Report of Independent Auditors and
Consolidated Financial Statements

The Roman Catholic Diocese of Oakland, Central Services Administration

December 31, 2015 and 2014

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

To the Most Reverend Michael Barber
The Roman Catholic Bishop of Oakland

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, 2015 and 2014, 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 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, 2015 and 2014, 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 9, 2016

CONSOLIDATED FINANCIAL STATEMENTS

THE ROMAN CATHOLIC DIOCESE OF OAKLAND,
CENTRAL SERVICES ADMINISTRATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

	2015	2014
ASSETS		
Cash and cash equivalents	$ 5,970,596	$ 3,271,003
Restricted cash and cash equivalents	4,602,084	4,822,233
Marketable securities - pooled investments	86,232,911	89,941,519
Receivables, net	16,837,497	13,572,865
Prepaid expenses and deposits	2,246,472	1,853,438
Bond issuance costs, net	260,847	397,040
Loans to parishes, schools, institutions, and seminarians, net	14,434,918	16,915,760
Notes receivable - related parties	64,756,219	73,688,995
Note receivable	410,000	950,000
Assets held in trust for others	1,478,177	1,642,919
Land held for sale	1,280,970	1,451,766
Property and equipment, net	19,950,959	19,744,000
Total assets	$ 218,461,650	$ 228,251,538
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	$ 1,778,503	$ 4,834,156
Deferred revenue	4,321,604	4,384,095
Deposits payable	54,754,423	47,850,590
Note payable - related party	13,849,188	-
Notes payable	1,015,197	1,112,011
Agency funds	568,707	566,398
Assets held in trust for others	1,478,177	1,642,919
Equity of others in pooled investments	16,513,534	16,627,981
Post-retirement employment benefits liability	8,865,451	7,747,096
Liability for pension benefits	8,838,000	7,451,000
Bonds payable, net of discount	91,883,518	113,499,207
Total liabilities	203,866,302	205,715,453
NET ASSETS		
Unrestricted	11,959,226	20,613,861
Temporarily restricted	1,153,002	1,188,460
Permanently restricted	1,483,120	733,764
Total net assets	14,595,348	22,536,085
Total liabilities and net assets	$ 218,461,650	$ 228,251,538

See accompanying notes.

CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended December 31, 2015 and 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES								
Bishop's Annual Appeal	$ 2,992,961	$ -	$ -	$ 2,992,961	$ 2,347,442	$ -	$ -	$ 2,347,442
Parish assessments	5,816,771	-	-	5,816,771	5,734,328	-	-	5,734,328
Gifts, grants and bequests	2,721,553	-	749,356	3,470,909	4,006,201	-	3,030	4,009,231
Dividends and interest	1,892,306	25,878	-	1,918,184	1,484,030	19,540	-	1,503,570
Ministerial department revenue	1,106,419	46,275	-	1,152,694	1,068,587	60,475	-	1,129,062
Catholic Voice	1,189,796	-	-	1,189,796	1,143,701	-	-	1,143,701
Cemetery rent	1,350,400	-	-	1,350,400	1,350,400	-	-	1,350,400
Interest income on deposit and loan fund	343,101	-	-	343,101	366,007	-	-	366,007
Insurance revenue, net	2,815,153	-	-	2,815,153	3,699,834	-	-	3,699,834
Other income	990,434	-	-	990,434	643,106	-	-	643,106
Net assets released from restrictions	77,886	(77,886)	-	-	60,787	(60,787)	-	-
Total revenues	21,296,780	(5,733)	749,356	22,040,403	21,904,423	19,228	3,030	21,926,681
EXPENSES								
Central Services								
Pastoral Life	1,769,914	-	-	1,769,914	1,445,502	-	-	1,445,502
Resources	1,668,664	-	-	1,668,664	1,730,047	-	-	1,730,047
Canon Law	595,416	-	-	595,416	583,451	-	-	583,451
Office of the Chancellor	2,438,391	-	-	2,438,391	2,330,345	-	-	2,330,345
Communications	344,974	-	-	344,974	442,419	-	-	442,419
Office of the Bishop	752,525	-	-	752,525	871,252	-	-	871,252
Mission Advancement	770,119	-	-	770,119	1,046,121	-	-	1,046,121
Catholic Voice	1,159,287	-	-	1,159,287	1,132,003	-	-	1,132,003
Parishes, Schools/Diocesan General								
Interest expense on deposit and loan fund	1,010,460	-	-	1,010,460	907,079	-	-	907,079
School subsidies	450,000	-	-	450,000	450,000	-	-	450,000
Parish subsidies	86,974	-	-	86,974	86,513	-	-	86,513
Capital grants	391,147	-	-	391,147	293,014	-	-	293,014
Clergy retirement	2,540,553	-	-	2,540,553	5,451,610	-	-	5,451,610
Unassigned clergy	542,868	-	-	542,868	663,961	-	-	663,961
Legal expenses	400,661	-	-	400,661	676,357	-	-	676,357
Professional fees	740,004	-	-	740,004	682,109	-	-	682,109
Provision for uncollectible receivables and loans	505,350	-	-	505,350	862,373	-	-	862,373
Overhead	4,126,490	-	-	4,126,490	3,911,571	-	-	3,911,571
Total expenses	20,293,797	-	-	20,293,797	23,565,727	-	-	23,565,727
CHANGE IN NET ASSETS BEFORE OTHER INCOME (LOSSES)	1,002,983	(5,733)	749,356	1,746,606	(1,661,304)	19,228	3,030	(1,639,046)

