

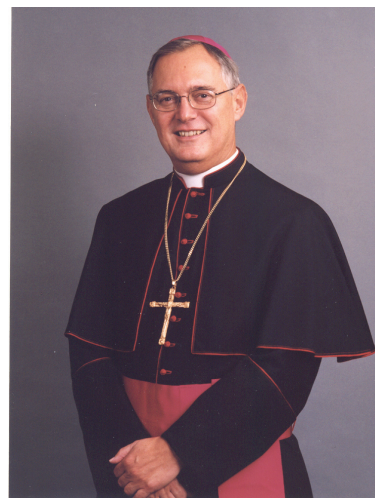
Combined Financial Statements and
Other Financial Information
Central Administration Funds and
Diocesan Cemetery Operations within the
Diocese of Providence
June 30, 2008 and 2007



Dear Brothers and Sisters of the Diocese of Providence:

The past several months have witnessed an upheaval in the economy of our state, nation and world to a degree not experienced since the time of the Great Depression. Individuals have already been touched by this financial crisis and it appears that the crisis will continue for some time. As Catholics we are not immune to the questions and apprehension that such an event forces into our daily lives. Yet, we are also called to be a people of faith and hope, trusting in the providence of God.

As we travel the present period of economic downturn, we can look for inspiration and hope from our own past. We know that many of our predecessors who founded our diocese experienced difficult economic times. Most were newly arrived immigrants to our shores, yet they not merely endured their situation, but rather triumphed through it in the parishes and institutions they established. There are many stories of their resourcefulness and dedication. It seems that even in times of economic challenge and stress God's people can and do find a way to live out their faith.



I am pleased to present to you the completed Combined Financial Statements and other financial information for the Central Administration Funds and Diocesan Cemetery Operations within the Diocese of Providence for fiscal year 2007/2008. This report was prepared by the Diocesan Fiscal Office and audited by Tofias PC, an independent firm of accountants and consultants. The report has been found to meet general accounting standards and to present fairly the combined financial position of our diocese as of June 30, 2008. It was reviewed and recommended for acceptance by the Diocesan Accounting & Auditing Committee and the Diocesan Finance Council.

It should be noted that the date of its conclusion for fiscal year 2007/2008 does not reflect the more severe economic downturn we have experienced in the present economic climate. This information will be reflected in the publication of next year's report for fiscal year 2008/2009.

As you review this report, you will note that we have successfully concluded fiscal year 2007/2008 with a small gain in comparison to fiscal year 2006/2007. I am grateful to the diocesan staff, financial advisors and committees for their hard work and I extend my gratitude to our clergy and faithful for their generosity and support that allowed us to achieve this increase. The report is available online on our diocesan website (<http://dioceseofprovidence.org>). And as in past years, I am providing a "user-friendly" summary to be published in the Rhode Island Catholic newspaper.

As we look ahead to even more challenging times for our finances, we will do so with hope and trust in the Lord. Our diocese will make every effort to anticipate the need to make internal changes or adjustments to meet these new challenges. Together, we are committed to our shared mission of preaching the gospel and building the Church!

Sincerely yours,

Thomas J. Tobin
Bishop of Providence

DIOCESAN FINANCE COUNCIL MEMBERS

Most Rev. Thomas J. Tobin, D.D.
Rev. Raymond B. Bastia
Mr. Glenn Creamer
The Honorable Laureen A. D'Ambra
Mr. Almon Hall
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Mr. William Wray
Mr. Anthony T. Gwiazdowski (Staff)
Mr. Michael F. Sabatino (Staff)

Independent Auditors' Report


The Most Reverend Thomas J. Tobin
Bishop of Providence

We have audited the accompanying combined statements of financial position of the Central Administration Funds and Diocesan Cemetery Operations within the Diocese of Providence (the "Diocese") as of June 30, 2008 and 2007, and the related combined statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Diocesan management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of the Central Administration Funds and Diocesan Cemetery Operations within the Diocese of Providence as of June 30, 2008 and 2007, and the combined changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



November 21, 2008
Providence, Rhode Island

CENTRAL ADMINISTRATION FUNDS AND DIOCESAN CEMETERY OPERATIONS WITHIN THE DIOCESE OF PROVIDENCE

Combined Statements of Financial Position

	<i>June 30,</i>			<i>June 30,</i>	
	2008	2007		2008	2007
Assets			Liabilities and net assets		
Cash and cash equivalents	\$ 8,967,763	\$ 6,189,473	Line of credit	\$ 5,891,241	\$ 6,491,241
Cash and cash equivalents designated or restricted for long-term purposes	7,944,294	2,846,844	Accounts payable	1,385,208	983,225
Accounts and interest receivable, net of allowances of \$1,922,355 and \$1,513,544 at 2008 and 2007	3,318,158	3,263,883	Accrued expenses and other liabilities	12,157,200	8,563,082
Pledges receivable, net of allowances of \$468,740 and \$440,018 at 2008 and 2007	2,551,281	2,325,900	Installment loans - equipment	67,531	136,220
Loans receivable from parishes and agencies, net of allowances of \$1,100,000 and \$1,050,000 at 2008 and 2007	14,806,059	13,151,429	Loans payable to perpetual care endowment	1,617,455	1,291,878
Investments	105,388,877	110,031,091	Loans payable to parishes and agencies	<u>26,791,861</u>	<u>25,880,957</u>
Beneficial interest in perpetual trusts	4,264,213	4,663,891	Total liabilities	<u>47,910,496</u>	<u>43,346,603</u>
Land and buildings held for interments	2,185,052	1,685,704	Contingencies (<i>Note 13</i>)		
Land held for parish development	2,053,595	2,449,640	Net assets		
Land, buildings and equipment, net	9,133,930	8,279,692	Unrestricted:		
Other assets designated or restricted for long-term purposes	<u>1,061,190</u>	<u>1,323,165</u>	Internally designated for:		
Total assets	<u>\$ 161,674,412</u>	<u>\$156,210,712</u>	Insurance	14,618,821	12,669,750
			Modernization and support	4,792,371	5,141,088
			Undesignated	<u>16,795,352</u>	<u>15,437,519</u>
			Total unrestricted	36,206,544	33,248,357
			Temporarily restricted	28,079,935	35,682,638
			Permanently restricted	<u>49,477,437</u>	<u>43,933,114</u>
			Total net assets	<u>113,763,916</u>	<u>112,864,109</u>
			Total liabilities and net assets	<u>\$161,674,412</u>	<u>\$156,210,712</u>

See accompanying notes to the financial statements.

