

**ADMINISTRATIVE OFFICES OF
THE CATHOLIC DIOCESE OF RICHMOND**

**Financial Statements
For the year ended
June 30, 2009**

**ADMINISTRATIVE OFFICES OF
THE CATHOLIC DIOCESE OF RICHMOND**

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Independent Auditors' Report

Most Rev. Francis X. DiLorenzo
Bishop of the Catholic Diocese
Of Richmond
Richmond, Virginia

We have audited the accompanying statement of financial position of the Administrative Offices of the Catholic Diocese of Richmond (as further described in Note 1 to the financial statements) as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Administrative Offices of the Catholic Diocese of Richmond'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 2008 financial statements of the Administrative Offices of the Catholic Diocese of Richmond and in our report, dated November 15, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Administrative Offices of the Catholic Diocese of Richmond as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Cherry, Bekaert & Holland, L.L.P.

Richmond, Virginia
January 8, 2010

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND

Statement of Financial Position
June 30, 2009
(With Comparative Totals for June 30, 2008)

	June 30,	
	2009	2008
Assets		
Cash and cash equivalents	\$ 641,041	\$ 2,344,924
Accounts receivable	3,329,272	1,110,779
Pledges receivable	96,296	-
Investments	16,302,360	18,393,504
Notes receivable	1,030,518	3,460,629
Land for future parish sites	502,696	502,696
Land, buildings and equipment, less accumulated depreciation	20,491,880	21,550,567
Investment in elderly housing	9,886,160	7,844,616
Total assets	\$ 52,280,223	\$ 55,207,715
Liabilities and Net Assets		
Accounts payable	\$ 1,629,183	\$ 344,688
Accrued expenses	104,994	97,720
Deferred revenue	120,244	104,934
Amounts held for other agencies	278,907	279,895
Notes payable	12,916,974	14,624,417
Total liabilities	15,050,302	15,451,654
Net assets		
Unrestricted	28,786,030	32,543,584
Temporarily restricted	8,443,891	7,212,477
Total net assets	37,229,921	39,756,061
Total liabilities and net assets	\$ 52,280,223	\$ 55,207,715

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND

Statement of Activities
Year Ended June 30, 2009
(With Comparative Totals for June 30, 2008)

	2009			2008
	Unrestricted	Temporarily Restricted	Total	Total
Revenues				
Diocesan assessments	\$ 10,545,311	\$ 1,311,295	\$ 11,856,606	\$ 10,035,958
Lenten Appeal contributions	-	806,428	806,428	916,472
Contributions, gifts, bequests, legacies	295,411	3,765,063	4,060,474	4,626,784
Contributions from Lawler funds	465,600	-	465,600	979,002
Collections	-	1,169,199	1,169,199	1,261,893
Refunds and reimbursements	488,967	-	488,967	570,966
Interest and dividend income	488,277	178,348	666,625	558,428
Realized/unrealized loss on investments	(2,812,816)	(840,302)	(3,653,118)	(1,277,707)
Gain on sale of property	-	-	-	5,236,695
Rental income	75,574	800	76,374	44,134
Miscellaneous	10,376	-	10,376	13,779
Other fees and charges	556,570	-	556,570	869,368
Grants and contracts	4,120	38,000	42,120	95,788
Total revenues	10,117,390	6,428,831	16,546,221	23,931,560
Net assets released from restrictions				
Satisfaction of purpose restrictions	5,197,417	(5,197,417)	-	-
Total revenues and reclassifications	15,314,807	1,231,414	16,546,221	23,931,560
Expenses				
Program				
Pastoral services	2,542,278	-	2,542,278	2,495,503
Religious personnel development	2,298,032	-	2,298,032	2,092,145
Christian education	1,278,382	-	1,278,382	1,423,617
Justice and peace	749,347	-	749,347	812,723
Lenten Appeal programs	1,040,629	-	1,040,629	970,331
Property and Liability insurance program	1,720,415	-	1,720,415	1,374,649
Priest benefit programs	2,186,179	-	2,186,179	1,921,803
Lay employee benefit programs	295,206	-	295,206	283,759
Subsidies & contributions	1,754,243	-	1,754,243	2,291,441
Total program expenses	13,864,711	-	13,864,711	13,665,971