See accompanying notes.

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OTHER INCOME (LOSSES)								
Gain on sale of land, property, and equipment	174,452	-	-	174,452	524,576	-	-	524,576
Interest income on notes from related parties	1,126,158	-	-	1,126,158	1,478,308	-	-	1,478,308
Bonds and other financing interest expense	(7,431,534)	-	-	(7,431,534)	(7,340,419)	-	-	(7,340,419)
Net realized and unrealized (losses) gains on marketable securities	(2,140,694)	(29,725)	-	(2,170,419)	2,864,971	48,886	-	2,913,857
Total other income (losses)	(8,271,618)	(29,725)	-	(8,301,343)	(2,472,564)	48,886	-	(2,423,678)
CHANGE IN NET ASSETS BEFORE IMPACT OF PENSION-RELATED CHANGES	(7,268,635)	(35,458)	749,356	(6,554,737)	(4,133,868)	68,114	3,030	(4,062,724)
PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	(1,386,000)	-	-	(1,386,000)	(2,687,000)	-	-	(2,687,000)
CHANGE IN NET ASSETS	(8,654,635)	(35,458)	749,356	(7,940,737)	(6,820,868)	68,114	3,030	(6,749,724)
NET ASSETS, beginning of year	20,613,861	1,188,460	733,764	22,536,085	27,434,729	1,120,346	730,734	29,285,809
NET ASSETS, end of year	$ 11,959,226	$ 1,153,002	$ 1,483,120	$ 14,595,348	$ 20,613,861	$ 1,188,460	$ 733,764	$ 22,536,085

