its general liability insurance coverage.

The Diocese, along with various other religious organizations of the Roman Catholic Church, is a trustor and participates in a multi-employer health plan, Religious Trust Agreement ("RETA"). Premiums paid to RETA are for medical coverage. Under certain circumstances, amounts may be assessed by RETA to maintain minimum reserves in the trust fund. At December 31, 2017 and 2016, the RETA has not assessed any assessments nor were any assessments pending.

NOTE 12 – LAY EMPLOYEES' PENSION PLAN

The Diocese has a noncontributory money purchase pension plan (defined contribution), for all lay employees in the Diocese (including parishes, schools, and cemeteries) who have completed six months of continuous employment at 25 hours or more per week. Annual contributions to the plan for eligible cemeteries union employees were 6% and 3% of eligible compensation for 2017 and 2016, respectively. Annual contributions for eligible cemeteries employees other than union members were 6% and 5% of eligible compensation for 2017 and 2016, respectively. Annual contributions to the plan were 8% of eligible compensation for all other lay employees in 2017 and 2016. Benefits vest incrementally after three years of service and are fully vested after five years of service. Total contributions for the Central Services Administration's employees for the years ended December 31, 2017 and 2016, were $310,114 and $303,294, respectively.

NOTE 13 – CLERGY RETIREMENT COSTS

Diocesan priests are covered by two Diocesan-sponsored defined benefit retirement plans ("Plans"). The Central Services Administration is required under FASB ASC 715-20-50 to present the difference between assets of the Plans and the Plans' actuarial obligations as an asset or liability of the Central Services Administration, depending on the funding status of the Plans. At December 31, 2017 and 2016, the Plans had combined actuarial obligations in excess of the Plans' assets of $8,401,000 and $8,970,000, respectively, which were reported as a liability of the Central Services Administration.

NOTE 13 – CLERGY RETIREMENT COSTS (CONTINUED)

The Bishop of the Diocese of Oakland is the administrator of the pension trust. The Central Services Administration is ultimately responsible for the payment of the Plan benefits to the participants. The Central Services Administration assesses each parish and Diocesan institution their allocable share of the liability and benefits. The following table (based on projected actuarial data) sets forth the Plans' funded status and amounts recognized for the entire Plans as of December 31:

	2017	2016
Benefit obligations at beginning of year	$ 25,029,000	$ 23,271,000
Liability loss (gain) due to re-measurement at beginning of the year	125,000	(1,130,000)
Increase (decrease) due to:		
Service cost	650,000	671,000
Interest cost	954,000	959,000
Actual benefit payments	(1,381,000)	(1,307,000)
Administrative expenses	(102,000)	(69,000)
	121,000	254,000
Expected benefit obligations at end of year	25,275,000	22,395,000
Loss during the year due to change in assumptions	1,278,000	420,000
Additional liability due to plan amendment	-	2,214,000
Accumulated benefit obligations at end of year	$ 26,553,000	$ 25,029,000
Plan assets at fair value	$ 18,152,000	$ 16,059,000
Unfunded status	$ (8,401,000)	$ (8,970,000)

NOTE 13 – CLERGY RETIREMENT COSTS (CONTINUED)

The components of pension expense are as follows:

	2017	2016
Service cost	$ 650,000	$ 671,000
Interest cost	954,000	959,000
Return on plan assets:		
Actual return – gain	(1,867,000)	(1,369,000)
Deferred gain	812,000	421,000
	(1,055,000)	(948,000)
Amortization:		
Unrecognized prior service cost	491,000	491,000
Unrecognized net loss	113,000	119,000
	604,000	610,000
Net periodic pension expense	$ 1,153,000	$ 1,292,000

The components of net loss (gain) are as follows:

	2017	2016
Asset loss during the year:		
Expected fair value at December 31	$ 17,340,000	$ 15,638,000
Plan assets at fair value at December 31	18,152,000	16,059,000
Asset gain	(812,000)	(421,000)
Liability loss (gain) due to re-measurement at beginning of year	125,000	(1,130,000)
Liability loss during the year due to change in assumptions	1,278,000	420,000
Net loss (gain) during the year	$ 591,000	$ (1,131,000)

The following are weighted-average assumptions used to determine benefit obligations at December 31:

	2017	2016
Discount rate	3.46%	3.90%
Rate of compensation increase	N/A	N/A
Assumed future annual benefit increases	0.00%	0.00%

NOTE 13 – CLERGY RETIREMENT COSTS (CONTINUED)

The following are weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:

	2017	2016
Discount rate	3.90%	4.05%
Expected long-term return on plan assets	6.50%	6.50%
Assumed future annual benefit increases	0.00%	0.00%

Employer contributions for December 31, 2017 and 2016, were $1,709,000 and $1,633,000, respectively.