**CENTRAL ADMINISTRATION FUNDS AND DIOCESAN CEMETERY
OPERATIONS WITHIN THE DIOCESE OF PROVIDENCE**

Combined Statements of Activities and Changes in Net Assets

	Year Ended June 30, 2008				Year Ended June 30, 2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues								
Interest and dividend income	\$ 2,591,336	\$ 1,601,408	\$ —	\$ 4,192,744	\$ 2,332,352	\$ 1,418,930	\$ —	\$ 3,751,282
Gifts and bequests	404,514	37,932	—	442,446	144,888	56,051	—	200,939
Trust income	—	165,408	—	165,408	—	138,214	—	138,214
Realized gains on investments, net	864,584	467,966	1,933,141	3,265,691	1,934,091	3,519,095	844,445	6,297,631
Parish assessment	3,027,015	—	—	3,027,015	2,930,629	—	—	2,930,629
Risk management premiums (Note 2)	20,679,344	—	—	20,679,344	8,151,131	—	—	8,151,131
Agency administrative assessment	307,497	—	—	307,497	313,762	—	—	313,762
Major Seminarian program	—	174,805	—	174,805	—	176,255	—	176,255
Program support receipts	599,597	—	—	599,597	1,247,455	—	—	1,247,455
Mission receipts	—	176,988	—	176,988	—	181,120	—	181,120
Human development collection applied	—	26,026	—	26,026	—	26,787	—	26,787
Communications collection	64,899	—	—	64,899	63,794	—	—	63,794
Program grants/contracts	—	6,000	—	6,000	22,146	36,873	—	59,019
Catholic Charity Fund Appeal	—	7,724,937	—	7,724,937	—	7,813,478	—	7,813,478
Vision of Hope Fund Appeal	—	12,951	—	12,951	—	35,637	—	35,637
Diocesan cemeteries	5,928,921	—	—	5,928,921	5,223,700	—	—	5,223,700
Rental, lease and other income	451,271	—	—	451,271	583,665	—	—	583,665
	34,918,978	10,394,421	1,933,141	47,246,540	22,947,613	13,402,440	844,445	37,194,498
Net assets released from restrictions	12,381,427	(12,381,427)	—	—	11,845,966	(11,845,966)	—	—
Total operating revenues, gains/(losses) and other support	47,300,405	(1,987,006)	1,933,141	47,246,540	34,793,579	1,556,474	844,445	37,194,498
Program expenses								
Communications and telecommunications	386,423	—	—	386,423	385,701	—	—	385,701
The Tribunal	340,164	—	—	340,164	342,286	—	—	342,286
Rhode Island Catholic	561,350	—	—	561,350	705,081	—	—	705,081
Director of Religious	63,513	—	—	63,513	61,669	—	—	61,669
Priest Council	1,106	—	—	1,106	1,340	—	—	1,340
Spiritual development	108,387	—	—	108,387	105,524	—	—	105,524
Youth Ministry	590,522	—	—	590,522	565,522	—	—	565,522
Hispanic Ministry	431,319	—	—	431,319	385,877	—	—	385,877
Our Lady of Peace Retreat House	—	—	—	—	103,973	—	—	103,973
Christian Education	1,005,884	—	—	1,005,884	978,519	—	—	978,519
Campus Ministry	372,516	—	—	372,516	360,472	—	—	360,472
Apostolate for the Handicapped	175,888	—	—	175,888	187,206	—	—	187,206
Diocesan Schools	596,628	—	—	596,628	600,923	—	—	600,923
Community Services and Advocacy	880,140	—	—	880,140	912,987	—	—	912,987
Advocacy and Emergency Shelter	32,973	—	—	32,973	33,734	—	—	33,734
Day Care	222,000	—	—	222,000	135,000	—	—	135,000
Life and Family Ministry	411,501	—	—	411,501	445,932	—	—	445,932
St. Antoine Residence	75,000	—	—	75,000	75,000	—	—	75,000
St. Francis House	88,250	—	—	88,250	87,567	—	—	87,567
St. Clare's Home	50,000	—	—	50,000	50,000	—	—	50,000
Ministries and Clergy Personnel	864,061	—	—	864,061	871,617	—	—	871,617
Parish Share Support	222,383	—	—	222,383	206,415	—	—	206,415
Grants:								
National Grants	186,990	—	—	186,990	191,135	—	—	191,135
Diocesan Grants	758,802	—	—	758,802	820,696	—	—	820,696
Parish Grants	23,308	—	—	23,308	30,000	—	—	30,000
Vision of Hope:								
Program Services	65,988	—	—	65,988	11,750	—	—	11,750
Capital Needs	36,591	—	—	36,591	154,485	—	—	154,485
Mission Support	161,927	—	—	161,927	149,746	—	—	149,746
Contributions and Gifts	36,600	—	—	36,600	17,694	—	—	17,694
Restricted Funds Expended	3,976,173	—	—	3,976,173	3,079,113	—	—	3,079,113
Seminarian Support	73,396	—	—	73,396	883,821	—	—	883,821
Insurance and Risk Management (Note 2)	17,821,158	—	—	17,821,158	5,173,418	—	—	5,173,418
Inter-Parish loan program interest	1,066,105	—	—	1,066,105	1,054,224	—	—	1,054,224
Diocesan Cemeteries	5,871,588	—	—	5,871,588	4,888,240	—	—	4,888,240
	37,558,634	—	—	37,558,634	24,056,667	—	—	24,056,667
General and administrative expenses								
Financial affairs	234,694	—	—	234,694	228,135	—	—	228,135
Provision for uncollectible receivables	1,090,206	—	—	1,090,206	594,993	—	—	594,993
Administration	1,406,115	—	—	1,406,115	1,397,895	—	—	1,397,895
Support services	2,245,622	—	—	2,245,622	1,582,507	—	—	1,582,507
Settlement expense, net	1,700,000	—	—	1,700,000	115,000	—	—	115,000
Property expenses	325,232	—	—	325,232	402,513	—	—	402,513
Depreciation	919,093	—	—	919,093	884,248	—	—	884,248
Interest	307,318	—	—	307,318	449,375	—	—	449,375
	8,228,280	—	—	8,228,280	5,654,666	—	—	5,654,666

See accompanying notes to the financial statements.

(continued on next page)

**CENTRAL ADMINISTRATION FUNDS AND DIOCESAN CEMETERY
OPERATIONS WITHIN THE DIOCESE OF PROVIDENCE**

Combined Statements of Activities and Changes in Net Assets (continued)

