

**THE DIOCESE OF ROCHESTER
PASTORAL CENTER
OPERATIONS AND ASSOCIATED FUNDS**

**Financial Statements as of
June 30, 2008
Together with
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

October 23, 2008

To the Bishop's Stewardship Council of the
Diocese of Rochester:

We have audited the accompanying balance sheet of The Diocese of Rochester (a New York religious corporation) Pastoral Center Operations and Associated Funds as of June 30, 2008, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of The Diocese of Rochester's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from The Diocese of Rochester Pastoral Center Operations and Associated Funds' June 30, 2007, financial statements and, in our report dated November 6, 2007, we expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Diocese of Rochester Pastoral Center Operations and Associated Funds as of June 30, 2008, and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Bonadio & Co., LLP

171 Sully's Trail
Pittsford, NY 14534
p (585) 381-1000
f (585) 381-3131

ROCHESTER • BUFFALO
ALBANY • SYRACUSE
PERRY • GENEVA

THE DIOCESE OF ROCHESTER PASTORAL CENTER OPERATIONS AND ASSOCIATED FUNDS

BALANCE SHEET

JUNE 30, 2008

(With Comparative Totals for 2007)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2008</u>	<u>2007</u>
ASSETS					
CURRENT ASSETS:					
Cash and equivalents	\$ -	\$ 1,172,320	\$ -	\$ 1,172,320	\$ 2,237,481
Accounts receivable, net	1,020,978	-	-	1,020,978	1,562,350
Current portion of notes receivable	20,496	10,604	-	31,100	42,972
Current portion of contributions receivable, net	-	278,430	821,569	1,099,999	5,873,378
Other receivables	54,106	-	-	54,106	50,549
Agency fund cash and investments	293,976	-	-	293,976	15,489
Investments - insurance reserves	7,972,210	-	-	7,972,210	6,146,172
Second collection assets	412,398	-	-	412,398	495,238
Other current assets	45,647	-	-	45,647	310,929
Total current assets	9,819,811	1,461,354	821,569	12,102,734	16,734,558
NOTES RECEIVABLE, net of current portion	-	73,432	-	73,432	111,206
CONTRIBUTIONS RECEIVABLE, net of current portion	-	49,794	70,962	120,756	1,413,052
INVESTMENTS	13,210,758	8,066,764	6,612,049	27,889,571	28,916,660
FIXED ASSETS, net	2,989,922	21,907	-	3,011,829	3,598,471
OTHER ASSETS	111,427	462,048	-	573,475	547,390
	<u>\$ 26,131,918</u>	<u>\$ 10,135,299</u>	<u>\$ 7,504,580</u>	<u>\$ 43,771,797</u>	<u>\$ 51,321,337</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Current portion of capital lease obligations	\$ 8,993	\$ -	\$ -	\$ 8,993	\$ 104,320
Accounts payable	650,844	-	-	650,844	582,011
Accrued payroll and benefits	405,624	-	-	405,624	369,450
Accrued insurance claims	8,670,198	-	-	8,670,198	8,487,571
Liability for second collections	412,398	-	-	412,398	495,238
Liability for agency fund cash and investments	293,976	-	-	293,976	15,489
Contributions payable - Partners in Faith	600,621	-	-	600,621	786,229
Due to lay pension plan	60,618	-	-	60,618	58,962
Due to (from) other funds	(1,608,180)	1,608,180	-	-	-
Other current liabilities	173,400	-	-	173,400	384,566
Total current liabilities	9,668,492	1,608,180	-	11,276,672	11,283,836
CAPITAL LEASE OBLIGATIONS, net of current portion	-	-	-	-	8,993
POST-EMPLOYMENT BENEFIT LIABILITY	5,474,592	-	-	5,474,592	5,765,810
OTHER LONG-TERM LIABILITIES	-	177,541	-	177,541	168,808
Total liabilities	15,143,084	1,785,721	-	16,928,805	17,227,447
NET ASSETS	10,988,834	8,349,578	7,504,580	26,842,992	34,093,890
	<u>\$ 26,131,918</u>	<u>\$ 10,135,299</u>	<u>\$ 7,504,580</u>	<u>\$ 43,771,797</u>	<u>\$ 51,321,337</u>

The accompanying notes are an integral part of these statements.