(Continued)

**ADMINISTRATIVE OFFICES OF
THE CATHOLIC DIOCESE OF RICHMOND**

Statement of Activities
Year Ended June 30, 2009
(With Comparative Totals for June 30, 2008)

	2009			2008
	Unrestricted	Temporarily Restricted	Total	Total
Administrative				
General administration	\$ 3,305,070	\$ -	\$ 3,305,070	\$ 3,271,543
Development/Lenten appeal administration	197,985	-	197,985	146,972
Risk management	42,437	-	42,437	10,919
Interest	362,873	-	362,873	724,692
Depreciation	1,260,658	-	1,260,658	1,159,932
Property transferred to parishes	-	-	-	47,482
Real estate taxes & other property costs	38,627	-	38,627	426,790
Total administrative expenses	5,207,650	-	5,207,650	5,788,330
Total expenses	19,072,361	-	19,072,361	19,454,301
Change in net assets	(3,757,554)	1,231,414	(2,526,140)	4,477,259
Net assets, beginning of year	32,543,584	7,212,477	39,756,061	35,278,802
Net assets, end of year	\$ 28,786,030	\$ 8,443,891	\$ 37,229,921	\$ 39,756,061

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND

Statement of Cash Flows
Year Ended June 30, 2009
(With Comparative Totals for June 30, 2008)

	2009	2008
Cash flows from operating activities		
Change in net assets	\$ (2,526,140)	\$ 4,477,259
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	1,260,658	1,159,932
Gain on sale of property	-	(5,236,695)
Property transferred to parishes	-	47,483
Net realized and unrealized losses on investments	3,653,118	1,277,707
Change in operating assets and liabilities:		
(Increase) decrease in:		
Account and pledges receivable	(2,314,789)	379,006
Increase (decrease) in:		
Accounts payable	1,284,495	116,958
Accrued expenses	7,274	(83,910)
Deferred revenue	15,310	28,428
Amounts held for other agencies	(988)	(69,720)
Net cash provided by operating activities	1,378,938	2,096,448
Cash flows from investing activities		
Purchase of land, buildings and equipment	(201,971)	(4,462,703)
Proceeds from sale of property	-	8,583,452
Additions to notes receivable	-	(3,435,075)
Payments received on notes receivable	2,430,111	2,500
Investment in elderly housing facilities	(2,041,544)	(303,101)
Purchase of investments	(4,314,178)	(6,680,906)
Proceeds from sale of investments	2,752,204	2,482,530
Net cash used in investing activities	(1,375,378)	(3,813,303)
Cash flows from financing activities		
Proceeds from borrowings	2,632,310	3,441,443
Payments on notes payable	(4,339,753)	(2,380,747)
Net cash provided by (used in) financing activities	(1,707,443)	1,060,696
Net decrease in cash and cash equivalents	(1,703,883)	(656,159)
Cash and cash equivalents, beginning of year	2,344,924	3,001,083
Cash and cash equivalents, end of year	\$ 641,041	\$ 2,344,924
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 362,873	\$ 724,692

See notes to financial statements.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND

Notes to Financial Statements
Year Ended June 30, 2009

Note 1 – Summary of significant accounting policies

Standards of reporting – The Catholic Diocese of Richmond (the “Diocese”) is the geographic area of the Roman Catholic Church defined by the boundaries of the Commonwealth of Virginia except for Northern Virginia counties. The Administrative Offices of the Catholic Diocese of Richmond (the “Administrative Offices”) include the Office of the Bishop, his staff, most Diocesan councils and commissions and other services and support offered at the Diocesan level.

These statements exclude the financial position and transactions of the parishes and missions, schools, cemeteries, individual campus ministries, day care centers, homes for the aged, for dependent children and for unwed mothers, hospitals, military chaplains and installations, monasteries, convents and residences of priests, brothers and sisters, retreat houses, Refugee Resettlement, and the Diocesan newspaper. These organizations may or may not be separate corporations under civil law; however, each is an operating entity distinct from the Administrative Offices and maintains separate accounts and carries on its own services and programs.