	Year Ended June 30, 2008				Year Ended June 30, 2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Fundraising expenses								
Catholic Charity Fund Appeal	\$ 872,577	\$ —	\$ —	\$ 872,577	\$ 857,559	\$ —	\$ —	\$ 857,559
Total fundraising expenses	<u>872,577</u>	<u>—</u>	<u>—</u>	<u>872,577</u>	<u>857,559</u>	<u>—</u>	<u>—</u>	<u>857,559</u>
Total expenses	<u>46,659,491</u>	<u>—</u>	<u>—</u>	<u>46,659,491</u>	<u>30,568,892</u>	<u>—</u>	<u>—</u>	<u>30,568,892</u>
Excess (deficiency) of revenues over expenses before capital additions and other income	<u>640,914</u>	<u>(1,987,006)</u>	<u>1,933,141</u>	<u>587,049</u>	<u>4,224,687</u>	<u>1,556,474</u>	<u>844,445</u>	<u>6,625,606</u>
Capital additions and other income								
Endowment gifts and bequests	22,613	1,462,120	3,606,068	5,090,801	8,053	2,029,457	1,766,151	3,803,661
Beneficial interest in perpetual trusts	—	—	(399,679)	(399,679)	—	—	452,369	452,369
Transfers from Perpetual Care Fund	275,000	—	—	275,000	250,000	—	—	250,000
Transfers to (from)	35,785	(440,578)	404,793	—	—	(105,091)	105,091	—
Gain (loss) on sale of property	3,951,750	—	—	3,951,750	(159,968)	—	—	(159,968)
Unrealized gain (loss) on investments	(1,967,875)	(6,637,239)	—	(8,605,114)	1,045,825	3,271,856	—	4,317,681
Total capital additions and other income	<u>2,317,273</u>	<u>(5,615,697)</u>	<u>3,611,182</u>	<u>312,758</u>	<u>1,143,910</u>	<u>5,196,222</u>	<u>2,323,611</u>	<u>8,663,743</u>
Increase (decrease) in net assets	<u>2,958,187</u>	<u>(7,602,703)</u>	<u>5,544,323</u>	<u>899,807</u>	<u>5,368,597</u>	<u>6,752,696</u>	<u>3,168,056</u>	<u>15,289,349</u>
Net assets, beginning of year	<u>33,248,357</u>	<u>35,682,638</u>	<u>43,933,114</u>	<u>112,864,109</u>	<u>27,879,760</u>	<u>28,929,942</u>	<u>40,765,058</u>	<u>97,574,760</u>
Net assets, end of year	<u><u>\$36,206,544</u></u>	<u><u>\$28,079,935</u></u>	<u><u>\$49,477,437</u></u>	<u><u>\$113,763,916</u></u>	<u><u>\$33,248,357</u></u>	<u><u>\$35,682,638</u></u>	<u><u>\$43,933,114</u></u>	<u><u>\$112,864,109</u></u>

See accompanying notes to the financial statements.

**CENTRAL ADMINISTRATION FUNDS AND DIOCESAN CEMETERY
OPERATIONS WITHIN THE DIOCESE OF PROVIDENCE**

Combined Statements of Cash Flows

		Years Ended June 30,		Years Ended June 30,	
		2008	2007	2008	2007
Cash flows from operating activities:					
Increase in net assets	\$ 899,807	\$ 15,289,349			
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:					
Depreciation	919,093	884,248			
Realized gains on investments	(3,265,691)	(6,297,631)			
Unrealized (gains) losses on investments	8,605,114	(4,317,681)			
Provisions for uncollectible accounts	1,090,206	565,035			
(Gain) loss on sale of property	(3,951,750)	159,968			
Temporarily restricted cash contributions	(12,951)	(35,637)			
Permanently and temporarily restricted endowment gifts and bequests	(5,068,188)	(3,795,608)			
Changes in:					
Designated or restricted cash	(5,097,450)	(419,158)			
Interest and accounts receivable	(722,730)	(451,459)			
Pledges receivable	(597,132)	(579,440)			
Beneficial interest in perpetual trusts	399,678	186,059			
Land held for interments and development	(499,348)	(1,275,638)			
Other assets	261,975	(134,442)			
Accounts payable	401,983	132,614			
Accrued expenses and other liabilities	<u>3,594,118</u>	<u>869,583</u>			
Net cash provided by (used in) operating activities	<u>(3,043,266)</u>	<u>780,162</u>			
Cash flows from investing activities:					
Purchase of investments	(33,759,530)	(46,254,569)			
Proceeds from sales of investments	33,062,321	43,880,555			
Plant acquisitions/improvements	(1,786,008)	(1,778,281)			
Proceeds from sale of property	4,347,795	262,633			
Loans disbursed to parishes and agencies	(3,699,570)	(4,817,066)			
Principal repayments on loans receivable from parishes and agencies			1,994,940	2,988,498	
Net cash provided by (used in) investing activities			<u>159,948</u>	<u>(5,718,230)</u>	
Cash flows from financing activities:					
Temporarily restricted cash contributions			12,951	35,637	
Permanently and temporarily restricted endowment gifts and bequests			5,068,188	3,795,608	
Loan proceeds from parishes and agencies			6,266,270	4,148,265	
Loan repayments to parishes and agencies			(5,355,366)	(4,868,338)	
Loan proceeds from the Perpetual Care Fund			325,577	1,264,190	
Repayments on installment loans - equipment			(56,012)	(56,795)	
Net repayments on line of credit			(600,000)	(123,408)	
Net cash provided by financing activities			<u>5,661,608</u>	<u>4,195,159</u>	
Net increase (decrease) in cash and cash equivalents			<u>2,778,290</u>	<u>(742,909)</u>	
Cash and cash equivalents, beginning of year			<u>6,189,473</u>	<u>6,932,382</u>	
Cash and cash equivalents, end of year			<u><u>\$ 8,967,763</u></u>	<u><u>\$ 6,189,473</u></u>	
Supplemental schedule of non cash financing activities:					
Financing of machinery and equipment acquisition			\$ —	\$ 149,800	
Supplemental disclosure of cash flow information:					
Cash payments of interest			<u>\$ 1,373,423</u>	<u>\$ 1,503,599</u>	

See accompanying notes to the financial statements.

CENTRAL ADMINISTRATION FUNDS AND DIOCESAN CEMETERY OPERATIONS WITHIN THE DIOCESE OF PROVIDENCE

Notes to Financial Statements

Note 1—Description and Basis of Financial Statements Presentation

The accompanying combined financial statements of the Central Administration Funds and Diocesan Cemetery Operations within the Diocese of Providence (the Funds) include the following corporations: Diocesan Administration Corporation (DAC) (General Fund); the Catholic Charity Fund (CCF); the Catholic Foundation of Rhode Island (the Foundation); the Catholic Cemeteries (the Cemeteries); the Seminary of Our Lady of Providence (Seminary); the Inter-Parish Loan Fund, Inc. (Loan Fund); the Vision of Hope Fund, Inc. (Capital Campaign Fund); Roman Catholic Bishop of Providence (RCB), a corporation sole; Parish Investment Group (Parish Investment); DiMed Corp.; Financial Aid for Catholic Education of RI (F.A.C.E. of Rhode Island) and the Diocesan Service Corporation (DSC). All significant inter-fund balances and transactions have been eliminated in combination.

The Diocese of Providence (the Diocese) is a canonical organization and consists of over 250 separate corporations through which the Roman Catholic Church conducts a portion of its temporal affairs in Rhode Island. The corporations included in these financial statements are those organizations that, in addition to carrying out a portion of the mission of the Church in this Diocese, provide fundraising and general and administrative support to other organizations. The combined financial statements are not the general purpose financial statements of the 250 separate corporations of the Diocese of Providence and do not reflect nor include information relating to the other corporations included in the Diocese of Providence, such as parish corporations, institutions, and entities through which various other agencies of the Roman Catholic Church carry on their temporal affairs.

Note 2 – Summary of Significant Accounting Policies

Financial Statement Presentation

The financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets, in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Accordingly, net assets of the Funds and changes therein are classified and reported as follows:

- Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Funds to use, or expend, part or all of the income derived from the donated assets for either specified or unspecified purposes.
- Temporarily restricted net assets contain donor-imposed restrictions that permit the Funds to use, or expend, the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Funds.
- Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired. As reflected in the accompanying statements of financial position, the Funds' Board of Directors has designated the unrestricted net assets of certain funds for insurance programs and for modernization and support. The Self Insurance and Workers' Compensation Self Insurance Funds (the Insurance Funds) are designated for insurance deductibles and claims not covered by insurance policies. DiMed Corp. is designated for the operation of group healthcare programs for the various parishes and institutions. The Modernization and Support Fund has been designated for the purposes of supporting the capital and contingent needs of DAC.