THE DIOCESE OF ROCHESTER PASTORAL CENTER OPERATIONS AND ASSOCIATED FUNDS

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008

(With Comparative Totals for 2007)

	Unrestricted					Total	
	Operations Supported by Annual Appeal	Other	Total	Temporarily Restricted	Permanently Restricted	2008	2007
REVENUE:							
Annual Appeal	\$ 5,555,035	\$ -	\$ 5,555,035	\$ -	\$ -	\$ 5,555,035	\$ 5,442,055
Partners in Faith contributions	-	-	-	545,992	-	545,992	527,493
Gifts and bequests	10,312	31,211	41,523	3,160,915	-	3,202,438	1,228,213
Fees and charges	2,260,809	118,965	2,379,774	5,000	-	2,384,774	2,026,780
Self-insurance program premiums	-	7,283,250	7,283,250	-	-	7,283,250	6,239,619
Diocesan employee benefit program premiums	-	6,227,806	6,227,806	-	-	6,227,806	6,034,798
Investment income, net	54,502	(989,968)	(935,466)	(1,120,966)	-	(2,056,432)	4,554,189
Grants and aid	51,733	-	51,733	900	-	52,633	852,909
Gain on disposal of fixed assets	-	-	-	-	-	-	144,368
Other revenue	219,054	178,426	397,480	156,055	-	553,535	1,505,685
Net assets released from -							
Time restrictions	5,579	-	5,579	(5,579)	-	-	-
Program restrictions	2,195,427	(1,455,906)	739,521	(739,521)	-	-	-
Other	(109,421)	10,373,961	10,264,540	(10,264,540)	-	-	-
Total revenue	<u>10,243,030</u>	<u>21,767,745</u>	<u>32,010,775</u>	<u>(8,261,744)</u>	<u>-</u>	<u>23,749,031</u>	<u>28,556,109</u>
EXPENSES:							
Employee benefit programs	621,917	5,574,866	6,196,783	-	-	6,196,783	7,129,796
Partners in Faith	-	5,280,258	5,280,258	-	-	5,280,258	3,783,009
Support of Catholic education	1,301,889	2,898,401	4,200,290	-	-	4,200,290	2,615,070
Insurance programs	258,618	4,417,566	4,676,184	-	-	4,676,184	5,175,734
Support of parishes	1,929,309	2,202,446	4,131,755	-	-	4,131,755	2,262,499
Administrative expenses	1,298,575	574,869	1,873,444	-	-	1,873,444	1,898,199
Subsidies, gifts, grants and assessments	1,386,840	51,812	1,438,652	-	-	1,438,652	1,436,209
Faith formation	1,120,361	-	1,120,361	-	-	1,120,361	782,543
Qualified pastoral leadership	893,826	1,342	895,168	-	-	895,168	933,496
Bishop's ministries	302,892	-	302,892	-	-	302,892	454,601
Development and fundraising expenses	611,256	-	611,256	-	-	611,256	649,992
Other programs	214,278	58,608	272,886	-	-	272,886	307,425
Total expenses	<u>9,939,761</u>	<u>21,060,168</u>	<u>30,999,929</u>	<u>-</u>	<u>-</u>	<u>30,999,929</u>	<u>27,428,573</u>
CHANGE IN NET ASSETS BEFORE TRANSFERS AND EFFECT OF ADOPTION OF SFAS NO. 158	303,269	707,577	1,010,846	(8,261,744)	-	(7,250,898)	1,127,536
INTERFUND TRANSFERS	-	-	-	641,034	(641,034)	-	-
EFFECT OF ADOPTION OF RECOGNITION PROVISIONS OF SFAS NO. 158 (NOTE 15)	-	-	-	-	-	-	838,097
CHANGE IN NET ASSETS	<u>\$ 303,269</u>	<u>\$ 707,577</u>	<u>1,010,846</u>	<u>(7,620,710)</u>	<u>(641,034)</u>	<u>(7,250,898)</u>	<u>1,965,633</u>
NET ASSETS - beginning of year			<u>9,977,988</u>	<u>15,970,288</u>	<u>8,145,614</u>	<u>34,093,890</u>	<u>32,128,257</u>
NET ASSETS - end of year			<u>\$ 10,988,834</u>	<u>\$ 8,349,578</u>	<u>\$ 7,504,580</u>	<u>\$ 26,842,992</u>	<u>\$ 34,093,890</u>

The accompanying notes are an integral part of these statements.