The Diocese's expected long-term return on plan assets assumption is based on a periodic review and modeling of the Plans' asset allocation and liability structure over a long-term period. Expectation of returns for each asset class are the most important of the assumptions used in the review and modeling and are based on comprehensive reviews of historical data and economic/financial market theory. The expected long-term rate of return on assets was selected from within the reasonable range of rates determined by (1) historical real returns, net of inflation, for the asset classes covered by the investment policy and (2) projection of inflation over the long-term period during which benefits are payable to plan participants.

The Roman Catholic Bishop of Oakland's investment committee has established an asset allocation for investments for the Plans. The asset allocation for the Plans includes highly liquid government bonds, mortgage products, hedge funds and exchange-traded equities. The fair value, categories, and levels at December 31 are as follows:

Asset Category	Fair Value Measurement	2017	2016
Corporate equity securities	Level 1	$ 4,823,000	$ 6,361,000
Mutual funds – equity	Level 1	3,341,000	2,408,000
Cash and money market funds	Level 1	1,505,000	2,273,000
Corporate debt securities	Level 2	1,466,000	1,596,000
Mortgage pools and asset backed	Level 2	1,574,000	1,263,000
Mutual funds – debt securities	Level 1	-	1,053,000
U.S. government debt securities	Level 1	1,550,000	815,000
Municipal debt securities	Level 2	181,000	178,000
Mutual funds – international equity	Level 1	74,000	112,000
Hedge fund	NAV	3,638,000	-
		$ 18,152,000	$ 16,059,000

NOTE 13 – CLERGY RETIREMENT COSTS (CONTINUED)

	December 31, 2017		December 31, 2016	
Asset Category	Diocesan Approved Asset Allocation	Actual Percentage of Plan Assets	Diocesan Approved Asset Allocation	Actual Percentage of Plan Assets
Fixed Investments	16% to 33%	26%	16% to 33%	31%
Equities	39.5% to 80.5%	40%	39.5% to 80.5%	41%
Cash	0% to 7.5%	8%	0% to 7.5%	14%
Opportunistic	5% to 20%	26%	5% to 20%	14%

Other amounts included in unrestricted net assets, and subject to future amortization, as of December 31 consist of:

	2017	2016
Unrecognized prior service costs	$ 5,014,000	$ 5,505,000
Unrecognized net loss	$ 4,167,000	$ 3,689,000

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Year Ending December 31	Annual Pension
2018	$ 1,578,000
2019	1,617,000
2020	1,591,000
2021	1,626,000
2022	1,641,000
2023-2027	8,250,000

Although the Central Services Administration is currently exempt from the filing and funding requirements of ERISA, it has been the Central Services Administration's practice to make contributions sufficient to fund the benefits provided by the Plans on an actuarially sound basis.

NOTE 14 – CLERGY POST-EMPLOYMENT BENEFITS

In addition to the priests' pension plans, the Central Services Administration sponsors a post-retirement healthcare plan that provides post-retirement health, dental, and vision benefits to retired diocesan priests not otherwise covered by another plan. Effective January 1, 2011, the plan was changed from a self-insured program to one whose benefits supplement coverage provided by Medicare Part A and Part B via a comprehensive Medicare Supplement Plan F insurance plan (for medical costs beyond Medicare coverage) and Medicare Part D Rx plan (for prescription drug coverage). The premiums for both supplemental components are paid fully by the Central Services Administration; retirees are responsible for only specified plan co-pays. The dental benefit is limited to $1,500 annually. The dental and vision benefits contain inside limits.

NOTE 14 – CLERGY POST-EMPLOYMENT BENEFITS (CONTINUED)

The Bishop of the Diocese of Oakland is the administrator of the plan. The Central Services Administration is ultimately responsible for the payment of the plan benefits to the participants. The following table (based on projected actuarial data) sets forth the plan's funded status and amounts recognized for the entire plan as of December 31:

	2017	2016
Actuarial present value of benefit obligations		
Accumulated benefit obligation	$ 11,070,311	$ 7,820,076
Projected benefit obligation in excess of plan assets	$ 11,070,311	$ 7,820,076

The discount rate used to determine benefit obligations was 3.63% and 4.20% for the years ended December 31, 2017 and 2016, respectively. At December 31, 2017, the medical premium cost trend was a 4.5% annual increase. The prescription drug premium cost trend was graded down from a 9.9% annual increase to a 4.5% annual increase over the next 22 years and at a level 4.5% annual increase thereafter. Dental and vision benefits costs are assumed to increase at 4% per year, while administrative costs are assumed to increase by 3% per year. At December 31, 2016, medical and prescription drug premium cost trends were graded from a 5.50% annual increase down to a 5% annual increase over the next three years and at a level 5% annual increase thereafter. Dental and vision benefits costs were assumed to increase at 4% per year, while administrative costs were assumed to increase by 3% per year. Benefits expected to be paid by year are expected to be met in full by assessments to parishes and Diocesan institutions.

