Report of Independent Auditors and
Consolidated Financial Statements

The Roman Catholic Diocese of Oakland, Central Services Administration

December 31, 2011 and 2010

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

To the Most Reverend Salvatore Cordileone
The Roman Catholic Bishop of Oakland

We have audited the accompanying consolidated statements of financial position of The Roman Catholic Diocese of Oakland, Central Services Administration ("Central Services Administration") as of December 31, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Central Service Administration's management. 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Central Services Administration's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Moss Adams LLP

San Francisco, California
June 13, 2012

CONSOLIDATED FINANCIAL STATEMENTS

THE ROMAN CATHOLIC DIOCESE OF OAKLAND,
CENTRAL SERVICES ADMINISTRATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents	$ 10,457,831	$ 10,313,249
Restricted cash and cash equivalents	1,155,000	1,154,810
Marketable securities - pooled investments	61,521,617	57,463,918
Receivables, net	11,392,696	11,498,615
Prepaid expenses and deposits	2,079,205	1,847,312
Bond issuance costs, net	805,617	941,809
Loans to parishes, schools, institutions, and seminarians, net	23,998,220	25,423,331
Notes receivable - related parties	73,281,598	74,790,060
Assets held in trust for others	1,419,652	1,160,759
Beneficial interest in the Cathedral of Christ the Light	5,756,497	5,756,497
Land held for sale	1,996,179	2,065,565
Property and equipment, net	10,379,174	10,723,601
Total assets	$ 204,243,286	$ 203,139,526
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	$ 2,799,074	$ 2,780,194
Deferred revenue	4,069,030	3,803,014
Deposits payable	34,468,899	30,571,107
Notes payable	1,517,645	1,302,141
Agency funds	1,927,415	2,034,753
Assets held in trust for others	1,419,652	1,160,759
Equity of others in pooled investments	12,296,714	12,910,555
Post-retirement employment benefits liability	2,534,147	3,444,932
Liability for pension benefits	5,667,000	3,473,000
Bonds payable, net of discount	112,442,589	112,132,796
Total liabilities	179,142,165	173,613,251
NET ASSETS		
Unrestricted		
Undesignated	19,773,584	24,892,638
Designated	4,380,982	3,651,482
Temporarily restricted	811,591	847,191
Permanently restricted	134,964	134,964
Total net assets	25,101,121	29,526,275
Total liabilities and net assets	$ 204,243,286	$ 203,139,526

See accompanying notes.

CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended December 31, 2011 and 2010

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES								
Bishop's Annual Appeal	$ 1,920,713	$ -	$ -	$ 1,920,713	$ 1,543,377	$ -	$ -	$ 1,543,377
Parish assessments	5,434,072	-	-	5,434,072	5,227,970	-	-	5,227,970
Gifts, grants and bequests	657,598	447	-	658,045	436,060	321,015	-	757,075
Dividends and interest	1,211,436	20,998	-	1,232,434	1,364,415	14,166	-	1,378,581
Ministerial department revenue	1,152,496	-	-	1,152,496	1,123,570	-	-	1,123,570
Catholic Voice	1,125,533	-	-	1,125,533	1,161,487	-	-	1,161,487
Cemetery rent	1,350,400	-	-	1,350,400	1,350,400	-	-	1,350,400
Interest income on deposit and loan fund	1,325,234	-	-	1,325,234	900,783	-	-	900,783
Insurance revenue, net	1,827,911	-	-	1,827,911	1,134,190	-	-	1,134,190
Other income	1,102,038	-	-	1,102,038	1,722,450	-	-	1,722,450
Net assets released from purpose restrictions	61,607	(61,607)	-	-	51,760	(51,760)	-	-
Total revenues	17,169,038	(40,162)	-	17,128,876	16,016,462	283,421	-	16,299,883
EXPENSES								
Central Services								
Services and Administration	90,861	-	-	90,861	238,942	-	-	238,942
Pastoral Life	1,873,976	-	-	1,873,976	1,890,334	-	-	1,890,334
Resources	1,968,019	-	-	1,968,019	1,921,870	-	-	1,921,870
Cannon Law	448,759	-	-	448,759	437,390	-	-	437,390
Office of the Chancellor	2,240,102	-	-	2,240,102	2,282,794	-	-	2,282,794
Communications	497,974	-	-	497,974	403,618	-	-	403,618
Office of the Bishop	930,695	-	-	930,695	762,647	-	-	762,647
Catholic Voice	1,153,365	-	-	1,153,365	1,052,571	-	-	1,052,571
Parishes, Schools/Diocesan General								
Interest expense on deposit and loan fund	644,261	-	-	644,261	670,933	-	-	670,933
School subsidies	487,536	-	-	487,536	500,000	-	-	500,000
Parish subsidies	183,247	-	-	183,247	102,809	-	-	102,809
Capital grants	117,125	-	-	117,125	81,967	-	-	81,967
Clergy retirement	136,966	-	-	136,966	599,984	-	-	599,984
Unassigned clergy	463,970	-	-	463,970	486,142	-	-	486,142
Legal expenses	672,613	-	-	672,613	1,137,386	-	-	1,137,386
Professional fees	544,720	-	-	544,720	397,480	-	-	397,480
Overhead	3,866,306	-	-	3,866,306	3,170,548	-	-	3,170,548
Total expenses	16,320,495	-	-	16,320,495	16,137,415	-	-	16,137,415
CHANGE IN NET ASSETS BEFORE OTHER INCOME (LOSSES)	848,543	(40,162)	-	808,381	(120,953)	283,421	-	162,468