All property of the Diocese is titled in the name of the Bishop and his successors in office as a corporate sole under the laws of the Commonwealth of Virginia. For financial accounting, only the operating properties of the Administrative Offices and future parish sites are reported as assets in the Administrative Offices’ financial statements. The land, buildings and equipment at the parishes and missions, schools, rectories and the like are not included.

Basis of accounting - The financial statements of the Administrative Offices have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets based on the existence or absence of donor-imposed restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of estimates – Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Future events and circumstances could alter those estimates.

Cash and cash equivalents – For purposes of the statement of cash flows, the Administrative Offices considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts receivable – Under Canon Law, the Administrative Offices is required to collect all assessments made to its parishes. In order to uphold this law, it is the Diocese’s policy to subsidize certain assessments for small and/or inner city parishes where it can be reasonably concluded that a parish cannot remit the full assessment.

During fiscal year ended June 30, 2009, the Diocese instituted an increased offertory program. This program was established in order to provide tuition assistance to Catholic students within Catholic schools owned by the Bishop of Richmond. The program is funded through an assessment to each parish based upon the increase in

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND

Notes to Financial Statements
Year Ended June 30, 2009

Note 1 – Summary of significant accounting policies (continued)

offerings on Sunday and Holy Days in comparison to the prior year. This new assessment is included in the accounts receivable balance at June 30, 2009 and totaled approximately \$1.3 million.

Pledges receivable – Unconditional promises to give are recorded as receivables and revenue when received and allowances are provided for amounts estimated to be uncollectible.

Investments – Investments are comprised of debt and equity securities; investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are reflected in the statement of activities.

Land, buildings and equipment – Operating property consisting of land, buildings, and equipment is stated at cost or at the fair market value on the date of receipt, if contributed. Depreciation is recorded based on estimated useful lives using the straight-line method. Buildings are depreciated over estimated lives of 15-70 years and equipment and furnishings over 5 years. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations.

Accounts payable and accrued expenses – Accounts payable and accrued expenses include amounts at the end of each fiscal year which the expense has been incurred in the current fiscal year, however, payment was made subsequent to the end of the fiscal year. Differences occur from fiscal year to fiscal year due to the timing of payments in relation to various expenses. All unpaid expenses are accrued each year. The increase between June 30, 2009 and June 30, 2008 balances relate to the priests' health insurance plan. The expenses were accrued at the end of fiscal year 2009 as payment had not been made. For the previous year, the respective payment was paid prior to the end of the fiscal year.

Future parish sites are stated at the lower of cost or fair market value at the date of acquisition.

Revenue - Major sources of revenue are the cathedraticum assessments to the parishes of the Diocese, draws on investments and contributions.

Expenditures – Pastoral services expenditures include the ministries to deaf and disabled, Vietnamese, Hispanics, Koreans, mission support, campus ministry, tribunal, ministry formation, communications, workshop offices and councils. Religious personnel development includes vocations, seminarian support, women in ministry, and continuing education for religious personnel. Religious Education and Office of Catholic Schools are classified as Christian education.

Justice and peace includes Catholic charity support, Appalachian ministry, respect life and human development funding as well as the Office of Justice and Peace. General administration includes the offices of the Bishop, Bishop Emeritus, Chancellor, Finance, Information Technology, and Human Resources. Operational expenses for utilities, maintenance, telephone and other building services are specifically distributed to each expenditure category.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND

Notes to Financial Statements
Year Ended June 30, 2009

Note 1 – Summary of significant accounting policies (concluded)

Contributed services – Expendable net assets are charged for all payments made to or on behalf of members of clergy and other religious organizations providing services to the Diocese. The excess of the value of such services over the amounts paid is not included as revenues and expenditures in the accompanying financial statements as it is not practicable to measure the value of such contributed services.

Income taxes – The Diocese is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code, and is not considered a private foundation.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 as net assets released from restrictions.

Contributions received in the current fiscal year that are donor restricted, are reported as increases in unrestricted net assets if the restrictions also expire (when a stipulated time restriction ends or purpose restriction is accomplished) within the current fiscal year.