Measure of Operations

The Funds include, in their definition of operations, all revenues and expenses that are an integral part of their programs and supporting activities. Endowment gifts and bequests, unrealized gains and losses and certain other income and expense items are not included in operating income.

Revenue Recognition

Unconditional promises to give cash and other assets to the Funds are reported at fair value at the date the promise is verifiably committed. Conditional promises to give and indications of intentions to give are reported at fair value at the date the actual gift is received or the conditional promise becomes unconditional. Gifts are reported as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated

assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Contributions to be received after one year are discounted at a rate commensurate with the time involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

Permanently Restricted Net Assets

Rhode Island state law, with respect to endowment funds, requires that the historical gift amount of endowment gifts plus an annual percentage increase measuring the consumer price index be recognized as permanently restricted. The state law mandates that the purchasing power of the endowment be maintained.

Realized and unrealized appreciation, unless explicitly stated otherwise by the donor, is recognized as temporarily restricted unless the restriction is released in the same accounting period as the appreciation is earned. If the restriction is released in the same accounting period, the appreciation is recognized as unrestricted.

Investment Income

The Funds' investments are pooled to facilitate their management. Investment income is allocated among unrestricted, temporarily restricted and permanently restricted net assets, based on donor restrictions or the absence thereof, using the market value unit method. Investment income, including net realized gains and losses, is recognized as operating revenue. Net unrealized gains and losses are recorded as other income.

Catholic Charity Fund Appeal

The annual appeal of the CCF starts the first Monday after Easter and for those parishes who conduct Lenten appeals, anytime after Ash Wednesday. The appeal provides support for various programs and agencies in the following fiscal year. Accordingly, the funds are accounted for in temporarily restricted given the time restriction. Certain of these gifts are further restricted by the donor. Pledges are recorded as revenue when the pledge is made, and allowances are provided for amounts estimated to be uncollectible. Funds from the prior year used in the current year are reflected as net assets released from restrictions in the statements of activities and changes in net assets.

Diocesan Cemeteries

Sales of graves and crypts are recorded when interment agreements are signed. The cost of graves and crypts is expensed when the sales are recognized.

Parish and Agency Support

The DAC, CCF and Capital Campaign Fund provide support to various Diocesan parishes, programs and agencies. The expenditures related to support are recognized at the time the subsidies are provided. To support such programs, the parishes and agencies of the Diocese are assessed annual fees and the parishes and agencies that participate in the insurance programs sponsored by the Funds are charged risk management premiums. During fiscal 2008, the risk management premiums charged by the Funds to participating parishes and agencies increased as a result of the Funds implementing a self funded medical program effective July 1, 2007, in an effort to control rising medical costs, whereby all premiums are earned by the Funds rather than earned by an outside insurer (as was the case in fiscal 2007). Such amounts totaled approximately \$15 million in fiscal 2008. The amounts earned in fiscal 2007, totaling approximately \$2.7 million, represent premiums charged by the Funds above the cost of the outside insurance to build cash reserves necessary to start the self funded medical program in fiscal 2008. The related expenses associated with running this self funded medical program were approximately \$12.4 million in fiscal 2008. These fees and premiums are recognized as revenue at the time they are assessed. Program fees represent monies collected by the Funds for programs and seminars that they provide. Rental income represents charges to Diocesan parishes and agencies for the use of property and buildings that are owned by the Funds.

Functional Allocation of Expenses

The costs of providing various programs and other activities of the Funds have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash equivalents represent short-term, highly liquid investments with original maturities of three months or less from the date of purchase. Cash and cash equivalents designated and restricted for long-term purposes represent cash that, due to donor-imposed restrictions or Board designation, is not available for current use. The carrying amounts reported in the balance sheet for cash and cash equivalents approximate those assets fair value.

Allowance and Provision for Uncollectible Receivable

The allowance for uncollectible interest and accounts receivables and loans receivable represents amounts available for credit losses. The allowance for uncollectible receivables and the related provision for uncollectible receivables reflect the Funds' ongoing review of their receivables for principal and interest on loans to parishes and agencies and amounts receivable from parishes and agencies for the various agency support assessments and the evaluation of their potential problem accounts. Receivables are charged off once they are deemed uncollectible, with consideration given to such factors as the financial condition of the parish or institution, current delinquency, and underlying collateral.

The Funds discontinue the accrual of interest on parish loans when collection of principal and interest is considered to be doubtful. Interest income on nonaccrual loans is recognized only to the extent payments are received.

Pledges receivable represent unconditional promises to give, which are expected to be collected within one year. The allowance for uncollectible pledges receivable and the related provision reflect the Funds' estimation of the net realizable value of pledges receivable from the annual CCF Appeal based on historical experience. Receivables are charged off once they are deemed uncollectible.

Investments

Investments are presented at fair market value with fair values of the investments determined based upon quoted market prices. The fair values of certain investments held in limited partnership investments are estimated by the general partner.

Subsequent to year-end, the credit and liquidity crisis in the United States and throughout the global financial systems has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on the investment portfolios of many institutions. As a result, the Fund's investments have incurred a decline in fair value since June 30, 2008.

Beneficial Interest in Perpetual Trusts

Beneficial interest in perpetual trusts represents donations of irrevocable perpetual trusts where the Funds are the sole beneficiary of the trust income. Under these agreements, the Funds are not the trustee and they do not exercise control over the related assets. The Funds record the trusts as an asset, based on the present value of the estimated future benefits to be received (see Note 7). Trust income is recorded as temporarily restricted income in the period it is received.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost at date of acquisition or fair value at the date of donation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. Assets that are owned by RCB but used by other Diocesan organizations are recorded on the books of the other organizations. Assets no longer used by other organizations are recorded as a capital property addition to RCB.

Income Taxes

Each of the corporations included in the combined financial statements is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is generally exempt from federal and state taxes on related income. Accordingly no provision for income taxes is made in the combined financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates made by management include the allowance for losses on interest and accounts receivable, loans receivable, and pledges receivable and contingencies. Actual results could differ from these estimates.

Note 3 – Concentration of Credit Risk

The Funds maintain their cash and cash equivalents in various financial institutions in accounts, which at times may exceed federally insured limits. The Funds have not experienced any losses in such accounts and do not believe they are exposed to any significant credit risk on cash and cash equivalents.

Note 4 – Loan Program

The Funds include the Loan Fund. This corporation (1) borrows monies from certain parishes and institutions with excess funds, and (2) loans monies to certain parishes and institutions for capital improvements and other needs. Both these loans receivable and payable are demand notes and carry an interest rate of 5% and 4%, respectively. Loans receivable are either unsecured or secured by certain assets of the respective parish or institution. In addition, the majority of the loans are secured by campaign pledges for capital renovation projects at the particular parishes. Any undistributed loan proceeds are invested in vehicles such as government securities, commercial paper, money market funds and securities in the Catholic Investment Trust, Inc. (see Note 6).