THE DIOCESE OF ROCHESTER PASTORAL CENTER OPERATIONS AND ASSOCIATED FUNDS

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008
(With Comparative Totals for 2007)**

	Program					
	Bishop's <u>Ministries</u>	Faith <u>Formation</u>	Support of Catholic <u>Education</u>	Support of <u>Parishes</u>	Partners in <u>Faith</u>	Qualified Pastoral <u>Leadership</u>
PERSONNEL COSTS:						
Employee salary and benefits	\$ 234,049	\$ 399,546	\$ 800,641	\$ 1,513,055	\$ -	\$ 378,723
Temporary help	-	-	3,314	14,652	-	83
Other personnel costs	-	-	1,376	-	-	253
Total personnel costs	<u>234,049</u>	<u>399,546</u>	<u>805,331</u>	<u>1,527,707</u>	<u>-</u>	<u>379,059</u>
SUBSIDIES AND CONTRIBUTIONS:						
Financial aid to schools and families	-	-	2,851,110	-	-	43,004
Benefits for retired priests, disabled priests and subsidies and salary support for priests	-	-	-	6,014	-	-
Subsidy for Catholic Charities	-	-	-	-	-	-
Subsidies for urban, Hispanic and Asian ministry	-	-	-	1,000	-	-
Contributions to national and state Catholic conferences	-	-	-	-	-	-
Campus ministry subsidy	-	130,000	-	-	-	-
School Grants	-	-	254,791	-	-	-
All other memberships, dues, subsidies and gifts	<u>12,187</u>	<u>1,630</u>	<u>1,897</u>	<u>2,184,209</u>	<u>2,620,276</u>	<u>3,245</u>
Total subsidies and contributions	<u>12,187</u>	<u>131,630</u>	<u>3,107,798</u>	<u>2,191,223</u>	<u>2,620,276</u>	<u>46,249</u>
OTHER:						
Health and dental premiums	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Professional services	2,156	6,041	89,991	188,050	-	23,381
Sponsored programs, workshops and expenses of consultative bodies	23,538	527,609	13,885	68,463	-	10,550
Depreciation and amortization	-	-	45,892	-	-	742
Clergy education expenses	-	-	-	380	-	350,529
Facility and equipment expense	2,213	-	1,029	2,519	-	46,061
Marketing and advertising	-	-	35,829	-	-	-
Printing and photocopying	10,123	13,495	45,771	17,468	-	10,046
Staff travel, mileage and conferences	14,911	27,132	23,849	60,640	-	17,539
Data processing	-	1,515	20,000	44,155	-	-
Telephone	1,528	3,366	3,660	14,099	-	1,426
Bad debt expense	-	-	-	1,099	2,659,982	-
Supplies and materials	2,187	10,027	7,255	14,248	-	4,586
Interest	-	-	-	-	-	-
Other	-	-	-	1,704	-	5,000
Total other	<u>56,656</u>	<u>589,185</u>	<u>287,161</u>	<u>412,825</u>	<u>2,659,982</u>	<u>469,860</u>
Total expenses	<u>\$ 302,892</u>	<u>\$ 1,120,361</u>	<u>\$ 4,200,290</u>	<u>\$ 4,131,755</u>	<u>\$ 5,280,258</u>	<u>\$ 895,168</u>

Expenses							Total	
Subsidies, Gifts, Grants and Assessments	Insurance Programs	Employee Benefit Programs	Other Programs	Total	Administrative Expenses	Development and Fundraising Expense	2008	2007
\$ 35,118	\$ 100,265	\$ 207,292	\$ 171,176	\$ 3,839,865	\$ 725,551	\$ 457,231	\$ 5,022,647	\$ 4,924,959
-	-	-	-	18,049	23,167	1,151	42,367	84,242
-	-	131	-	1,760	-	-	1,760	10,848
<u>35,118</u>	<u>100,265</u>	<u>207,423</u>	<u>171,176</u>	<u>3,859,674</u>	<u>748,718</u>	<u>458,382</u>	<u>5,066,774</u>	<u>5,020,049</u>
-	-	-	-	2,894,114	-	-	2,894,114	829,750
-	-	-	-	6,014	-	-	6,014	882,388
725,440	-	-	-	725,440	-	-	725,440	710,519
101,000	-	-	-	102,000	-	-	102,000	133,217
194,565	17,739	-	-	212,304	-	-	212,304	196,873
-	-	-	-	130,000	8,241	-	138,241	133,307
-	-	-	-	254,791	-	-	254,791	496,471
<u>382,015</u>	<u>5,940</u>	<u>189,182</u>	<u>52,890</u>	<u>5,453,471</u>	<u>43,270</u>	<u>3,299</u>	<u>5,500,040</u>	<u>4,971,019</u>
<u>1,403,020</u>	<u>23,679</u>	<u>189,182</u>	<u>52,890</u>	<u>9,778,134</u>	<u>51,511</u>	<u>3,299</u>	<u>9,832,944</u>	<u>8,353,544</u>
-	33,800	5,348,626	-	5,382,426	-	-	5,382,426	5,214,722
62	4,072,404	193,335	-	4,265,801	17	-	4,265,818	4,797,411
-	291,092	130,236	5,000	735,947	87,721	1,322	824,990	826,901
392	73	1,255	-	645,765	132	5,696	651,593	311,306
-	-	-	-	46,634	569,410	-	616,044	638,836
-	-	8,422	-	359,331	380	-	359,711	385,766
-	-	-	11,508	63,330	199,015	655	263,000	281,007
-	-	-	-	35,829	7,432	91,643	134,904	95,642
-	2,170	4,148	25	103,246	43,814	29,918	176,978	222,310
60	5,363	1,374	25,969	176,837	16,871	6,547	200,255	205,462
-	364	-	2,202	68,236	70,081	7,204	145,521	178,698
-	18	1,170	4,116	29,383	39,882	1,177	70,442	56,309
-	146,128	111,032	-	2,918,241	8,204	-	2,926,445	743,962
-	828	580	-	39,711	13,555	5,413	58,679	54,104
-	-	-	-	-	4,719	-	4,719	14,810
-	-	-	-	6,704	11,982	-	18,686	27,734
<u>514</u>	<u>4,552,240</u>	<u>5,800,178</u>	<u>48,820</u>	<u>14,877,421</u>	<u>1,073,215</u>	<u>149,575</u>	<u>16,100,211</u>	<u>14,054,980</u>
<u>\$ 1,438,652</u>	<u>\$ 4,676,184</u>	<u>\$ 6,196,783</u>	<u>\$ 272,886</u>	<u>\$ 28,515,229</u>	<u>\$ 1,873,444</u>	<u>\$ 611,256</u>	<u>\$ 30,999,929</u>	<u>\$ 27,428,573</u>