Note 2 – Investments

Investments are stated at their readily determinable fair value and are summarized as follows as of June 30:

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
U.S. Government securities	\$ 291,287	\$ 294,372	\$ 50,467	\$ 50,834
Corporate bonds	259,956	258,738	330,597	337,140
Common stocks	362,865	406,642	451,802	515,841
Mutual funds	387,127	336,626	459,695	521,973
Cash equivalents	1,556,243	1,556,243	448,164	448,164
Diocesan pooled investment fund	14,301,460	13,449,739	14,049,389	16,519,552
	\$ 17,158,938	\$ 16,302,360	\$ 15,790,114	\$ 18,393,504

The investments of the Diocesan pooled investment fund consisted of the following at June 30:

	2009	2008
Corporate bonds	41.8%	31.5%
Common stocks	56.3%	62.1%
Cash equivalents	1.9%	6.4%
	100.0%	100.0%

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND

Notes to Financial Statements
Year Ended June 30, 2009

Note 2 – Investments (concluded)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2009:

	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 488,277	\$ 178,348	\$ 666,625
Realized gains	54,041	(16,320)	37,721
Unrealized losses	(2,866,857)	(823,982)	(3,690,839)
	\$ (2,812,816)	\$ (840,302)	\$ (3,653,118)

Note 3 – Fair value measurements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which establishes a framework for measuring fair value, clarifies the definition of fair value within that framework and expands disclosure requirements regarding the use of fair value measurements. The Administrative Offices adopted the standard effective July 1, 2008.

SFAS No. 157 establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The levels of the hierarchy are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities traded in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

The Administrative Offices determines fair value based on 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. In determining fair value, the Administrative Offices uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

The Administrative Offices has evaluated the various types of investment funds in its investment portfolio to determine an appropriate fair value hierarchy level based on trading activity and the observability of market inputs. Level 1 investments include those traded on an active exchange, such as the New York Stock Exchange. Level 2 investments include funds invested in the Diocesan pooled investment fund, an investment fund that pools the assets of certain Diocesan entities and invests the assets in various actively traded debt and equity securities.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND

Notes to Financial Statements
Year Ended June 30, 2009

Note 3 – Fair value measurements (concluded)

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2009 by level within the fair value hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$1,556,243	\$ -	\$ -	\$ 1,556,243
Investments	1,296,738	13,449,379	-	14,746,117
	<u>\$2,852,981</u>	<u>\$13,449,379</u>	<u>\$ -</u>	<u>\$16,302,360</u>

Note 4 – Lands, buildings and equipment

Future parish sites consist of land not currently devoted to operating or parish activities. These sites are generally held for future development of a church in particular locations. Until that time, taxes are paid on the properties as required by local jurisdictions. Operating property consists of the following at June 30:

	<u>2009</u>	<u>2008</u>
Land and buildings	\$ 26,709,799	\$ 26,634,026
Equipment	1,884,463	2,569,811
	<u>28,594,262</u>	<u>29,203,837</u>
Less accumulated depreciation	(8,102,382)	(7,653,270)
	<u>\$ 20,491,880</u>	<u>\$ 21,550,567</u>

Note 5 – Bishop’s annual appeal

Annually, a direct appeal for support is made to the parishioners in the Diocese. Contributions received are designated by the Bishop for the benefit of Diocesan organizations and groups. A summary of the appeal’s financial transactions is as follows for the year ended June 30:

	<u>2009</u>	<u>2008</u>
Contributions received	\$ 806,428	\$ 916,472
Less subsidies, contributions and expenses paid	1,032,278	970,331
Net decrease	(225,850)	(53,859)
Balance, beginning of year	714,747	768,606
Balance, end of year	<u>\$ 488,897</u>	<u>\$ 714,747</u>

The balance is included in temporarily restricted net assets (See note 9).

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND

Notes to Financial Statements
Year Ended June 30, 2009

Note 6 – Notes payable

The Diocese has entered into lines of credit with various commercial banks totaling \$105,012,000. These unsecured lines of credit require renewal on an annual basis and are available for use by the Administrative Offices as well as the other entities within the Diocese.

At June 30, 2009, the Administrative Offices accounted for \$12,896,324 of borrowings under the lines of credit. Interest expense, which is based on 30-day libor plus 95 basis points (1.27% at June 30, 2009), is adjusted monthly and payable on a quarterly basis. See note 11 for further discussion of other Diocesan borrowings under the lines of credit.