Loans payable to Perpetual Care Endowment represent funds borrowed by the Cemeteries from the Perpetual Care Endowment Fund (see Note 9). Such borrowings have the same provisions and interest rates as loans from the Loan Fund.

Note 5 – Allowance for Losses

An analysis of the allowance for losses is as follows:

	<i>Accounts and Interest Receivable</i>	<i>Pledges Receivable</i>	<i>Parish Loans Receivable</i>
2008			
Balance at beginning of year	\$ 1,513,544	\$ 440,018	\$ 1,050,000
Provision for losses	668,455	371,751	50,000
Charge-offs, net	(259,644)	(343,029)	—
Balance at end of year	\$ 1,922,355	\$ 468,740	\$ 1,100,000
2007			
Balance at beginning of year	\$ 1,316,417	\$ 3,168,748	\$ 1,250,000
Provision for losses (recoveries)	374,590	390,445	(200,000)
Charge-offs, net	(177,463)	(3,119,175)	—
Balance at end of year	\$ 1,513,544	\$ 440,018	\$ 1,050,000

At June 30, 2008 and 2007, the Funds had parish (and institution) loans totaling \$15,906,059 and \$14,201,429, respectively, of which approximately \$2 million and \$1.1 million were considered impaired at June 30, 2008 and 2007, respectively, under SFAS No. 114, *Accounting for Certain Investments in Debt and Equity Securities*, as amended, and interest is not being accrued on such loans. The allowance for loan losses, related to impaired loans, was \$1,100,000 and \$1,050,000 for the years ended June 30, 2008 and 2007, respectively.

Note 6 – Investments

The majority of the Funds' investments are maintained in the Catholic Investment Trust, Inc. (CIT) pool, a separate Diocesan corporation that provides a centralized investment pool for the parishes, agencies and programs of the Diocese of Providence. Income, gains, and losses are allocated to participating funds based upon their units. The participating funds purchase units based upon a per unit value at the time of purchase. The CIT tracks separate investment unit values based upon the type of investment (fixed or equity). The fixed and equity values per unit at June 30, 2008, were \$11.32 and \$9.05, respectively, and at June 30, 2007, were \$10.71 and \$10.65, respectively.

The Funds' pro-rata shares (based on units held at June 30) of investments held by the CIT along with investments held directly by the Funds, are as follows:

	2008		2007	
	<i>Cost</i>	<i>Fair Value</i>	<i>Cost</i>	<i>Fair Value</i>
Cash and cash equivalents	\$ 10,033,192	\$ 10,033,192	\$ 6,611,660	\$ 6,611,660
Government obligations	4,910,694	4,850,808	13,311,977	13,065,982
Mutual funds	58,155,558	60,522,325	55,008,233	61,294,886
Corporate and foreign bonds	9,308,963	8,675,144	4,604,033	4,276,978
Common stock	10,115,726	8,560,976	9,181,513	10,841,214
Real estate investment trust	3,460,469	2,909,073	4,436,199	3,226,056
Limited partnership	9,209,448	9,837,359	8,077,535	10,714,315
	\$ 105,194,050	\$ 105,388,877	\$ 101,231,150	\$ 110,031,091

Note 6 – Investments (Continued)

Components of investment return (loss) related to the above investments for the years ended June 30, are as follows:

	2008	2007
Interest and dividends (in operating income)	\$ 3,416,157	\$ 3,040,675
Net realized gains (in operating income)	3,265,691	6,297,631
Net unrealized gains (losses) (in other income/expense)	(8,605,114)	4,317,681
	<u>\$ (1,923,266)</u>	<u>\$ 13,655,987</u>

Certain parishes and agencies participate in the CIT, whereby the related investments are included in the combined financial statements, but the applicable investment income is distributed to those parishes and agencies; accordingly, \$210,485 and \$243,774 of net realized gains and \$406,489 and \$114,427 of net unrealized gains are excluded from investment income in the combined financial statements for the years ended June 30, 2008 and June 30, 2007, respectively.

For the year ended June 30, 2008, custodian fees and investment advisor fees of \$228,078 and \$420,256 were netted against interest and dividend income and net realized gains, respectively. For the year ended June 30, 2007, such fees were \$211,657 and \$411,564, respectively.

Note 7 – Beneficial Interest in Perpetual Trusts

The Funds are the sole beneficiaries of several longstanding perpetual trusts that are required to be recorded on the Funds' financial statements in accordance with SFAS No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*. Accordingly, the fair value of these trusts, which consists principally of equities and fixed income, of \$4,264,213 and \$4,663,891, are recorded as an asset at June 30, 2008 and June 30, 2007, respectively, with related appreciation (depreciation) of the underlying assets recorded as a change in permanently restricted net assets.

Note 8 – Land, Buildings and Equipment

Land, buildings and equipment of the Funds are comprised of the following at June 30:

	2008	2007
Land and improvements	\$ 4,801,946	\$ 4,212,786
Buildings and improvements	12,963,109	12,422,604
Construction in progress	517,436	24,467
Furniture and fixtures	974,921	942,354
Equipment	6,169,118	6,063,665
	<u>25,426,530</u>	<u>23,665,876</u>
Less accumulated depreciation	(16,292,600)	(15,386,184)
Land, buildings and equipment, net	<u>\$9,133,930</u>	<u>\$ 8,279,692</u>

During 2008, two properties were sold, resulting in gains of \$3,951,750. During 2007, one property was sold and other assets were written off, resulting in a net loss of \$159,968.

Note 9 – Perpetual Care Endowment Fund

The Cemeteries maintain the Diocesan cemeteries in accordance with the State Cemetery Act. The Cemeteries collect and pay into a perpetual care fund (the Perpetual Care Endowment Fund, or PCF) twenty percent (20%) of the gross sales price of each plot and crypt. The PCF is held for the benefit of those interred and their families. As such, the PCF assets are not considered to be the property of the Funds, notwithstanding distributions made available by the Funds.

In fiscal 2000, an actuarial study was performed for the Perpetual Care Endowment Fund in order to better understand the potential financial needs for developed and undeveloped cemetery land. Although there is no direct obligation to do so, the Cemeteries intent was to fund this potential need over a thirty-year period beginning in 2000. However, to date, no such monies have been set aside. At June 30, 2008, the estimated need is \$37.2 million, while the PCF has total restricted assets of \$18.3 million, resulting in an estimated net unfunded potential need of \$18.9 million.

Note 10 – Lay Pension Plans

The Funds participate in the Diocesan non-contributory defined benefit pension program for lay employees (a multi-employer plan) and in a multi-employer plan for unionized cemetery workers. As of July 1, 2007, the defined benefit pension program for lay employees had assets of \$85.3 million and an

actuarial present value of accumulated benefits of \$102 million, resulting in a net liability of \$16.7 million. Lay employees working for the Funds account for 4% of the participants in these plans. The obligation for the remaining participants under the multi-employer plan continues to be the proportionate responsibility of each Diocesan organization.