The accompanying notes are an integral part of these statements.

THE DIOCESE OF ROCHESTER PASTORAL CENTER OPERATIONS AND ASSOCIATED FUNDS

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008**

(With Comparative Totals for 2007)

	<u>2008</u>	<u>2007</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (7,250,898)	\$ 1,965,633
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Effect of adoption of FASB Statement No. 158	-	(838,097)
Net (gain) loss on investments	2,056,432	(4,214,716)
Depreciation and amortization	616,044	638,836
Gain on disposal of fixed assets	-	(144,368)
Permanently restricted - Partners in Faith contributions	-	(207,359)
Temporarily restricted - Partners in Faith contributions	(13,820)	(22,345)
Net change in pledge discount	(532,164)	(489,726)
Bad debts	2,926,445	743,962
Changes in:		
Accounts receivable	274,910	205,840
Other receivables	(3,557)	(23,308)
Contributions receivable	7,062	206,497
Other current assets	265,282	4,414
Other assets	(26,085)	(25,600)
Accounts payable	68,833	(172,796)
Accrued payroll and benefits	36,174	(10,799)
Accrued insurance claims	182,627	1,623,299
Contribution payable - Partners in Faith	(185,608)	(433,534)
Other current liabilities	(211,166)	(187,520)
Other long-term liabilities	8,733	(9,269)
Post-employment benefit liability	(291,218)	603,907
Net cash flow from operating activities	<u>(2,071,974)</u>	<u>(787,049)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Net change in investments	(2,855,381)	(4,965,813)
Due to Lay Pension trust	1,656	(5,353,613)
Collection of notes receivable	42,583	65,514
Proceeds from sale of fixed assets	-	155,000
Purchases of fixed assets	(29,402)	(83,388)
Net cash flow from investing activities	<u>(2,840,544)</u>	<u>(10,182,300)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Repayment on capital leases	(104,320)	(152,996)
Partners in Faith pledge receipts	3,951,677	4,907,523
Net cash flow from financing activities	<u>3,847,357</u>	<u>4,754,527</u>
DECREASE IN CASH AND EQUIVALENTS	(1,065,161)	(6,214,822)
CASH AND EQUIVALENTS - beginning of year	<u>2,237,481</u>	<u>8,452,303</u>
CASH AND EQUIVALENTS - end of year	<u>\$ 1,172,320</u>	<u>\$ 2,237,481</u>

The accompanying notes are an integral part of these statements.