The remaining amounts included in notes payable represent secured borrowings relating to land purchased in prior years that require annual payments of \$13,230, including interest of 13%, through March 2011.

The lines of credit are classified as a current liability due to the associated renewal requirements.

Note 7 – Funds held in trust by others

Included in unrestricted revenue in the statement of activities are contributions from the Lawler Trust funds “B” and “C” which are held in trust by the Bishop and are not shown on the Statement of Financial Position. The contributions from the Lawler funds “B” and “C”, made at the discretion of the Bishop, amounted to \$465,600 and \$979,002 for the years ended June 30, 2009 and 2008, respectively.

Note 8 – Pension plans

The Administrative Offices participates in noncontributory defined benefit retirement plans for secular priests and lay employees which are accounted for as multiemployer plans in accordance with SFAS No. 87, *Employers’ Accounting for Pensions*, since the plans are separately valued and funded by contributions from various employing units throughout the Diocese. Substantially all employees of the Administrative Offices are covered by one of these plans. Each year the contribution for the lay employees’ plan is actuarially determined (currently 6.3% of payroll). All full time lay employees of the Diocese become participants on their date of employment, provided they have not exceeded age 65, and become fully vested at the end of five years.

The recommended contribution to the secular priests’ plan is actuarially determined and was \$12,023 and \$9,680 per participant for the years ended June 30, 2009 and 2008, respectively. All secular priests assigned to the Diocese are participants. There is no vesting of benefits other than the early retirement provision.

The actuarial present value of vested and non-vested accumulated plan benefits and net assets available for benefits are not determined for the individual entities participating in either of these multi-employer plans.

Contributions by the Administrative Offices are as follows for the years ended June 30:

	2009	2008
Secular Priests' Plan	\$ 185,000	\$ 140,800
Lay Employees' Plan	225,916	276,800
	\$ 410,916	\$ 417,600

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND

Notes to Financial Statements
Year Ended June 30, 2009

Note 8 – Pension plans (concluded)

Additionally, various employers throughout the Diocese, including the Administrative Offices, contribute to the secular priests' plan. These amounts were assessed by the Administrative Offices to the employing locations, forwarded to the trustee and are included as components of both Diocesan assessment and priest benefit programs in the accompanying Statement of Activities. The employers of the Diocese also contribute directly to the trustee for the lay employees' plan. Contributions for lay employees, employed by locations other than the Administrative Offices, are not recorded through the accounts of the Administrative Offices. Contributions made by all entities within the Diocese are as follows for the years ended June 30:

	<u>2009</u>	<u>2008</u>
Contributions to Secular Priests' Plan	\$ 1,253,394	\$ 997,000
Contributions to Lay Employees' Plan	2,966,637	3,808,412
	<u>\$ 4,220,031</u>	<u>\$ 4,805,412</u>

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND

Notes to Financial Statements
Year Ended June 30, 2009

Note 9 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2009:

Bishops Lenten Appeal	\$ 488,897
Catholic Charities	279,190
Black Apostolate	21,968
Home Missions Fund	8,264
Diocesan Home Missions	122,172
Maintenance Reserve	343,120
Respect Life	192,564
Seminarian Burse	1,284,043
Communications Fund	11,041
Campaign for Human Development	121,078
Diocesan Disabled Fund	1,848
Sacred Heart Center Fund	50,585
Diocesan Museum Fund	36,385
Retired Religious	1,459
Catholic Relief Services	171,134
Catholic University Restricted	1,555
Holy Land Restricted	67,225
Section 1271 Fund	40,000
Central and Eastern Europe	1,112
Latin America Restricted	5,000
Peter's Pence Restricted	33,057
Catholic Home Mission Appeal	51,328
World Mission Sunday	51,540
Knight of Columbus Vocations Fund	29,781
Diocesan Elderly Restricted Fund	1,448,688
School Tuition Assistance/Increased Offertory Fund	559,128
Bishops Education Fund	3,021,729
Total	\$ 8,443,891

Net assets are released from donor restrictions when expenses are incurred to satisfy the restricted purposes or by the occurrence of other events as specified by donors. Purpose restrictions accomplished during the year ended June 30, 2009 are as follows:

Lenten Appeals	\$ 1,032,278
Grants and contributions	4,075,139
Seminarian Burse	90,000
	\$ 5,197,417

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND

Notes to Financial Statements
Year Ended June 30, 2009

Note 10 – Insurance coverage

The Diocese, and thus the Administrative Offices, participates in a protected property, general liability and workers' compensation self-insurance plan whereby certain risks and liabilities are assumed by participating entities. Under the plan the first \$50,000 of each loss and total annual losses up to \$350,000 are self-insured. Losses in excess of \$50,000 per occurrence and \$350,000 per year are covered by an excess coverage insurance policy.