The Funds made annual contributions of \$274,670 and \$272,834 to the lay employee plan and \$198,703 and \$188,011 to the cemetery union plan during 2008 and 2007, respectively.

Note 11 – Priest Benefits Fund

The Funds participate in Our Lady Queen of the Clergy (OLQC), a separate corporation, which maintains both the Priest Retirement Plan and the Priest Medical Programs, (multi-employer plans), within the Priest Benefits Fund (formerly known as the Clergy Retirement Plan, Clergy Medical Programs and Clergy Benefits Fund, respectively). These plans are noncontributory defined pension and medical benefit plans for priests working at the administrative offices and throughout other diocesan organizations. As of June 30, 2008, the defined benefit pension plan had assets of \$12.6 million and an actuarial present value of accumulated benefits of \$21.5 million, resulting in a net liability of \$8.9 million. Priests working for the Funds account for 15% of the participants in these plans. The obligation for the remaining participants under the multi-employer plan continues to be the proportionate responsibility of each Diocesan organization.

The Funds made contributions of \$380,000 to OLQC during both 2008 and 2007.

Note 12 – Other Assets

Other assets consist of the following at June 30:

	2008	2007
Equity investment in the Catholic Umbrella Pool	\$ 715,006	\$ 903,607
Cash surrender value of donated life insurance policies	219,226	344,091
Other	126,958	75,467

Other assets designated or restricted for long-term purposes

\$ 1,061,190 \$ 1,323,165

The Funds participate in the Catholic Umbrella Pool (CUP), a self-insurance liability pool of thirty-seven Dioceses and Archdioceses throughout the United States (see Note 13). The following condensed information relating to the CUP was audited by an independent accounting firm (see discussion of their report below in Note 13):

	2008	2007
	(In Thousands)	
Assets:		
Investments	\$ 26,968	\$ 29,813
Cash and cash equivalents	2,001	1,834
Other	908	952
	<u>\$ 29,877</u>	<u>\$ 32,599</u>
Liabilities and equity:		
Estimated unpaid claims and expenses	\$ 3,697	\$ 4,435
Other	1,186	942
Dividends payable to participants	2,918	2,636
Participants' equity	22,076	24,586
	<u>\$ 29,877</u>	<u>\$ 32,599</u>

Note 13 – Contingencies

Catholic Umbrella Pool

The Funds are a participant in the CUP. The CUP provides excess insurance liability coverage and morality coverage for its membership. This coverage is placed through the administrator, Catholic Mutual Relief Society of America. As a participant, the Funds obtain insurance for certain risk levels that are not provided by its other insurance programs, thus mitigating their overall risk. The Funds make annual premium contributions to the CUP for the insurance provided. The CUP is responsible for the following liability coverages:

July 1, 1987 to July 1, 1988	\$3,700,000 in excess of \$1,300,000
July 1, 1988 to July 1, 2002	\$3,500,000 in excess of \$1,500,000
July 1, 2002 to July 1, 2003	40.0% of \$3,500,000 in excess of \$1,500,000
July 1, 2003 to January 1, 2005	37.5% of \$3,500,000 in excess of \$1,500,000
January 1, 2005 to January 1, 2007	66.7% of \$3,500,000 in excess of \$1,500,000
January 1, 2007 to present	64.3% of \$3,500,000 in excess of \$1,500,000

The CUP provides insurance coverage of \$150,000 for morality claims ranging from \$100,000 to \$850,000 for the period July 1, 1987 through June 30, 2002.

Note 13 – Contingencies (Continued)

Additionally, for the period July 1, 2002 through June 30, 2008, the CUP provides limited excess insurance coverage of \$1,500,000 up to \$5,000,000 for morality claims and excess coverage of \$1,500,000 to a limit of \$20,500,000 for liability claims.

As a participant in the CUP, the Funds are liable for any losses beyond the Pool's ability to fund such losses after total participants' equity is liquidated (\$22,076,000 at June 30, 2008).

The Pool's auditors were unable to obtain sufficient evidential matter regarding the provision and reserve for unpaid claims and claim expenses due to the lack of historical loss experience given the limited number of claims. Accordingly, the ultimate settlement of the losses and related loss adjustment expenses of the Pool may vary significantly from the estimated amounts included in the Pool's financial statements and the ultimate liability would require the Funds to participate in the funding of such additional amounts, if any.

The Funds do not believe there is significant exposure to losses beyond their equity in the CUP as of June 30, 2008.

Guarantees

RCB is contingently liable as guarantor of two financing arrangements in order to facilitate needed construction by two related corporations.

The guarantees are as follows at June 30:

	2008	2007
Saint Antoine Residence	\$ 2,000,000	\$ 8,070,581
The Frassati Residence	379,145	379,145
Total	<u>\$2,379,145</u>	<u>\$ 8,449,726</u>

The obligations above are collateralized by the land and buildings at the residences. In the event of default, these assets would be sold, with the net proceeds used to reduce the related obligations. If such proceeds were not sufficient to repay the entire obligation, RCB would be required to fulfill its guarantees.

Settlement Expense

RCB was named as the defendant in several matters relating to the alleged misconduct of priests along with other affiliated entities through which the Roman Catholic Church conducts its temporal affairs in Rhode Island. Although it is believed that these cases would result in a favorable judgment for RCB, from time to time, RCB has agreed to settle claims relating to such matters utilizing the assets of RCB.

During the years ended June 30, 2008 and 2007, the funds incurred net charges of approximately \$1,700,000 and \$115,000, respectively. Of these charges, approximately \$1,400,000 and \$115,000 was paid in fiscal 2008 and 2007, respectively.

As of June 30, 2008 and 2007, a remaining settlement reserve of approximately \$2,000,000 and \$750,000, respectively, was included in accrued expenses and other liabilities on the combined statements of financial position, representing the balance on claims due or expected to be settled and legal costs incurred or expected to be incurred. Management believes that the amount accrued is the best estimate of probable losses based upon the current facts and circumstances. It is possible, however, that future results of RCB activities may be materially affected by changes in circumstances regarding these matters.

Note 14 – Line of Credit

On November 1, 2002, RCB entered into a line of credit financing agreement with a commercial bank. The funds obtained were used to pay the legal settlement expenses of the RCB. The agreement consisted of a three-year revolving credit facility in the amount of \$14,000,000. Payment of principal, except to the extent previously paid, was due at the initial expiration date of October 31, 2005, with three optional one-year renewals. The first renewal option was exercised and matured December 15, 2006. The second renewal option was exercised and matured February 28, 2008, at which time the RCB exercised their third and final renewal option, which matures on February 28, 2009. After a series of amendments, the total amount available on the credit facility is \$6,500,000 and \$8,500,000 at June 30, 2008 and 2007, respectively. The balance due on the line of credit was \$5,891,241 and \$6,491,241 at June 30, 2008 and 2007, respectively.

The line of credit is secured by a first mortgage against a property located on Warwick Neck Avenue, Warwick, Rhode Island. Interest is charged at London Inter-Bank Offer Rate (LIBOR) plus 150 basis points (3.5% as of June 30,

2008). Amounts borrowed under this agreement are guaranteed by real estate designated for sale by RCB. Interest on the loan is payable monthly in arrears on the first day of each month. The line of credit requires that RCB maintain certain financial ratios with regard to a minimum debt service coverage and a minimum liquidity ratio.