See accompanying notes.

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OTHER INCOME (LOSSES)								
Gain (loss) on sale of land, property and equipment	2,335,811	-	-	2,335,811	(30,073)	-	-	(30,073)
Interest income on notes to related parties	4,078,193	-	-	4,078,193	4,660,518	-	-	4,660,518
Bonds and other financing interest expense	(7,292,542)	-	-	(7,292,542)	(7,278,605)	-	-	(7,278,605)
Net realized and unrealized gains (losses) on marketable securities	(2,130,559)	4,562	-	(2,125,997)	3,093,584	48,614	-	3,142,198
Total other income (losses)	(3,009,097)	4,562	-	(3,004,535)	445,424	48,614	-	494,038
CHANGE IN NET ASSETS BEFORE IMPACT OF PENSION-RELATED CHANGES	(2,160,554)	(35,600)	-	(2,196,154)	324,471	332,035	-	656,506
PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	(2,229,000)	-	-	(2,229,000)	(553,000)	-	-	(553,000)
CHANGE IN NET ASSETS	(4,389,554)	(35,600)	-	(4,425,154)	(228,529)	332,035	-	103,506
NET ASSETS, beginning of year	28,544,120	847,191	134,964	29,526,275	28,772,649	515,156	134,964	29,422,769
NET ASSETS, end of year	$ 24,154,566	$ 811,591	$ 134,964	$ 25,101,121	$ 28,544,120	$ 847,191	$ 134,964	$ 29,526,275

See accompanying notes.

THE ROMAN CATHOLIC DIOCESE OF OAKLAND,
CENTRAL SERVICES ADMINISTRATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (4,425,154)	$ 103,506
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net realized and unrealized (gains) losses on investments	2,125,997	(3,142,198)
Change in allowance for doubtful accounts	214,748	115,426
Amortization of bond issuance costs	136,192	136,192
Depreciation	132,873	132,638
(Gain) loss on sale of land, property and equipment	(2,335,811)	30,073
Amortization of discount on bonds payable	309,793	289,952
Changes in operating assets and liabilities:		
Receivables	27,961	(578,220)
Prepaid expenses	(231,893)	(36,225)
Accounts payable and accrued liabilities	18,880	(71,230)
Deferred revenue	266,016	189,745
Post-retirement employee benefits liability	(910,785)	(507,745)
Liability for pension benefits	2,194,000	623,000
Net cash from operating activities	(2,477,183)	(2,715,086)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in restricted cash and cash equivalents	(190)	(163)
Purchases of investments	(8,563,485)	(3,364,633)
Proceeds from sales and maturities of investments	2,379,790	4,347,467
Loans made to parishes, schools, institutions, and seminarians	(2,979,904)	(2,723,671)
Payments received on loans made to parishes, schools, institutions, and seminarians	4,268,224	3,743,962
Loans made to related parties	(5,440,075)	(6,555,198)
Payments received from related parties	6,948,536	4,109,653
Beneficial interest in advances to Cathedral of Christ the Light	-	(832,497)
Purchases of land, property, and equipment	(56,444)	(5,921)
Proceeds from sale of land, property, and equipment	2,673,196	899,405
Net cash from investing activities	(770,352)	(381,596)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deposits made to deposits payable	9,432,249	8,345,889
Withdrawals from deposits payable	(5,534,457)	(8,089,490)
Proceeds from notes payable	2,528,512	2,232,640
Payments on notes payable	(2,313,008)	(2,456,413)
Change in agency funds	(107,338)	254,598
Change in equity of others in pooled investments	(613,841)	605,561
Net cash from financing activities	3,392,117	892,785
NET CHANGE IN CASH AND CASH EQUIVALENTS	144,582	(2,203,909)
CASH AND CASH EQUIVALENTS, beginning of year	10,313,249	12,517,158
CASH AND CASH EQUIVALENTS, end of year	$ 10,457,831	$ 10,313,249