THE DIOCESE OF ROCHESTER PASTORAL CENTER OPERATIONS AND ASSOCIATED FUNDS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

1. THE ORGANIZATION

The Bishop of The Roman Catholic Diocese of Rochester (the Diocese), located in Rochester, New York, directly or indirectly supervises all of the affiliated churches and organizations (most of which are separately incorporated) within the Diocese. However, the accompanying financial statements include only those funds of the Pastoral Center operations and associated funds (the Pastoral Center) over which the Diocese exercises direct control.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting

The Pastoral Center prepares its financial statements in conformity with accounting principles generally accepted in the United States. Resources for various purposes are classified into net asset categories in accordance with specified activities or objectives based on the presence or absence of donor restrictions. Contributions are reported as restricted if they are received with donor stipulations that limit their use. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and change in net assets as net assets released from restrictions. The Pastoral Center's financial statements include the following classifications of net assets:

- **Unrestricted**
Funds available for use without any donor-imposed restrictions.
- **Temporarily Restricted**
Funds which have donor-imposed restrictions that permit the Pastoral Center to use up or expend the donated asset as specified and are satisfied either by the passage of time or by actions of the Pastoral Center. The Diocesan temporarily restricted net assets are to be used primarily for benefits, education and training expenses for priests and Partners in Faith campaign goals.
- **Permanently Restricted**
Funds that have donor-imposed restrictions that stipulate that resources be maintained permanently, but permit the Pastoral Center to use up or expend part or all of the income derived from the donated assets. Income on permanently restricted net assets is to be used primarily for Catholic education, support of specific parishes, unrestricted purposes of the Pastoral Center and Partners in Faith campaign goals.

Comparative Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Pastoral Center's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Equivalents

Cash and equivalents include bank demand deposit accounts and money market accounts and exclude cash under management. The bank demand deposit accounts may, at times, exceed federally insured limits. The money market accounts are not federally insured. The Pastoral Center believes it is not exposed to any significant credit risk with respect to cash and equivalents and has not experienced any losses in such accounts.

Accounts Receivable

The Pastoral Center advances credit, primarily to parishes, in the normal course of business. Accounts for which no payments have been received for several months are considered delinquent and customary collection efforts are begun. The Pastoral Center records an allowance for doubtful accounts in anticipation of future write-offs. The allowance for doubtful accounts is established based on a review of specific accounts outstanding and the Pastoral Center's historical collection experience.

Investments

Investments are held primarily in the Communis Fund of the Diocese of Rochester, Inc. (Communis), a related party through common board members and management. Communis was organized by the Diocese for the purpose of offering Diocesan organizations the opportunity to invest collectively to maximize investment opportunities and returns consistent with the duties of stewardship following the mandates of The Code of Canon Law of the Roman Catholic Church. The investments are managed by professional investment management firms and are overseen by Communis' Board of Directors. Income is allocated to investors based on the percentage of the net asset value of their individual funds to the total investment balance. Investments are stated at net asset value based on quoted market prices.

The Pastoral Center invests in various types of investment securities. 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 that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Land and Fixed Assets

Land and fixed assets held by the Pastoral Center are recorded at the appraised value at the time of donation or original cost if purchased. Depreciation and amortization of buildings and equipment is provided on a straight-line basis over the estimated useful lives of the respective assets which range from three (3) to thirty (30) years. The Pastoral Center capitalizes all fixed asset additions greater than \$1,000.

Advertising

All advertising costs are expensed as incurred.

Income Taxes

The Diocese is a religious corporation and is exempt from income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. The Diocese has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. ACCOUNTS RECEIVABLE

Accounts receivable consist primarily of amounts due from parishes for employee health insurance premiums, parish participation in the Diocesan self-insurance program and Annual Appeal parish underages. Accounts receivable are as follows at June 30:

	<u>2008</u>	<u>2007</u>
Self-insurance program	\$ 697,557	\$ 738,874
Health insurance	788,964	709,004
Annual Appeal underage	268,777	282,376
Other	<u>250,830</u>	<u>552,756</u>
Total	2,006,128	2,283,010
Less: Allowance for doubtful accounts	<u>(985,150)</u>	<u>(720,660)</u>
	<u>\$ 1,020,978</u>	<u>\$ 1,562,350</u>

4. NOTES RECEIVABLE

Payments to be received on notes receivable are as follows for the years ended June 30:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
2009	\$ 20,496	\$ 10,604	\$ 31,100
2010	26,212	11,517	37,729
2011	27,588	12,509	40,097
2012	20,542	13,586	34,128
2013	20,981	13,681	34,662
Thereafter	<u>153,384</u>	<u>22,139</u>	<u>175,523</u>
	269,203	84,036	353,239
Less: Allowance for uncollectible notes	(248,707)	-	(248,707)
Amounts due within one year	<u>(20,496)</u>	<u>(10,604)</u>	<u>(31,100)</u>
	<u>\$ -</u>	<u>\$ 73,432</u>	<u>\$ 73,432</u>

5. CONTRIBUTIONS RECEIVABLE

In 2003, the Diocese initiated a \$50,000,000 capital campaign called "Partners in Faith" for its benefit and the benefit of every parish of the Diocese. Pledges are generally expected to be received over a three to five year period.