Each entity participating in the protected self-insurance plan is charged its share of the estimated losses, administrative costs, and excess coverage insurance policy premium.

Note 11 – Contingent liabilities

Financial guarantees and endorsements – Borrowings of \$73,279,958 at June 30, 2009 by parishes and other Diocesan organizations under the lines of credit described in Note 6 have been endorsed by the Bishop and his successors in office. Unfunded loan commitments to parishes and other Diocesan organizations under the lines of credit totaled \$15,111,484 at June 30, 2009. At June 30, 2009, the Diocese had \$10,869,317 available under the lines of credit.

Under a Guaranty Agreement dated December 1, 2000, the Diocese will serve as guarantor of Residential Care Facility Mortgage Note (Series 2000 Note) of \$3,000,000 issued by the City of Salem, Virginia Development Authority, on behalf of Our Lady of the Valley, Inc., a corporation formed to meet the housing needs of the elderly through construction and operation of a residential facility in the City of Roanoke, Virginia.

Under the guaranty, upon default of Our Lady of the Valley, Inc., and demand by the Bond Trustee, the Diocese is obligated to pay principal and interest as such become due and all other payments of Our Lady of the Valley, Inc., related to the Series 2000 Note and related swap agreement and all other such payments on the bonds and note until the note is paid in full.

Unasserted claims – From time to time, the Diocese may become subject to legal proceedings in the conduct of its operations. The Diocese's policy is to accrue the portion of these costs not covered by insurance when it is both probable that a material liability has been incurred and the amount can be reasonably estimated.

Currently, the Diocese is the subject of certain asserted and unasserted claims seeking damages from sexual misconduct. At June 30, 2009, no accrual has been made. Management is unable to estimate the effect of the ultimate resolution of any such claims, but believes such claims will not have a material adverse effect on the financial position of the Diocese.

Note 12 – Concentration of credit risk

The Administrative Offices maintains its cash balances in two financial institutions located in Richmond, Virginia. Related credit risk is mitigated by the high credit quality of these financial institutions.

The carrying amounts of cash and cash equivalents, long-term debt, and other financial instruments approximate fair value.

Certain financial instruments expose the Administrative Offices to market and credit risks, which may at times be concentrated with certain counterparties. Counterparties to the Administrative Offices' financial instruments are major financial institutions and their credit worthiness is subject to continuing review.

ADMINISTRATIVE OFFICES OF THE CATHOLIC DIOCESE OF RICHMOND

Notes to Financial Statements
Year Ended June 30, 2009

Note 13 – Related Party Transactions

During the year ended June 30, 2009, the Administrative Offices paid \$75,066 on behalf of Refugee and Immigration Services, a corporation owned by the Bishop of Richmond, for rent related to office space. These rental payments were made to Commonwealth Catholic Charities, a charitable organization owned by the Bishop of Richmond.

Note 14 – Operating Lease

During the fiscal year ended June 30, 2009, the Administrative Offices leased certain excess real properties to Virginia Commonwealth University through an operating lease arrangement which expires December 31, 2012. The Administrative Offices records rental income per the terms of the lease which is not significantly different from the straight line method in accordance with SFAS No. 13, *Accounting for Leases*. The minimum future rental on noncancelable operating leases as of June 30, 2009 is:

2010	\$	67,390
2011		68,063
2012		69,316
2013		34,948
Total minimum future rental	\$	<u>239,717</u>

Note 15 – Subsequent Events

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events*, effective for accounting periods ending after June 15, 2009. SFAS No. 165 requires the disclosure of the date through which an organization has evaluated subsequent events and the basis for that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. The Administrative Offices has evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2009 financial statements through January 8, 2010, the date the financial statements were available to be issued.