See accompanying notes.

	2011	2010
SUPPLEMENTAL DISCLOSURES OF NON CASH INFORMATION		
Interest paid	$ 7,961,936	$ 7,980,588
NONCASH INVESTING ACTIVITIES		
Receipt of real property donation	$ -	$ 690,000

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 Management Services, and (viii) various activities, institutions, and unincorporated associations (including parishes and schools) operate as the Roman Catholic Diocese of Oakland in Alameda and Contra Costa County (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, 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, have been granted tax-exempt status by the Internal Revenue Service except to the extent of unrelated business taxable income as defined under IRC sections 511 through 515 and the California Franchise Tax Board under Sections 501(c) (3) and 23701(d), 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 had no unrecognized tax benefits at either December 31, 2011 or 2010 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.

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.

> *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. The Bishop has designated certain amounts within unrestricted net assets for the purpose of self-insurance reserves. Contributions received with restrictions which 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 time restriction or completion of a purpose restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement 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 both December 31, 2011 and 2010, the Central Services Administration had $134,964 in permanently restricted net assets.

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

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

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

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

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, 2011 and 2010 exceeded federal depository insurance coverage. The Central Services Administration has not experienced any losses in such accounts.

Restricted cash and cash equivalents – Monthly interest payments are required by the Master Trust and Bond Indenture entered into by the Roman Catholic Bishop of Oakland in November 2007. The interest payments are to be deposited in advance of semi-annual coupon payments made to bond purchasers by the Trustee. Such advance interest payments held by the Trustee are restricted and totaled $1,155,000 and $1,154,810 as of December 31, 2011 and 2010, respectively. The Central Services Administration has invested these funds in cash and cash equivalents. The balances held in restricted cash at December 31, 2011 and 2010 exceeded federal depository insurance coverage. The Central Services Administration has not experienced any losses in such accounts.

Marketable securities – Investments in marketable securities are reported at fair value based on quoted market prices. 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 statement 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 2011 and 2010 was 4.81% and 3.19%, respectively.

Allowance for doubtful accounts – The Central Services Administration provides an allowance for both loans and other receivables which 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 the 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.

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, Cathedral of Christ the Light, 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.

Beneficial interest in Cathedral of Christ the Light – The Central Services Administration has made advances to the Cathedral of Christ the Light, a not-for-profit corporation established to collect donations for the construction of the Cathedral. Such advances may be repaid to the Central Services Administration if the Cathedral of Christ the Light obtains donations equal to the sum of construction costs, debt service, and administrative expenses.

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 five to fifty 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 and 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 pooled investment accounts. The average annual interest rate paid on deposits in 2011 and 2010 was 2% and 2.22%, 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 disbursed to the designated institution; and bequests held and administered for Diocesan entities.

Equity of others in pooled investments – The endowment pool and fixed income pool were established for participating parishes, schools and other Diocesan institutions with long-term investment horizons, moderate growth and income requirements, and moderate risk objectives. The pools invest in stocks and bonds. The pools are 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 received 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.

Subsequent events – Subsequent events are events or transactions that occur after the consolidated statement of financial position date, but before consolidated financial statements are 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 issued.

The Central Services Administration has evaluated all subsequent events through June 13, 2012, which is the date the consolidated financial statements were available for issuance.