Note 15 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes, based on passage of time, donor intent or the purpose of the restriction being met at June 30:

	2008	2007
Vision of Hope Fund	\$ 4,277,766	\$ 4,454,953
Catholic Charity Fund	4,296,510	4,154,051
Catholic Foundation of Rhode Island	16,809,147	23,794,865
Cutting Trust	1,283,758	1,638,330
Davey Trust	156,597	153,616
Seminary of Our Lady of Providence	1,256,157	1,486,823
Total	<u>\$28,079,935</u>	<u>\$35,682,638</u>

Note 16 – Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity. The income is expendable to support the following at June 30:

	2008	2007
Catholic Foundation of Rhode Island	\$46,924,390	\$41,457,713
Cutting Trust	292,958	286,527
Seminary of Our Lady of Providence	1,502,130	1,458,666
Mission Fund	757,959	730,208
Total	<u>\$49,477,437</u>	<u>\$43,933,114</u>

Note 17 – Net Assets Released From Restriction

Net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes:

	2008	2007
Vision of Hope Fund Programs	\$ 158,744	\$ 222,310
Catholic Charity Fund Programs	7,845,267	7,943,157
Catholic Foundation of Rhode Island	3,671,487	2,988,321
Cutting Trust	271,550	56,183
Davey Trust	7,807	7,365
Mission Fund	176,988	181,120
Major Seminarian Program	174,805	176,255
Seminary of Our Lady of Providence	74,779	271,255
Total	<u>\$12,381,427</u>	<u>\$11,845,966</u>

Note 18 – Transfers To (From)

In fiscal 2008 and 2007, net transfers of \$440,578 and \$105,091, respectively, were transferred from temporarily restricted net assets to permanently restricted and unrestricted net assets due to donor intent.

Independent Auditors' Report on Other Financial Information

The Most Reverend Thomas J. Tobin
Bishop of Providence

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining statements of financial position of the Central Administration Funds and Diocesan Cemetery Operations within the Diocese of Providence as of June 30, 2008 and 2007, and the related combining statements of activities and changes in net assets, for the years then ended are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Togian PC

November 21, 2008
Providence, Rhode Island

CENTRAL ADMINISTRATION FUNDS AND DIOCESAN CEMETERY OPERATIONS WITHIN THE DIOCESE OF PROVIDENCE

Combining Statements of Financial Position

June 30, 2008

(with comparative totals as of June 30, 2007)

	General Fund	Catholic Charity Fund	Cemetery	Vision of Hope	Other	Fiduciary Fund	Endowment Fund	Plant Fund	Total 2008	Total 2007
Assets										
Cash and cash equivalents	\$ 1,484,343	\$ —	\$ 70,238	\$ —	\$ —	\$ 5,348,678	\$ —	\$ 2,064,504	\$ 8,967,763	\$ 6,189,473
Cash and cash equivalents designated or restricted for long-term purposes	—	2,213,550	—	1,615	5,710,785	—	18,344	—	7,944,294	2,846,844
Accounts and interest receivable, net	715,489	10,709	558,046	—	1,637,959	389,094	4,308	2,553	3,318,158	3,263,883
Pledges receivable, net	—	2,539,139	—	12,142	—	—	—	—	2,551,281	2,325,900
Loans receivable from parishes and agencies, net	—	—	—	—	—	14,806,059	—	—	14,806,059	13,151,429
Due from (to) other funds	(538,847)	47,397	(2,898,427)	(73,279)	849,745	2,962,672	(351,166)	1,905	—	—
Investments	—	12,986	69,976	4,262,161	22,955,528	12,377,064	65,711,162	—	105,388,877	110,031,091
Beneficial interest in perpetual trusts	—	—	—	—	—	—	4,264,213	—	4,264,213	4,663,891
Land and buildings held for interments	—	—	2,185,052	—	—	—	—	—	2,185,052	1,685,704
Land held for parish development	—	—	—	—	—	—	—	2,053,595	2,053,595	2,449,640
Land, buildings and equipment, net	267,031	119,530	5,022,944	—	139,488	—	1,000,140	2,584,797	9,133,930	8,279,692
Other assets designated or restricted for long-term purposes	14,079	4,597	—	75,127	821,815	—	145,572	—	1,061,190	1,323,165
Total assets	\$ 1,942,095	\$ 4,947,908	\$ 5,007,829	\$ 4,277,766	\$32,115,320	\$35,883,567	\$70,792,573	\$ 6,707,354	\$161,674,412	\$156,210,712
Liabilities and net assets										
Line of credit	—	—	—	—	5,891,241	—	—	—	5,891,241	6,491,241
Accounts payable	200,695	220,525	219,728	—	288,787	180,850	274,623	—	1,385,208	983,225
Accrued expenses and other liabilities	578,853	430,873	487,990	—	4,627,156	—	30,107	—	6,154,979	3,602,579
Deferred income	598	—	—	—	1,267,698	—	—	—	1,268,296	568,037
Institutional deposits	—	—	—	—	227,538	4,506,387	—	—	4,733,925	4,392,466
Installment loans - equipment	—	—	67,531	—	—	—	—	—	67,531	136,220
Loans payable to Perpetual Care Endowment	—	—	1,617,455	—	—	—	—	—	1,617,455	1,291,878
Loans payable to parishes and agencies	—	—	—	—	—	26,791,861	—	—	26,791,861	25,880,957
Total liabilities	780,146	651,398	2,392,704	—	12,302,420	31,479,098	304,730	—	47,910,496	43,346,603
Contingencies										
Net assets										
Unrestricted:										
Internally designated for:										
Insurance	—	—	—	—	14,618,821	—	—	—	14,618,821	12,669,750
Modernization and support	—	—	—	—	4,792,371	—	—	—	4,792,371	5,141,088
Unrestricted	1,161,949	—	2,615,125	—	401,708	4,404,469	1,504,747	6,707,354	16,795,352	15,437,519
Total unrestricted	1,161,949	—	2,615,125	—	19,812,900	4,404,469	1,504,747	6,707,354	36,206,544	33,248,357
Temporarily restricted	—	4,296,510	—	4,277,766	—	—	19,505,659	—	28,079,935	35,682,638
Permanently restricted	—	—	—	—	—	—	49,477,437	—	49,477,437	43,933,114
Total net assets	1,161,949	4,296,510	2,615,125	4,277,766	19,812,900	4,404,469	70,487,843	6,707,354	113,763,916	112,864,109
Total liabilities and net assets	\$1,942,095	\$4,947,908	\$5,007,829	\$4,277,766	\$32,115,320	\$35,883,567	\$70,792,573	\$6,707,354	\$161,674,412	\$156,210,712

See independent auditors' report on other financial information and accompanying note.