Payments on contributions receivable are due as follows for the years ended June 30:

2009	\$	7,591,262
2010		-
2011		-
2012		-
2013		-
Thereafter		<u>272,000</u>
		7,863,262
Less: Unamortized pledge discount		(142,237)
Allowance for uncollectible contributions		(6,500,270)
Amounts due within one year, net		<u>(1,099,999)</u>
	\$	<u>120,756</u>

The Pastoral Center has discounted Partners in Faith contributions at 4.0%

6. INVESTMENTS

The Diocese allocated its investments held by Communis 65% to its diversified equity funds, 20% to its bond funds and 15% to its alternative funds. Investments were comprised of the following at June 30:

	<u>2008</u>	<u>2007</u>
Cash and equivalents	\$ 4,971	\$ -
Communis Diversified Equity Fund	22,081,611	23,312,671
Corporate and foreign bonds	133,970	98,348
U.S. government bonds	99,227	137,992
Communis Bond Fund	7,679,527	6,335,400
Communis Alternatives Fund	<u>5,862,475</u>	<u>5,178,421</u>
	35,861,781	35,062,832
Less: Investments held for insurance reserves	<u>(7,972,210)</u>	<u>(6,146,172)</u>
	<u>\$ 27,889,571</u>	<u>\$ 28,916,660</u>

6. INVESTMENTS (Continued)

Investment income from all sources consisted of the following for the years ended June 30:

	<u>2008</u>	<u>2007</u>
Interest and dividends	\$ 166,098	\$ 420,047
Net investment gain (loss)	(2,120,460)	4,231,182
Management fees	<u>(102,070)</u>	<u>(97,040)</u>
	<u>\$ (2,056,432)</u>	<u>\$ 4,554,189</u>

7. FIXED ASSETS

Fixed assets at June 30 are as follows:

	<u>2008</u>	<u>2007</u>
Land	\$ 35,202	\$ 35,202
Buildings and improvements	9,706,598	9,695,183
Furniture, fixtures and equipment	1,332,902	1,314,917
Becket Hall	7,420	7,420
Vehicles	<u>127,757</u>	<u>127,757</u>
	11,209,879	11,180,479
Less: Accumulated depreciation and amortization	<u>(8,198,050)</u>	<u>(7,582,008)</u>
	<u>\$ 3,011,829</u>	<u>\$ 3,598,471</u>

Approximately \$224,000 and \$727,000 of assets under capital leases were included in fixed assets at June 30, 2008 and 2007, respectively. Amortization expense on these assets was approximately \$72,700 and \$82,900 in 2008 and 2007, respectively. Accumulated amortization totaled approximately \$123,000 and \$327,000 at June 30, 2008 and 2007, respectively.

8. INSURANCE FUNDING

The Diocese is self-insured to certain deductible limits for property, umbrella liability, employee disability and workers' compensation insurances. In addition, the Diocese is self-funded for priests' disability and unemployment insurance. Minimum funding requirements for the Diocesan self-insurance programs are determined annually. These amounts are then billed to the participating parishes and other organizations.

Liabilities established for claims made or to be made under the self-insured insurance program totaled \$8,670,198 and \$8,487,571 at June 30, 2008 and 2007, respectively.

The Pastoral Center has an \$844,000 letter-of-credit outstanding with HSBC. This letter-of-credit represents a security deposit required of self-insured plans by the New York State Workers' Compensation Board.

9. LIABILITY FOR AGENCY FUND CASH AND INVESTMENTS

The liability for agency fund cash and investments represents monies collected for third-party beneficiary organizations. The liability is funded with cash and investments valued at \$293,976 and \$15,489 in 2008 and 2007, respectively.

10. LIABILITY FOR SECOND COLLECTIONS

The liability for second collections represents amounts forwarded to the Pastoral Center by parishes from special collection receipts for ultimate distribution to the beneficiary. The asset and related liability were \$412,398 and \$495,238 at June 30, 2008 and 2007, respectively.

11. CONTRIBUTIONS PAYABLE - PARTNERS IN FAITH

In connection with the Partners in Faith campaign, 50% of the funds raised through the parishes were to be returned to the parishes for use on their own designated projects. As of June 30, 2008 and 2007, certain amounts were not yet returned to parishes and were held by the Pastoral Center. The Pastoral Center had a liability of \$600,621 and \$786,229 at June 30, 2008 and 2007, respectively, related to amounts not yet returned to the respective parishes. This amount has been classified as a current liability in the accompanying balance sheet.