NOTE 3 – MARKETABLE SECURITIES

Marketable securities at December 31 are as follows:

	2011		2010	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Corporate equity securities	$ 22,588,064	$ 23,245,752	$ 20,509,441	$ 23,491,194
Mortgage pools and asset backed	630,442	663,359	756,509	780,817
Corporate debt securities	3,466,401	3,766,340	2,772,876	3,063,604
Municipal debt securities	563,747	649,348	323,883	339,144
U.S. government debt securities	4,280,475	4,386,983	3,613,895	3,723,551
Cash and money market funds	4,117,039	4,117,039	4,580,442	4,580,442
Mutual funds - equity	5,306	5,289	-	-
Mutual funds - international equity	8,755,314	7,255,097	8,510,896	8,020,369
Mutual funds - fixed income	17,677,180	17,432,410	13,660,786	13,464,797
	$ 62,083,968	$ 61,521,617	$ 54,728,728	$ 57,463,918

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

	2011	2010
Source of investment income:		
Dividends	$ 741,583	$ 844,305
Interest	490,851	534,276
	1,232,434	1,378,581
Net realized and unrealized gains (losses) on securities	(2,125,997)	3,142,198
Total investment income (loss)	$ (893,563)	$ 4,520,779

NOTE 4 – RECEIVABLES

Receivables at December 31 are as follows:

	2011	2010
Receivables, net		
Insurance and miscellaneous receivables	$ 9,507,528	$ 9,100,234
Assessments receivable	2,779,312	2,715,647
Bequests receivable	-	498,920
Less allowance for doubtful accounts	(894,144)	(816,186)
	$ 11,392,696	$ 11,498,615
Loans to parishes, schools, institutions, and seminarians, net		
Loans receivable	$ 26,251,068	$ 27,777,123
Less allowance for doubtful accounts and loan losses	(2,252,848)	(2,353,792)
	$ 23,998,220	$ 25,423,331
Changes in allowance for doubtful accounts and loan losses:		
Beginning balance	$ 3,169,978	$ 3,054,552
Accounts written off	(237,734)	-
Bad debt allowance	214,748	115,426
Ending balance	$ 3,146,992	$ 3,169,978

NOTE 5 – NOTES RECEIVABLE - RELATED PARTIES

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

	2011	2010
Catholic Cathedral Corporation of the East Bay, unsecured note for a principal sum of up to $75,000,000; interest at 6.4%; unpaid principal and interest due October 31, 2017; includes accrued interest of $1,254,999 and $2,335,865, respectively	$ 64,991,440	$ 65,584,547
Catholic Cathedral Corporation of the East Bay, unsecured note for a principal sum of up to $350,000; interest at variable rate, which was 4.22% at December 31, 2011; interest only payments due quarterly; unpaid principal and interest due October 31, 2017; includes accrued interest of $2,315 for both 2011 and 2010	219,970	219,970
Roman Catholic Cemeteries of the Diocese of Oakland, unsecured note for a principal sum of up to $10,000,000; monthly payments of $85,128, including interest at 6.4%; due January 1, 2021	8,070,188	8,575,495
Roman Catholic Cemeteries of the Diocese of Oakland, unsecured line of credit of up to $1,500,000; interest at 6.4% with interest only payments due quarterly; due on demand without a maturity date; includes accrued interest of $0 and $6,769, respectively	-	410,048
	$ 73,281,598	$ 74,790,060

NOTE 6 – LAND HELD FOR SALE

Land held for sale of $1,996,179 and $2,065,565 as of December 31, 2011 and 2010, 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, 2011 and 2010 there were sales amounting to $69,773 and $66,721, respectively, for which the carrying value of the land held was reduced and a gain (loss) on the sales recorded in the consolidated statement of activities.

NOTE 7 – PROPERTY AND EQUIPMENT

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

	2011	2010
Central Services Administration property and improvements	$ 5,942,605	$ 5,942,605
Furniture and equipment	277,482	271,179
Automobiles	185,899	162,186
Land improvements	47,786	47,786
	6,453,772	6,423,756
Less accumulated depreciation	(3,059,354)	(2,926,482)
	3,394,418	3,497,274
Land	6,984,756	7,226,327
	$ 10,379,174	$ 10,723,601

Total depreciation for the years ended December 31, 2011 and 2010 amounted to $132,873 and $132,638, respectively.