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (7,940,737)	$ (6,749,724)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized losses (gains) on marketable securities	2,170,419	(2,913,857)
Change in allowance for doubtful accounts	297,495	387,713
Amortization of bond issuance costs	136,193	136,192
Depreciation	138,853	105,091
Contribution of property and equipment	(415,000)	(1,900,000)
Gain on sale of land, property, and equipment	(174,452)	(524,576)
Amortization of discount on bonds payable	384,311	374,787
(Gain) loss on change in pension assumptions	(1,092,000)	2,906,000
Loss due to pension re-measurement	1,760,000	134,000
Changes in operating assets and liabilities:		
Receivables	(3,584,813)	(1,026,354)
Prepaid expenses and deposits	(393,034)	146,388
Accounts payable and accrued liabilities	(3,055,653)	1,027,026
Deferred revenue	(62,491)	(103,228)
Post-retirement employee benefits liability	1,118,355	4,268,856
Liability for pension benefits	719,000	(508,000)
Net cash (used in) operating activities	(9,993,554)	(4,239,686)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in restricted cash and cash equivalents	220,149	(3,666,863)
Purchases of marketable securities – pooled investments	(59,029,879)	(3,552,424)
Proceeds from sales of marketable securities – pooled investments	60,568,068	4,724,347
Loans made to parishes, schools, institutions, and seminarians	(995,278)	(2,491,483)
Payments received on loans made to parishes, schools, institutions, and seminarians	3,498,806	2,433,572
Loans made to related parties	(1,126,158)	(1,151,144)
Loan payments received from related parties	10,058,934	1,498,723
Loan payments received from unrelated party	540,000	405,000
Purchases of land, property, and equipment	(4,012)	(8,593,900)
Proceeds from sale of land, property, and equipment	418,448	1,554,444
Net cash provided by (used in) investing activities	14,149,078	(8,839,728)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deposits made to deposits payable	15,353,565	14,238,113
Withdrawals from deposits payable	(8,449,732)	(11,170,652)
Proceeds from note payable - related party	13,849,188	-
Proceeds from notes payable	2,240,134	2,335,933
Payments on notes payable	(2,336,948)	(2,465,896)
Change in agency funds	2,309	(170,010)
Change in equity of others in pooled investments	(114,447)	(2,434,190)
Payments on bonds payable	(22,000,000)	-
Net cash (used in) provided by financing activities	(1,455,931)	333,298
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,699,593	(12,746,116)
CASH AND CASH EQUIVALENTS, beginning of year	3,271,003	16,017,119
CASH AND CASH EQUIVALENTS, end of year	$ 5,970,596	$ 3,271,003

See accompanying notes.

	2015	2014
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 8,211,595	$ 7,896,049
Income taxes paid	$ 22,495	$ 29,025
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING ACTIVITIES		
Marketable securities - pooled investments received as loan payment from related party	$ -	$ 2,550,000
Contribution of property and equipment	$ 415,000	$ 1,900,000

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, (viii) Catholic Foundation for the Diocese of Oakland and (ix) various activities, institutions, and unincorporated associations (including parishes and schools) operate 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, 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 IRC 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 had no unrecognized tax benefits at either December 31, 2015 or 2014, 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 ("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. The Bishop has designated certain amounts within unrestricted net assets for the purpose of self-insurance reserves and seminarian formation, which totaled $8,457,650 and $6736,919 at December 31, 2015 and 2014, respectively.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 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, 2015 and 2014, the Central Services Administration had $1,483,120 and $733,765 in permanently restricted net assets, respectively.

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, 2015 and 2014, exceeded federal depository insurance coverage. The Central Services Administration has not experienced any 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 $4,602,084 and $4,822,233 as of December 31, 2015 and 2014, respectively. The Central Services Administration has invested these funds in cash and cash equivalents. The balances held in restricted cash at December 31, 2015 and 2014 exceeded federal depository insurance coverage. The Central Services Administration has not experienced any losses in such accounts.

Marketable securities – pooled investments – Investments in marketable securities are reported at fair value based on quoted market prices. Marketable securities include the investments held for others in the amount of $16,513,534 and $16,627,981 as of December 31, 2015 and 2014, 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 2015 and 2014 was 1.77% and 1.78%, 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.

Note receivable – In 2013, the Central Services Administration sold certain real property to a third party and executed an installment promissory note receivable in the amount of $1,355,000 in conjunction with that sale. The note is paid in quarterly installments commencing June 30, 2014, and will be repaid in full by December 31, 2016. The note is noninterest bearing.

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.

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 marketable securities-pooled investments accounts. The average annual interest rate paid on deposits in 2015 and 2014 was 2%.

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 pooled 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 plus 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.

Reclassifications – Certain prior year amounts in the accompanying financial statements have been reclassified to conform to the 2015 presentation. These reclassifications had no effect on the Central Services Administration's change in net assets as previously reported.