NOTE 15 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are held for the following purposes at December 31:

	2017	2016
Assistance to homeless women and children	$ 97,975	$ 97,975
Seminarian fund	528,360	480,197
SPRED	187,993	210,079
Priests retirement facility	600,000	600,000
Priests' graduate and sabbatical studies	81,355	24,030
Assistance to needy students attending Catholic high schools	196,952	126,130
	$ 1,692,635	$ 1,538,411
Assets released from restrictions during the year		
Assistance to needy students at Catholic institutions of higher learning	$ -	$ 311,009
Seminarian fund	12,450	1,800
SPRED	79,926	79,301
	$ 92,376	$ 392,110

Income from the Central Services Administration's permanently restricted net assets is restricted for the seminarian fund, priests' graduate and sabbatical studies and financial assistance for Catholic high school education.

NOTE 16 – FUNCTIONAL CLASSIFICATION

The expenses of the Central Services Administration are classified on a functional basis among its program and supporting services as follows:

	2017	2016
Program services		
Parishes and schools	$ 7,486,223	$ 2,200,268
Office of the Chancellor	2,599,859	2,542,734
Pastoral Life	1,745,149	1,815,781
Catholic Voice	1,213,066	1,193,269
Office of the Bishop	882,576	763,816
Resources	681,577	722,761
Canon Law	601,833	585,554
Communications	319,048	280,885
	15,529,331	10,105,068
Supporting services		
Management and general	6,318,333	8,563,877
Development	1,104,192	1,014,068
	7,422,525	9,577,945
	$ 22,951,856	$ 19,683,013

NOTE 17 – TRANSACTIONS WITH OTHER DIOCESAN ORGANIZATIONS

The Central Services Administration receives payments from the Roman Catholic Cemeteries of the Diocese of Oakland for use of Diocesan land. The Central Services Administration received $2,000,000 in such payments for each of the years ended December 31, 2017 and 2016, respectively.

The Central Services Administration pays the Catholic Cathedral Corporation of the East Bay use fees (i.e., rent) for the use of its office and residential space at the Cathedral Center. Such use fees were $1,850,566 and $1,833,380 for the years ended December 31, 2017 and 2016, respectively.

NOTE 18 – LITIGATION

The Diocese is involved in various lawsuits relating to general liability matters, which include claims of alleged sexual misconduct. The Diocese has established protocols, consistent with the norms of the U.S. Conference of Catholic Bishops, which provide safeguards and policies to prevent future claims of sexual misconduct.

The Diocese has been named in various claims and legal actions in the normal course of its activities. Based upon outside legal counsel and management's opinion, the outcome of such matters is not expected to have a material adverse effect on the consolidated financial statements of the Central Services Administration.

NOTE 19 – FAIR VALUE MEASUREMENTS

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Marketable securities – Investments in securities with a maturity date greater than 90 days at the date of purchase and other securities for which there is more than an insignificant risk of change in value due to interest rate, quoted price, or penalty on withdrawal are classified as marketable securities. The Central Services Administration generally measures fair value using prices obtained from pricing services. Pricing methodologies and inputs to valuation models used by the pricing services depend on the security type (i.e., asset class). Where possible, fair values are generated using market inputs including quoted prices and other market information. For fixed income securities not actively traded, the pricing services use alternative methods to determine fair value for the securities, including: quotes for similar fixed-income securities, matrix pricing, discounted cash flow using benchmark curves, or other factors to determine fair value. A review is performed on the security prices received from our pricing services, which includes discussion and analysis of the inputs used by the pricing services to value our securities. The underlying securities held in the various portfolios of the Roman Catholic Bishop of Oakland do not require any redemption notice and are not restricted in terms of redemption frequency.

Equity of others in pooled investments – The carrying amount of this liability, which represents the equity of others in investments reported at fair value in the consolidated statements of financial position, approximates fair value.