NOTE 8 – NOTES PAYABLE

Notes payable at December 31 are as follows:

	2011	2010
Unsecured note payable to an insurance premium financing company, monthly payments of $217,145 including interest at 2.96%, due May 1, 2012	$ 862,983	$ -
Unsecured note payable to an insurance premium financing company, monthly payments of $78,001 including interest at 2.96%, due May 1, 2012	309,662	-
Unsecured note payable to an insurance premium financing company, monthly payments of $226,306 including interest at 2.96%, due May 1, 2011	-	899,641
Note payable to an individual resulting from the purchase of Furrer Properties, annual principal payments of $57,500 plus accrued interest at 6%, are due through December 31, 2017. The note is secured by the underlying property held by Furrer Properties.	345,000	402,500
	$ 1,517,645	$ 1,302,141

Maturities for the notes payable are as follows:

Year ending December 31,	Payable
2012	$ 1,230,145
2013	57,500
2014	57,500
2015	57,500
2016	57,500
Thereafter	57,500
	$ 1,517,645

NOTE 9 – 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 Corporation

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 $1,162,943 and $853,150 as of December 31, 2011 and 2010, respectively. In addition, original bond issuance costs of $1,373,085 were incurred and are being amortized ratably over the lives of the bonds.

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
2012	$ -	$ -	$ 6,927,880	$ 6,927,880
2013	-	-	6,927,880	6,927,880
2014	3,666,667	-	6,927,880	6,927,880
2015	22,000,000	22,000,000	6,706,413	6,927,880
2016	22,000,000	22,000,000	5,377,613	5,599,080
2017	22,000,000	22,000,000	4,048,813	4,270,280
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
	$ 114,700,000	$ 114,700,000	$ 40,980,392	$ 42,135,040

In addition to the required payments outlined above, the bond indenture carries collateral requirements. The Roman Catholic Bishop of Oakland and the Roman Catholic Cemeteries of Oakland have granted a security interest in certain of their investment accounts to bondholders through Deutsche Bank National Trust Company. 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.

A covenant waiver and amendment to the bond trust indenture was executed October 26, 2009, to allow for certain real property holdings, in lieu of adding additional cash or investments, to satisfy the required investment balance at November 1, 2009, not to exceed $15 million of the required amount. The amendment will renew automatically each November 1, unless cancelled by either party 90 days prior to the renewal date. Such automatic renewal occurred on November 1, 2011, and the obligated group continues to satisfy the required investment balance.

NOTE 10 – 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 and automobile 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, 2011, 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. A withdrawal policy has not been fully developed as of the issuance of these consolidated statements.

The Diocese, along with various other religious organizations of the Roman Catholic Church, is a Trustor of 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 in order to maintain minimum reserves in the trust fund. At December 31, 2011 and 2010, the RETA has not assessed any assessments nor were any assessments pending.

The Diocese, along with certain other Roman Catholic Dioceses and Archdioceses in the western United States, had been a member of a captive insurance association, The Catholic Insurance Association ("CIA"), for workers' compensation coverage. Effective January 1, 2006, the Diocese obtained workers' compensation coverage through a commercial carrier. Claims incurred before this date are still being processed through CIA, and management believes associated insurance reserves are sufficient to cover any future claims costs.

NOTE 11 – LAY EMPLOYEES' PENSION PLAN

The Diocese has a non-contributory 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 were 8% of the compensation of all eligible lay employees in 2011 and 2010. Benefits vest incrementally after three years of service and are fully vested after seven years of service. Total contributions for the Central Services Administration's employees for the years ended December 31, 2011 and 2010 were $267,257 and $274,740, respectively.

NOTE 12 – CLERGY RETIREMENT COSTS

Diocesan priests are covered by two Diocesan-sponsored defined benefit retirement plans ("Plans"). The Central Services Administration is required 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, 2011 and 2010, the Plans had combined actuarial obligations in excess of the Plans' assets of $5,667,000 and $3,473,000, respectively, which were reported as a liability of the Central Services Administration.

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:

	2011	**2010**
Benefit obligations at beginning of year	$ 14,826,000	$ 13,847,000
Liability loss due to re-measurement at beginning of the year	(50,000)	-
Increase (decrease) due to:		
Service cost	379,000	355,000
Interest cost	738,000	782,000
Actual benefit payments	(1,012,000)	(1,010,000)
Administrative expenses	(48,000)	(66,000)
	57,000	61,000
Expected benefit obligations at end of year	14,833,000	13,908,000
Loss during the year due to change in assumptions	1,276,000	918,000
Accumulated benefit obligations at end of year	$ 16,109,000	$ 14,826,000
Plan assets at fair value	$ 10,442,000	$ 11,353,000
Unfunded status	$ (5,667,000)	$ (3,473,000)

The components of pension expense are as follows:

	2011	**2010**
Service cost	$ 379,000	$ 355,000
Interest cost	738,000	782,000
Return on plan assets:		
Actual return - loss (gain)	328,000	(1,271,000)
Deferred gain (loss)	(1,154,000)	498,000
	(826,000)	(773,000)
Amortization:		
Unrecognized prior service cost	134,000	134,000
Unrecognized net loss	17,000	11,000
	151,000	145,000
Net periodic pension expense	$ 442,000	$ 509,000

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

	2011	**2010**
Asset (gain) loss during the year:		
Expected fair value at December 31, 2011	$ 11,596,000	$ 10,855,000
Plan assets at fair value at December 31, 2011	10,442,000	11,353,000
Asset (gain) loss	1,154,000	(498,000)
Liability (gain) loss due to re-measurement at beginning of year	(50,000)	278,000
Liability loss during the year	1,276,000	918,000
Net loss during the year	$ 2,380,000	$ 698,000

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

	2011	2010
Discount rate	4.34%	5.20%
Rate of compensation increase	N/A	N/A
Assumed future annual benefit increases	0.00%	0.00%

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

	2011	2010
Discount rate	5.20%	5.86%
Expected long-term return on plan assets	7.50%	7.50%
Assumed future annual benefit increases	0.00%	0.00%

Employer contributions for December 31, 2011 and 2010 were $477,000 and $439,000, 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 include highly liquid government bonds, mortgage products and exchange-traded equities. The fair value, categories and levels at December 31 are as follows:

Asset Category	Fair Value Measurement	2011	2010
Corporate equity securities	Level 1	$ 7,350,700	$ 7,758,800
Mortgage pools and asset backed	Level 2	1,110,900	1,408,000
Corporate debt securities	Level 2	1,107,800	1,099,300
Municipal debt securities	Level 2	171,500	124,900
U.S. government debt securities	Level 1	134,500	242,200
Cash and money market funds	Level 1	426,700	585,600
Mutual funds - fixed income	Level 2	139,900	134,200
		$ 10,442,000	$ 11,353,000

Asset Category	Diocesan Approved Asset Allocation Range	Actual Percentage of Plan Assets at December 31, 2011	Actual Percentage of Plan Assets at December 31, 2010
Fixed Investments	30% to 50%	26%	25%
Equities	30% to 70%	70%	70%
Cash	0% to 10%	4%	5%

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

	2011	2010
Unrecognized prior service costs	$ 1,673,000	$ 1,807,000
Unrecognized net loss	$ 3,406,000	$ 1,043,000

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

Year ending December 31	Annual Pension Benefits
2012	$ 1,096,000
2013	1,093,000
2014	1,043,000
2015	1,065,000
2016	1,109,000
2017-2020	5,445,000

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 13 – 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.

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. It 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 plan's funded status and amounts recognized for the entire plan as of December 31:

	2011	2010
Actuarial present value of benefit obligations		
Accumulated benefit obligation	$ 2,534,147	$ 3,444,932
Plan assets at fair value	-	-
Projected benefit obligation in excess of plan assets	$ 2,534,147	$ 3,444,932

The discount rate used to determine benefit obligations is 7% for both the years ended December 31, 2011 and 2010. Additionally, medical and prescription drug premium costs trends were graded from an 8% annual increase down to 5% increase over the next six years and at a level 5% annual increase thereafter. Dental cost trends going forward were assumed to be a level 5% annual increase. Vision costs trends were assumed to be a level 2% annual increase. Benefits expected to be paid by year are expected to be met in full by assessments to parishes and Diocesan institutions.

NOTE 14 – DESIGNATED NET ASSETS

Unrestricted net assets have been designated for the following purposes:

	2011	2010
Property self-insurance deductible reserves	$ 1,443,705	$ 1,423,919
Uninsured liability self-insurance reserves	2,244,380	1,534,666
Clergy uninsured medical expenses reserves	692,897	692,897
	$ 4,380,982	$ 3,651,482

NOTE 15 – TEMPORARILY RESTRICTED NET ASSETS

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

	2011	2010
Assistance to homeless women and children	$ 163,625	$ 208,625
Assistance to needy students at Catholic institutions of higher learning	311,007	310,560
Seminarian fund	336,959	321,660
Other	-	6,346
	$ 811,591	$ 847,191
Assets released from restrictions during the year		
Assistance to homeless women and children	$ 45,000	$ 25,000
Assistance to needy students at Catholic institutions of higher learning	-	10,455
Seminarian fund	10,261	15,150
Other	6,346	1,155
	$ 61,607	$ 51,760

Income from the Central Services Administration's permanently restricted net assets is restricted for the seminarian fund.