NOTE 3 – MARKETABLE SECURITIES – POOLED INVESTMENTS

Marketable securities at December 31 are as follows:

	2015	2014
U.S. government debt securities	$ 21,351,575	$ 4,712,406
Corporate debt securities	18,874,967	10,612,335
Corporate equity securities	17,681,923	18,099,047
Mortgage pools and asset backed securities	8,068,686	8,549,359
Mutual funds - equity	7,991,904	8,183,558
Cash and money market funds	5,852,043	33,503,530
Mutual funds - international equity	5,372,943	5,261,032
Municipal debt securities	1,038,870	1,020,252
	$ 86,232,911	$ 89,941,519

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

	2015	2014
Source of investment income:		
Dividends and interest	$ 1,918,184	$ 1,503,570
Net realized and unrealized (losses) gains on securities	(2,170,419)	2,913,857
Total investment income	$ (252,235)	$ 4,417,427

NOTE 4 – RECEIVABLES

Receivables at December 31 are as follows:

	2015	2014
Receivables, net		
Insurance and miscellaneous receivables	$ 15,997,585	$ 12,296,292
Assessments receivable	3,212,689	3,329,169
Less allowance for doubtful accounts	(2,372,777)	(2,052,596)
Total	$ 16,837,497	$ 13,572,865
Loans to parishes, schools, institutions, and seminarians, net		
Loans receivable	$ 18,532,321	$ 21,035,849
Less allowance for loan losses	(4,097,403)	(4,120,089)
Total	$ 14,434,918	$ 16,915,760
Changes in allowance for doubtful accounts and loan losses:		
Beginning balance	$ 6,172,685	$ 5,784,972
Bad debt allowance	297,495	387,713
Ending balance	$ 6,470,180	$ 6,172,685

NOTE 5 – NOTES RECEIVABLE – RELATED PARTIES

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

	2015	2014
Catholic Cathedral Corporation of the East Bay, secure note for a principal sum of up to $75,000,000; interest at 1.75%; unpaid principal and interest due October 31, 2017; includes accrued interest of $184,360 and $2,980,898, respectively.	$ 64,536,249	$ 67,332,787
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, 2015 and 2014; interest only payments due quarterly; unpaid principal and interest due October 31, 2017; includes accrued interest of $2,315 for both 2015 and 2014.	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.	-	6,136,238
	$ 64,756,219	$ 73,688,995

In February 2015, the Roman Catholic Cemeteries of the Diocese of Oakland paid its note in full as further discussed in Note 8 – Note Payable – Related Party.

NOTE 6 – LAND HELD FOR SALE

Land held for sale of $1,280,970 and $1,451,766 as of December 31, 2015 and 2014, 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, 2015 and 2014, there were sales amounting to $345,248 and $692,951, respectively, for which the carrying value of the land held was reduced and a gain on the sales recorded in the consolidated statements of activities.

NOTE 7 – PROPERTY AND EQUIPMENT

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

	2015	2014
Central Services Administration property and improvements	$ 7,331,519	$ 6,916,519
Furniture and equipment	287,513	287,513
Automobiles	179,650	179,650
Land improvements	47,786	47,786
	7,846,468	7,431,468
Less accumulated depreciation	(3,011,566)	(2,872,713)
	4,834,902	4,558,755
Land	15,116,057	15,185,245
	$ 19,950,959	$ 19,744,000

Total depreciation for the years ended December 31, 2015 and 2014, amounted to $138,853 and $105,091, respectively.

In 2014, RCBO received a contribution of real property valued at $1,900,000. The gift grant deed places restrictions on the use of the property as follows: 1) initially, for a specific order of Carmelite nuns as their convent, and/if the property is no longer used for the Carmelites, then 2) for any other communities, societies or institutions of Roman Catholic religious women, as determined in good faith by the Bishop, and if the property is no longer used for any such group, then 3) unless donor and RCBO otherwise agree, RCBO shall sell the property and share the net proceeds in proportion to (i) the purchase price paid for the property by the donor and (ii) the amount expended by RCBO for capital improvements to the property.

NOTE 8 – NOTE PAYABLE – RELATED PARTY

In February 2015, the 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, 2015 was $87,919.

NOTE 9 – NOTES PAYABLE

Notes payable at December 31 are as follows:

	2015	2014
Unsecured note payable to an insurance premium financing company, monthly payments of $225,917 including interest at 1.85%, due May 1, 2016.	$ 900,197	$ -
Unsecured note payable to an insurance premium financing company, monthly payments of $235,955 including interest at 2.2%, due May 1, 2015.	-	939,511
Note payable to an individual resulting from the purchase of Furrer Properties, annual principal payments of $57,500 plus accrued interest at 6%, due through December 31, 2017. The note is secured by the underlying property held by Furrer Properties.	115,000	172,500
	$ 1,015,197	$ 1,112,011

Maturities for the notes payable are as follows:

Year Ending December 31,	Payable
2016	$ 957,697
2017	57,500
	$ 1,015,197

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 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 $2,603,872 and $2,219,561 as of December 31, 2015 and 2014, 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
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
	$ 89,033,333	$ 92,700,000	$ 13,490,339	$ 14,423,520

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 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.