Hedge fund – The fund, FPA Select Offshore Fund II, Ltd., is an investment company and follows the accounting and reporting guidance in FASB Topic 946. The fund invests substantially all of its assets in FPA Select Offshore Fund II, L.P. The L.P. fund pursues an opportunistic value investing approach based on fundamental analysis, and primarily invests in equity of U.S. and non-U.S. companies and equity-like credit instruments of primarily U.S. companies. Shares of the fund are redeemable upon 90 days' prior written notice to the fund, and may be redeemed as of the end of each subsequent calendar quarter.

Nonrecurring fair value measurements relate to the fair value of receivables, deposits payable, and notes payable for which the carrying value approximates the fair value.

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2017 and 2016, respectively:

NOTE 19 – FAIR VALUE MEASUREMENTS (CONTINUED)

		Fair Value Measurements Using		
	Total	**Quoted Prices In Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Net Asset Value (NAV)**
As of December 31, 2017:				
Assets				
Investments				
Corporate equity securities	$ 16,017,824	$ 16,017,824	$ -	$ -
Mortgage pools and asset backed securities	9,961,183	-	9,961,183	-
Corporate debt securities	10,106,706	-	10,106,706	-
Municipal debt securities	1,220,990	-	1,220,990	-
U.S. government debt securities	7,677,870	7,677,870	-	-
Cash and money market funds	2,950,380	2,950,380	-	-
Mutual funds – equity	6,088,749	6,088,749	-	-
Mutual funds – international equity	4,350,653	4,350,653	-	-
Hedge fund	18,882,472	-	-	18,882,472
Assets held in trust for others				
Corporate equity securities	330,650	330,650	-	-
Mortgage pools and asset backed securities	158,453	-	158,453	-
Corporate debt securities	160,767	-	160,767	-
Municipal debt securities	19,422	-	19,422	-
U.S. government debt securities	122,132	122,132	-	-
Cash and money market funds	108,939	108,939	-	-
Mutual funds – equity	128,681	128,681	-	-
Mutual funds – international equity	90,203	90,203	-	-
Hedge fund	400,076	-	-	400,076
Total assets at fair value	$ 78,776,150	$ 37,866,081	$ 21,627,521	$ 19,282,548
Liabilities				
Assets held in trust for others				
Corporate equity securities	$ 330,650	$ 330,650	$ -	$ -
Mortgage pools and asset–backed securities	158,453	-	158,453	-
Corporate debt securities	160,767	-	160,767	-
Municipal debt securities	19,422	-	19,422	-
U.S. government debt securities	122,132	122,132	-	-
Cash and money market funds	108,939	108,939	-	-
Mutual funds – equity	128,681	128,681	-	-
Mutual funds – international equity	90,203	90,203	-	-
Hedge fund	400,076	-	-	400,076
Equity of others in investments	20,376,781	-	20,376,781	-
Total liabilities at fair value	$ 21,896,104	$ 780,605	$ 20,715,423	$ 400,076

NOTE 19 – FAIR VALUE MEASUREMENTS (CONTINUED)

		Fair Value Measurements Using		
	Total	**Quoted Prices In Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Net Asset Value (NAV)**
As of December 31, 2016:				
Assets				
Investments				
Corporate equity securities	$ 19,716,974	$ 19,716,974	$ -	$ -
Mortgage pools and asset backed securities	8,281,470	-	8,281,470	-
Corporate debt securities	9,696,326	-	9,696,326	-
Municipal debt securities	870,310	-	870,310	-
U.S. government debt securities	7,936,318	7,936,318	-	-
Cash and money market funds	18,280,529	18,280,529	-	-
Mutual funds – equity	9,452,910	9,452,910	-	-
Mutual funds – international equity	5,760,835	5,760,835	-	-
Assets held in trust for others				-
Corporate equity securities	548,411	548,411	-	-
Mortgage pools and asset backed securities	162,995	-	162,995	-
Corporate debt securities	190,842	-	190,842	-
Municipal debt securities	17,129	-	17,129	-
U.S. government debt securities	116,833	116,833	-	-
Cash and money market funds	117,069	117,069	-	-
Mutual funds - equity	297,868	297,868	-	-
Mutual funds - international equity	160,985	160,985	-	-
Total assets at fair value	$ 81,607,804	$ 62,388,732	$ 19,219,072	$ -
Liabilities				
Assets held in trust for others				
Corporate equity securities	$ 548,411	$ 548,411	$ -	$ -
Mortgage pools and asset–backed securities	162,995	-	162,995	-
Corporate debt securities	190,842	-	190,842	-
Municipal debt securities	17,129	-	17,129	-
U.S. government debt securities	116,833	116,833	-	-
Cash and money market funds	117,069	117,069	-	-
Mutual funds – equity	117,069	297,868	-	-
Mutual funds – international equity	160,985	160,985	-	-
Equity of others in investments	17,441,109	-	17,441,109	-
Total liabilities at fair value	$ 18,872,442	$ 1,241,166	$ 17,812,075	$ -

Transfers into and transfers out of the hierarchy levels are recognized as if they had taken place at the end of the reporting period.