12. FINANCING ARRANGEMENTS

Line-of-Credit

The Pastoral Center may borrow up to \$1,000,000 under the terms of an annually renewable discretionary line-of-credit agreement with a bank to support the working capital needs of the Pastoral Center. Amounts borrowed bear interest at a variable rate based on the prime rate (5.00% at June 30, 2008). There were no amounts outstanding under the terms of this agreement at June 30, 2008 and 2007.

Capital Lease Obligations

The Pastoral Center has financed the acquisition of certain equipment under capital lease agreements expiring at various dates through January 2009. The Pastoral Center paid interest of \$4,719 and \$14,810 related to the capital lease obligations in 2008 and 2007, respectively. Future minimum lease payments required under the terms of these lease agreements are as follows for the year ended June 30:

2009	\$	9,086
Less: Amount representing interest		<u>(93)</u>
		8,993
Less: Current portion		<u>(8,993)</u>
	\$	<u><u>-</u></u>

Loan Guarantees

The Pastoral Center guarantees a loan made to Monroe County Catholic Schools for \$1,100,000 to finance the All Saints Catholic Academy expansion. The loan is payable in quarterly installments of principal and interest at 7%. A balloon payment is due October 2012. The outstanding loan balance was \$652,871 and \$678,400 at June 30, 2008 and 2007, respectively.

12. FINANCING ARRANGEMENTS (Continued)

Loan Guarantees (Continued)

The Pastoral Center guarantees a loan made to Monroe County Catholic Schools for \$300,000 to refinance the All Saints Catholic Academy expansion. The loan is payable in monthly installments of principal and interest at the prime rate. The final payment is due October 2014. The outstanding loan balance was \$187,500 and \$217,500 at June 30, 2008 and 2007, respectively.

In fiscal 2006, the Pastoral Center guaranteed a loan made to Sacred Heart Cathedral for \$2,000,000 to finance the renovation cost to the infrastructure of the cathedral. The loan is payable in monthly installments of principal and interest at 5.64%. The final payment is due October 2020. The outstanding balance was \$1,755,766 and \$1,851,673 at June 30, 2008 and 2007.

13. RELATED PARTY TRANSACTIONS

Transactions with Monroe County Catholic Schools

Monroe County Catholic Schools (MCCS) is managed by the Department of Catholic Schools of the Diocese of Rochester. The Pastoral Center provides MCCS with central administration, financial, public relations, marketing and fundraising services. MCCS reimburses the Pastoral Center for the salaries, benefits and related expenses incurred for these services. The amount reimbursed to the Pastoral Center for these services was \$757,990 and \$867,673 for the years ended June 30, 2008 and 2007, respectively. Amounts due to the Pastoral Center were \$41,292 and \$48,660 at June 30, 2008 and 2007, respectively, and are included in accounts receivable in the accompanying balance sheet.

At June 30, 2007, the Pastoral Center had amounts due to MCCS totaling \$121,117 related to school grant salary and expense reimbursements for the 2006-2007 school year. This amount is included in accounts payable in the accompanying balance sheet.

Transactions with Communis

Investments are held in Communis, a not-for-profit Organization established by the Diocese of Rochester in fiscal 2006. At June 30, 2008 and 2007, Communis owed the Pastoral Center approximately \$11,000 and \$4,000, respectively, for administrative expenses. This amount is included in accounts receivable in the accompanying balance sheet.

Transactions with Lay Pension Trust

At June 30, 2008 and 2007, the Pastoral Center had approximately \$61,000 and \$59,000, respectively, due to the Lay Pension Trust related to funds held by the Pastoral Center that have not yet been transferred to the Trust. The asset and related liability are included in cash and equivalents and Due to Lay Pension Trust, respectively, in the accompanying balance sheet.

At June 30, 2008 and 2007, the Lay Pension Trust owed the Pastoral Center approximately \$1,000 and \$4,000, respectively, for administrative expenses. This amount is included in accounts receivable.

Transactions with Priests' Pension Trust

At June 30, 2008 and 2007, the Priests' Pension Trust owed the Pastoral Center approximately \$2,000 and \$4,000, respectively, for administrative expenses. This amount is included in accounts receivable.

14. PENSION PLANS

Lay Pension Plan

The Pastoral Center participates with parishes, parochial schools and affiliated organizations in the Diocese of Rochester Lay Employees Retirement Accumulation Plan, a multi-employer non-qualified defined benefit pension plan for lay employees who work a minimum of 1,000 hours per year and attain age 21 with vesting after 5 years of service.

The Pastoral Center recorded pension expense of approximately \$263,000 and \$258,000 in the unrestricted operating fund for its contribution to the Plan for the years ended June 30, 2008 and 2007, respectively.