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, 2015, and the obligated group continued to satisfy the required investment balance. In 2015, the encumbrances of certain real property were removed.

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 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, 2015 and 2014, 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.

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, 2015 and 2014, 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 were 5% (for cemeteries) or 8% (all others) of the compensation of all eligible lay employees in 2015 and 2014. 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, 2015 and 2014, were $312,686 and $313,956, 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, 2015 and 2014, the Plans had combined actuarial obligations in excess of the Plans' assets of $8,838,000 and $7,451,000, 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:

	2015	2014
Benefit obligations at beginning of year	$ 22,266,000	$ 18,865,000
Liability loss due to re-measurement at beginning of the year	1,760,000	134,000
Increase (decrease) due to:		
Service cost	718,000	601,000
Interest cost	853,000	874,000
Actual benefit payments	(1,134,000)	(1,060,000)
Administrative expenses	(100,000)	(54,000)
	337,000	361,000
Expected benefit obligations at end of year	24,363,000	19,360,000
(Gain) loss during the year due to change in assumptions	(1,092,000)	1,915,000
Additional liability due to plan amendment	-	991,000
Accumulated benefit obligations at end of year	$ 23,271,000	$ 22,266,000
Plan assets at fair value	$ 14,433,000	$ 14,815,000
Unfunded status	$ (8,838,000)	$ (7,451,000)

The components of pension expense are as follows:

	2015	2014
Service cost	$ 718,000	$ 601,000
Interest cost	853,000	874,000
Return on plan assets:		
Actual return - loss (gain)	198,000	(966,000)
Deferred (loss)	(1,226,000)	(9,000)
	(1,028,000)	(975,000)
Amortization:		
Unrecognized prior service cost	337,000	337,000
Unrecognized net loss	171,000	25,000
	508,000	362,000
Net periodic pension expense	$ 1,051,000	$ 862,000

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

	2015	2014
Asset loss during the year:		
Expected fair value at December 31	$ 15,659,000	$ 14,824,000
Plan assets at fair value at December 31	14,433,000	14,815,000
Asset loss	1,226,000	9,000
Liability loss due to re-measurement at beginning of year	1,760,000	134,000
Liability loss (gain) during the year due to change in assumptions	(1,092,000)	1,915,000
Net loss during the year	$ 1,894,000	$ 2,058,000

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

	2015	2014
Discount rate	4.05%	3.65%
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:

	2015	2014
Discount rate	3.65%	4.49%
Expected long-term return on plan assets	7.00%	7.00%
Assumed future annual benefit increases	0.00%	0.00%

Employer contributions for December 31, 2015 and 2014, were $1,050,000 and $1,017,000, 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, and exchange-traded equities. The fair value, categories, and levels at December 31 are as follows:

Asset Category	Fair Value Measurement	2015	2014
Corporate equity securities	Level 1	$ 5,501,000	$ 6,147,000
Mutual funds - equity	Level 1	3,127,000	3,219,000
Cash and money market funds	Level 1	1,805,000	1,578,000
Corporate debt securities	Level 2	1,603,000	1,559,000
Mortgage pools and asset backed	Level 2	1,454,000	1,460,000
U.S. government debt securities	Level 1	655,000	559,000
Municipal debt securities	Level 2	183,000	181,000
Mutual funds - international equity	Level 1	105,000	112,000
		$ 14,433,000	$ 14,815,000

	December 31, 2015		December 31, 2014	
Asset Category	Diocesan Approved Asset Allocation Range	Actual Percentage of Plan Assets	Diocesan Approved Asset Allocation Range	Actual Percentage of Plan Assets
Fixed Investments	16% to 33%	27%	16% to 33%	25%
Equities	39.5% to 80.5%	47%	39.5% to 80.5%	50%
Cash	0% to 7.5%	12%	0% to 7.5%	11%
Opportunistic	5% to 20%	14%	5% to 20%	14%

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

	2015	2014
Unrecognized prior service costs	$ 3,782,000	$ 4,119,000
Unrecognized net loss	$ 4,939,000	$ 3,216,000

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

Year Ending December 31	Annual Pension Benefits
2016	$ 1,407,000
2017	1,447,000
2018	1,397,000
2019	1,441,000
2020	1,480,000
2021-2025	7,702,000

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.