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:

	2011	2010
Program services		
Parishes and schools	$ 2,033,105	$ 2,441,835
Office of the Chancellor	2,240,102	2,282,794
Communications	497,974	403,618
Pastoral Life	1,873,976	1,890,335
Services & Administration	90,861	238,942
Resources	683,779	678,560
Canon Law	448,759	437,390
Office of the Bishop	930,695	762,647
Catholic Voice	1,153,365	1,052,571
	9,952,616	10,188,692
Supporting services		
Management and general	5,977,926	5,604,540
Development	389,953	344,183
	6,367,879	5,948,723
	$ 16,320,495	$ 16,137,415

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 $1,350,400 in such payments for each of the years ended December 31, 2011 and 2010.

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 $1,390,275 and $1,353,140 for the years ended December 31, 2011 and 2010, 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.

Outside legal counsel is unable to predict the outcome of lawsuits naming the Diocese as a defendant. In the opinion of management, based upon current facts and circumstances, the resolution of outstanding legal matters is not expected to have a material adverse effect on consolidated financial statements of the Central Services Administration.

NOTE 19 – FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Central Services Administration in estimating the fair value of its other financial instruments:

Cash and cash equivalents – The carrying amount reported in the consolidated statement of financial position for cash and cash equivalents approximates its fair value.

Restricted cash and cash equivalents – The carrying amount reported in the consolidate financial position for restricted cash and cash equivalents approximates its fair value.

Marketable securities – Investments in marketable securities are reported at fair value based on quoted market prices. The carrying amount reported in the consolidated statement of financial position approximates fair value.

Receivables – loans to parishes, schools, institutions, and seminarians, net – The carrying amount of these loans, net of the allowance for doubtful accounts and loan losses, approximates its fair value.

Notes receivables – related parties – The carrying amount reported in the consolidated statement of financial position for notes receivable – related parties approximates its fair value.

Deposits payable – The carrying amount reported in the consolidated statement of financial position for deposits payable approximates its fair value.

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 statement of financial position, approximates fair value.

Notes payable – The carrying amount of notes payable, a substantial portion of which is short-term in nature, approximates its fair value.

Bonds payable, net of discount – The bonds payable are stated at the carrying amount using a long-term, fixed rate to calculate the obligation. Estimated fair value is $111,304,880 using future cash flows discounted at a rate of interest currently offered for debt with similar remaining maturities.

NOTE 20 – 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 statement of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Investments – Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. Level 1 investments include highly liquid government bonds, mortgage products and exchange traded equities. Level 2 investments include certain collateralized mortgage and debt obligations and certain municipal securities. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated statement 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, 2011 and 2010, respectively:

		Fair Value Measurements Using		
	Fair Value	**Quoted Prices In Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
As of December 31, 2011:				
Corporate equity securities	$ 23,245,752	$ 23,245,752	$ -	$ -
Mortgage pools and asset backed securities	663,359	-	663,359	-
Corporate debt securities	3,766,340	-	3,766,340	-
Municipal debt securities	649,348	-	649,348	-
U.S. government debt securities	4,386,983	4,386,983	-	-
Cash and money market funds	4,117,039	4,117,039	-	-
Mutual funds - equity	5,289	-	5,289	-
Mutual funds - international equity	7,255,097	-	7,255,097	-
Mutual funds - fixed income	17,432,410	-	17,432,410	-
Total	$ 61,521,617	$ 31,749,774	$ 29,771,843	$ -
As of December 31, 2010:				
Corporate equity securities	$ 23,491,194	$ 23,491,194	$ -	$ -
Mortgage pools and asset backed	780,817	-	780,817	-
Corporate debt securities	3,063,604	-	3,063,604	-
Municipal debt securities	339,144	-	339,144	-
U.S. government debt securities	3,723,551	3,723,551	-	-
Cash and money market funds	4,580,442	4,580,442	-	-
Mutual funds - equity	8,020,369		8,020,369	-
Mutual funds - international equity	13,464,797	-	13,464,797	-
Total	$ 57,463,918	$ 31,795,187	$ 25,668,731	$ -