NOTE 20 – ENDOWMENT

The Central Services Administration follows the guidance of the FASB ASC Topic 958-205 *Endowments of Not-for-Profit Organizations – Net Assets Classification of Funds Subject to Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. The State of California adopted a version of the Uniform Prudent Management of Institutional Funds Act as its California Prudent Management of Institutional Funds Act ("CPMIFA"). The Central Services Administration's endowment consists of investments established to support the operations of the Central Services Administration. The endowment includes donor-restricted endowment funds. The Central Services Administration has interpreted CPMIFA for donor-restricted endowment funds as requiring the preservation of the fair value of the original gift as of the gift date unless there are explicit donor stipulations to the contrary.

As a result of this interpretation, the Central Services Administration classifies as permanently restricted net assets:

(a) the original value of gifts donated to the permanent endowment, and
(b) 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 not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Central Services Administration in a manner consistent with the standard of prudence prescribed by CPMIFA.

In accordance with CPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1) The duration and preservation of the fund
2) The purposes of the Central Services Administration 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 Central Services Administration

NOTE 20 – ENDOWMENT (CONTINUED)

Endowment net asset composition by type of fund as of December 31, 2017 and 2016, was as follows:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ -	$ 806,667	$ 1,483,120	$ 2,289,787

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ -	$ 630,357	$ 1,483,120	$ 2,113,477

The endowment net assets are restricted for the seminarian fund, assistance to needy students attending Catholic high schools, and graduate and sabbatical studies for priests.

NOTE 20 – ENDOWMENT (CONTINUED)

Changes in endowment net assets for the years ended December 31, 2017 and 2016, were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets as of **January 1, 2016**	$ -	$ 517,851	$ 1,483,120	$ 2,000,971
Investment return:				
Dividends and interest income	-	33,649	-	33,649
Net gain on investments	-	80,657	-	80,657
Total investment return	-	114,306	-	114,306
Appropriation of endowment assets for expenditure	-	(1,800)	-	(1,800)
Endowment net assets as of **December 31, 2016**	$ -	$ 630,357	$ 1,483,120	$ 2,113,477
Adjustment to original contribution				
Investment return:				
Dividends and interest income	-	33,660	-	33,660
Net gain on investments	-	155,100	-	155,100
Total investment return	-	188,760	-	188,760
Appropriation of endowment assets for expenditure	-	(12,450)	-	(12,450)
Endowment net assets as of **December 31, 2017**	$ -	$ 806,667	$ 1,483,120	$ 2,289,787

NOTE 20 – ENDOWMENT (CONTINUED)

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or CPMIFA requires the Central Services Administration to retain as a fund of perpetual duration. As of December 31, 2017 and 2016, there were no deficiencies.

Return objectives and risk parameters – The Central Services Administration has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the Central Services Administration operations partly supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include donor-restricted funds the Central Services Administration must hold in perpetuity. Under this policy, as approved by the Diocesan Finance Council, endowment assets are invested in a manner intended to produce results that exceed the amount appropriated for operations by the rate of inflation while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, the Central Services Administration has adopted a strategy of holding its endowment assets in its investments along with parishes, schools, and other Diocesan institutions with long-term investment horizons, moderate growth and income requirements, and moderate risk objectives. The pool invests across traditional investment asset classes such as marketable domestic and international equity securities and fixed income securities.

Spending policy and how the investment objectives relate to spending policy – The Central Services Administration's practice is to slowly increase the support to operations with appropriations from the endowed funds when the endowment is growing and slowly reduce the support if the endowment value falls. In establishing this practice, the Central Services Administration considered the long-term expected return on its endowment. Accordingly, over the long term, the Central Services Administration expects the current spending practice to allow its endowment to grow at least at the rate of inflation. This practice is consistent with the Central Services Administration's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 21 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated statement of financial position date, but before consolidated financial statements are available to be issued. The Central Services Administration 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 Central Services Administration'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 consolidated financial statements are available to be issued.

The Central Services Administration has evaluated all subsequent events through June 27, 2018, which is the date the consolidated financial statements were available for issuance.

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