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:

	2015	2014
Actuarial present value of benefit obligations		
Accumulated benefit obligation	$ 8,865,451	$ 7,747,096
Projected benefit obligation in excess of plan assets	$ 8,865,451	$ 7,747,096

The discount rate used to determine benefit obligations was 4.33% and 3.93% for the years ended December 31, 2015 and 2014, respectively. At December 31, 2015, medical and prescription drug premium cost trends were graded from a 5.75% annual increase down to a 5% annual increase over the next four years and at a level 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, 2014, medical and prescription drug premium costs trends were graded from a 7% annual increase down to a 5% annual increase over the next four 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:

	2015	2014
Assistance to homeless women and children	$ 97,975	$ 97,975
Assistance to needy students at Catholic institutions of higher learning	311,009	311,009
Seminarian fund	440,058	453,742
SPRED	226,167	245,778
Assistance to needy students attending Catholic high schools	77,793	79,956
	$ 1,153,002	$ 1,188,460
Assets released from restrictions during the year		
Seminarian fund	$ 12,000	$ 10,495
SPRED	65,886	50,292
	$ 77,886	$ 60,787

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

	2015	2014
Program services		
Parishes and schools	$ 5,022,002	$ 7,852,177
Office of the Chancellor	2,438,391	2,330,345
Pastoral Life	1,769,914	1,445,502
Catholic Voice	1,159,287	1,132,003
Office of the Bishop	752,525	871,252
Resources	696,324	642,112
Canon Law	595,416	583,451
Communications	344,974	442,419
	12,778,833	15,299,261
Supporting services		
Management and general	6,744,845	7,220,345
Development	770,119	1,046,121
	7,514,964	8,266,466
	$ 20,293,797	$ 23,565,727

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, 2015 and 2014.

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 $1,794,807 and $1,737,736 for the years ended December 31, 2015 and 2014, 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 – pooled investments – 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.

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

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 table presents 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, 2015 and 2014, respectively:

		Fair Value Measurements Using	
	Fair Value	**Quoted Prices In Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**
As of December 31, 2015:			
Assets			
Marketable securities - pooled investments			
Corporate equity securities	17,681,923	$ 17,681,923	$ -
Mortgage pools and asset backed securities	8,068,686	-	8,068,686
Corporate debt securities	18,874,967	-	18,874,967
Municipal debt securities	1,038,870	-	1,038,870
U.S. government debt securities	21,351,575	21,351,575	-
Cash and money market funds	5,852,043	5,852,043	-
Mutual funds - equity	7,991,904	7,991,904	-
Mutual funds - international equity	5,372,943	5,372,943	-
Assets held in trust for others			
Corporate equity securities	493,898	493,898	-
Mortgage pools and asset backed securities	158,807	-	158,807
Corporate debt securities	214,722	-	214,722
Municipal debt securities	20,447	-	20,447
U.S. government debt securities	78,219	78,219	-
Cash and money market funds	106,716	106,716	-
Mutual funds - equity	254,703	254,703	-
Mutual funds - international equity	150,665	150,665	-
Total assets at fair value	$ 87,711,088	$ 59,334,589	$ 28,376,499
Liabilities			
Assets held in trust for others			
Corporate equity securities	$ 493,898	$ 493,898	$ -
Mortgage pools and asset backed securities	158,807	-	158,807
Corporate debt securities	214,722	-	214,722
Municipal debt securities	20,447	-	20,447
U.S. government debt securities	78,219	78,219	-
Cash and money market funds	106,716	106,716	-
Mutual funds - equity	254,703	254,703	-
Mutual funds - international equity	150,665	150,665	-
Equity of others in pooled investments	16,513,534	-	16,513,534
Bonds payable, net of discount	81,454,151	-	81,454,151
Total liabilities at fair value	$ 99,445,862	$ 1,084,201	$ 98,361,661