Because the Plan is a multi-employer plan, the amount of accumulated benefits and net assets available for benefits related solely to the Pastoral Center is not determinable. However, net assets for the Plan as a whole were approximately \$60.9 million and \$64.4 million and the projected benefit obligation was \$78.9 million and \$76.2 million as of June 30, 2008 and 2007, respectively, the date of the most recent actuarial valuation.

Priests' Pension Plan

The Pastoral Center currently sponsors a multi-employer, non-qualified defined benefit pension plan for all incardinated priests of the Diocese. The plan provides maximum monthly benefits of \$1,050 and assumes retirement at age 70 with 30 years of service with vesting after 5 years of service, with prorated benefits based on years of service. In 2008 and 2007, the organizations participating in the plan were charged an annual amount of \$6,000 for each participant in the plan.

The Pastoral Center recorded pension expense of approximately \$44,000 and \$50,000 in the unrestricted operating fund for its contribution to the Plan for the years ended June 30, 2008 and 2007, respectively.

Because the Plan is a multi-employer plan, the amount of accumulated benefits and net assets available for benefits related solely to the Pastoral Center is not determinable. However, net assets for the Plan as a whole were approximately \$13.1 million and \$14.5 million as of June 30, 2008 and 2007, respectively, and the projected benefit obligation was \$17.0 million and \$18.2 million as of June 30, 2008 and 2007, the date of the most recent actuarial valuation.

15. OTHER POST-EMPLOYMENT BENEFITS

The Pastoral Center provides health and dental benefits for retired priests who meet certain eligibility criteria. Priests who retire after age 70, or after age 67 with 30 years of service, are eligible for medical and dental benefits.

The components of net periodic post-employment benefit expense for the years ended June 30 are estimated as follows:

	<u>2008</u>	<u>2007</u>
Service cost	\$ 100,000	\$ 100,000
Interest cost	400,000	500,000
(Gain) loss amortization	<u>(100,000)</u>	<u>200,000</u>
Net periodic post-employment benefit expense	<u>\$ 400,000</u>	<u>\$ 800,000</u>

15. OTHER POST-EMPLOYMENT BENEFITS (Continued)

The assumptions used to develop the net periodic post-employment benefit expense were:

	<u>2008</u>	<u>2007</u>
Discount rate	6.50%	6.25%
Medical care cost trend rate	10.00%	9.00%

The medical care cost trend rate used in the computation ultimately reduces to 5% in 2013.

The accumulated, unfunded post-employment benefit obligation at June 30, 2008 and 2007, was \$5,474,592 and \$5,765,810, respectively.

The effect of a one percentage point increase in each future year's assumed medical care cost trend rate, holding all other assumptions constant, would have resulted in an increase in the net periodic post-employment cost of less than \$100,000 and in the accumulated benefit obligation of approximately \$670,000.

The effect of a one percentage point decrease in each future year's assumed medical care cost trend rate, holding all other assumptions constant, would have resulted in a decrease in the net periodic post-employment cost of less than \$100,000 and in the accumulated benefit obligation of approximately \$560,000.

The estimated impact due to the Medicare Prescription Drug Improvement and Modernization Act is reflected in these results.

In October 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 158 - *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. This Statement requires an employer to recognize the funded status of a defined benefit pension and other post-retirement plan as either an asset or liability in its statement of financial position, and to recognize changes in the funded status in the year in which the changes occur. This Statement also requires an employer to measure the funded status of its post-retirement plans as of its balance sheet date.

The Pastoral Center recognized an other change in net asset credit of \$838,097 as a result of adopting this statement during 2007.

16. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Pastoral Center has been named as a party in legal proceedings brought against it and other parties. Diocesan management has reviewed these matters with legal counsel and in its opinion, these actions are defensible insofar as the Pastoral Center is concerned and settlement of these matters should have no material effect on the Pastoral Center's financial position or its results of operations. Consequently, no liability has been accrued related to these matters.

17. SUBSEQUENT EVENT

Subsequent to year-end there has been substantial volatility in the United States financial markets. Major investment indices have experienced significant declines. The S&P 500 index, a stock market index comprised of 500 of the largest United States corporations, has declined from 1,280 at June 30, 2008, to 955 at October 21, 2008, an approximate 25% decline. In addition, many fixed income securities have also experienced significant valuation pressure as a result of turmoil in the credit markets. As a result, it is likely that the value of the investments has declined since year-end.

As of August 31, 2008, the most recent date for which information is available, the Diocese's investment portfolio experienced an aggregate decline in fair value of 5% from the amounts reflected on the June 30 balance sheet herein.