		Fair Value Measurements Using	
	Fair Value	**Quoted Prices In Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**
As of December 31, 2014:			
Assets			
Marketable securities - pooled investments			
Corporate equity securities	$ 18,099,047	$ 18,099,047	$ -
Mortgage pools and asset backed securities	8,549,359	-	8,549,359
Corporate debt securities	10,612,335	-	10,612,335
Municipal debt securities	1,020,252	-	1,020,252
U.S. government debt securities	4,712,406	4,712,406	-
Cash and money market funds	33,503,530	33,503,530	-
Mutual funds - equity	8,183,558	8,183,558	-
Mutual funds - international equity	5,261,032	5,261,032	-
Assets held in trust for others			
Corporate equity securities	561,101	561,101	-
Mortgage pools and asset backed securities	198,425	-	198,425
Corporate debt securities	246,305	-	246,305
Municipal debt securities	23,679	-	23,679
U.S. government debt securities	109,372	-	109,372
Cash and money market funds	80,975	80,975	-
Mutual funds - equity	259,410	259,410	-
Mutual funds - international equity	163,652	163,652	-
Total assets at fair value	$ 91,584,438	$ 70,824,711	$ 20,759,727
Liabilities			
Assets held in trust for others			
Corporate equity securities	$ 561,101	$ 561,101	$ -
Mortgage pools and asset backed securities	198,425	-	198,425
Corporate debt securities	246,305	-	246,305
Municipal debt securities	23,679	-	23,679
U.S. government debt securities	109,372	109,372	-
Cash and money market funds	80,975	80,975	-
Mutual funds - equity	259,410	259,410	-
Mutual funds - international equity	163,652	163,652	-
Equity of others in pooled investments	16,627,981	-	16,627,981
Bonds payable, net of discount	101,986,554	-	101,986,554
Total liabilities at fair value	$ 120,257,454	$ 1,174,510	$ 119,082,944

There were no Level 3 investments for the years ended December 31, 2015 or 2014.

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

RCBO follows the guidance of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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"). RCBO's endowment consists of investments established to support the operations of RCBO. The endowment includes donor-restricted endowment funds. RCBO 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, RCBO 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 RCBO 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 RCBO 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 RCBO

Endowment net asset composition by type of fund as of December 31, 2015 and 2014, was as follows:

	2015			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor restricted	$ -	$ 517,851	$ 1,483,120	$ 2,000,971

	2014			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor restricted	$ -	$ 533,698	$ 733,765	$ 1,267,463

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.

Changes in endowment net assets for the years ended December 31, 2015 and 2014, were as follows:

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets as of **January 1, 2014**	$ -	$ 475,767	$ 730,735	$ 1,206,502
Contribution	-	-	3,030	3,030
Investment return:				
Dividends and interest income	-	19,540	-	19,540
Net gain (loss) on investments	-	48,886	-	48,886
Total investment return	-	68,426	-	68,426
Appropriation of endowment assets for expenditure	-	(10,495)	-	(10,495)
Endowment net assets as of **December 31, 2014**	$ -	$ 533,698	$ 733,765	$ 1,267,463
Contribution	-	-	749,355	749,355
Investment return:				
Dividends and interest income	-	25,878	-	25,878
Net gain (loss) on investments	-	(29,725)	-	(29,725)
Total investment return	-	(3,847)	-	(3,847)
Appropriation of endowment assets for expenditure	-	(12,000)	-	(12,000)
Endowment net assets as of **December 31, 2015**	$ -	$ 517,851	$ 1,483,120	$ 2,000,971

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 RCBO to retain as a fund of perpetual duration. As of December 31, 2015 and 2014, there were no deficiencies.

Return objectives and risk parameters – RCBO has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to RCBO operations partly supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include donor-restricted funds RCBO 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, RCBO has adopted a strategy of holding its endowment assets in its marketable securities – pooled 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 RCBO'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, RCBO considered the long-term expected return on its endowment. Accordingly, over the long term, RCBO expects the current spending practice to allow its endowment to grow at least at the rate of inflation. This is consistent with RCBO'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 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 9, 2016, which is the date the consolidated financial statements were available for issuance.