CENTRAL ADMINISTRATION FUNDS AND DIOCESAN CEMETERY OPERATIONS WITHIN THE DIOCESE OF PROVIDENCE

Combining Statements of Activities and Changes in Net Assets

Year ended June 30, 2008

(with comparative totals as of June 30, 2007)

	General Fund	Catholic Charity Fund	Cemetery	Vision of Hope	Other	Fiduciary Fund	Endowment Fund	Plant Fund	Total 2008	Total 2007
Revenues										
Interest and dividend income	\$ 64,018	\$ 27,423	\$ 5,627	\$ 125,695	\$ 977,868	\$ 1,490,589	\$ 1,488,968	\$ 12,556	\$ 4,192,744	\$ 3,751,282
Gifts and bequests	9,185	37,932	—	—	250,000	—	145,329	—	442,446	200,939
Trust income	—	165,408	—	—	—	—	—	—	165,408	138,214
Realized gains on investments, net	—	—	—	99,760	665,851	179,355	2,320,725	—	3,265,691	6,297,631
Parish assessment	3,027,015	—	—	—	—	—	—	—	3,027,015	2,930,629
Risk management premiums	—	—	—	—	20,679,344	—	—	—	20,679,344	8,151,131
Agency administrative assessment	307,497	—	—	—	—	—	—	—	307,497	313,762
Major Seminarian program	—	—	—	—	—	—	174,805	—	174,805	176,255
Program support receipts	216,678	248,153	—	—	53,045	—	81,721	—	599,597	1,247,455
Mission receipts	—	—	—	—	—	—	176,988	—	176,988	181,120
Human development collection	—	26,026	—	—	—	—	—	—	26,026	26,787
Communications collection	64,899	—	—	—	—	—	—	—	64,899	63,794
Program grants/contracts	—	6,000	—	—	—	—	—	—	6,000	59,019
Catholic Charity Fund Appeal	—	7,724,937	—	—	—	—	—	—	7,724,937	7,813,478
Vision of Hope Fund Appeal	—	—	—	12,951	—	—	—	—	12,951	35,637
Diocesan cemeteries	—	—	5,928,921	—	—	—	—	—	5,928,921	5,223,700
Rental, lease and other income	436,570	7,050	—	—	3,451	—	4,200	—	451,271	583,665
Total revenues	\$ 4,125,862	\$ 8,242,929	\$ 5,934,548	\$ 238,406	\$ 22,629,559	\$ 1,669,944	\$ 4,392,736	\$ 12,556	\$ 47,246,540	\$ 37,194,498
Program expenses										
Communications and telecommunications	386,423	—	—	—	—	—	—	—	386,423	385,701
The Tribunal	340,164	—	—	—	—	—	—	—	340,164	342,286
Rhode Island Catholic	561,350	—	—	—	—	—	—	—	561,350	705,081
Director of Religious	—	63,513	—	—	—	—	—	—	63,513	61,669
Priest Council	1,106	—	—	—	—	—	—	—	1,106	1,340
Spiritual Development	108,387	—	—	—	—	—	—	—	108,387	105,524
Youth Ministry	—	590,522	—	—	—	—	—	—	590,522	565,522
Hispanic Ministry	—	431,319	—	—	—	—	—	—	431,319	385,877
Our Lady of Peace Retreat House	—	—	—	—	—	—	—	—	—	103,973
Christian Education	—	1,005,884	—	—	—	—	—	—	1,005,884	978,519
Campus Ministry	—	372,516	—	—	—	—	—	—	372,516	360,472
Apostolate for the Handicapped	—	175,888	—	—	—	—	—	—	175,888	187,206
Diocesan Schools	—	596,628	—	—	—	—	—	—	596,628	600,923
Community Services and Advocacy	—	880,140	—	—	—	—	—	—	880,140	912,987
Advocacy and Emergency Shelter	—	32,973	—	—	—	—	—	—	32,973	33,734
Day Care	—	222,000	—	—	—	—	—	—	222,000	135,000
Life and Family Ministry	—	\$411,501	—	—	—	—	—	—	411,501	445,932
St. Antoine Residence	—	75,000	—	—	—	—	—	—	75,000	75,000
St. Francis House	—	88,250	—	—	—	—	—	—	88,250	87,567
St. Clare Home	—	50,000	—	—	—	—	—	—	50,000	50,000
Ministries & Clergy personnel	408,726	455,335	—	—	—	—	—	—	864,061	871,617
Parish share support	—	222,383	—	—	—	—	—	—	222,383	206,415
Grants:										
National grants	186,990	—	—	—	—	—	—	—	186,990	191,135
Diocesan grants	309,536	449,266	—	—	—	—	—	—	758,802	820,696
Parish grants	—	23,308	—	—	—	—	—	—	23,308	30,000
Vision of Hope Grants:										
Program and Services	—	—	—	65,988	—	—	—	—	65,988	11,750
Capital Needs	—	—	—	36,591	—	—	—	—	36,591	154,485
Mission support	—	—	—	—	—	—	161,927	—	161,927	149,746
Contributions and gifts	36,600	—	—	—	—	—	—	—	36,600	17,694
Restricted Funds expended	—	—	—	—	—	—	3,976,173	—	3,976,173	3,079,113
Seminarian support	144,350	155,000	—	—	—	—	(225,954)	—	73,396	883,821
Insurance and risk management	—	—	—	1,000	17,820,158	—	—	—	17,821,158	5,173,418
Inter-Parish loan program interest	—	—	—	—	—	1,066,105	—	—	1,066,105	1,054,224
Diocesan Cemeteries	—	—	5,871,588	—	—	—	—	—	5,871,588	4,888,240
Total program expenses	\$ 2,483,632	\$ 6,301,426	\$ 5,871,588	\$ 103,579	\$ 17,820,158	\$ 1,066,105	\$ 3,912,146	\$ —	\$ 37,558,634	\$ 24,056,667

See independent auditors' report on other financial information and accompanying note.

(continued on next page)

CENTRAL ADMINISTRATION FUNDS AND DIOCESAN CEMETERY OPERATIONS WITHIN THE DIOCESE OF PROVIDENCE

Combining Statements of Activities and Changes in Net Assets (Continued)

Year ended June 30, 2008

(with comparative totals as of June 30, 2007)

	General Fund	Catholic Charity Fund	Cemetery	Vision of Hope	Other	Fiduciary Fund	Endowment Fund	Plant Fund	Total 2008	Total 2007
General and administrative expenses:										
Financial Affairs	\$ 234,694	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 234,694	\$ 228,135
Provision for uncollectible receivables	257,436	371,751	—	—	411,019	50,000	—	—	1,090,206	594,993
Administration	877,919	528,196	—	—	—	—	—	—	1,406,115	1,397,895
Support services	982,809	3,988	—	55,166	980,176	223,483	—	—	2,245,622	1,582,507
Settlement Expense, Net	—	—	—	—	1,700,000	—	—	—	1,700,000	115,000
Property Expenditures	325,232	—	—	—	—	—	—	—	325,232	402,513
Depreciation Expense	128,310	22,532	476,421	—	—	—	47,666	244,164	919,093	884,248
Interest Expense	—	—	—	—	307,318	—	—	—	307,318	449,375
Total general and administrative expenses	2,806,400	926,467	476,421	55,166	3,398,513	273,483	47,666	244,164	8,228,280	5,654,666
Fundraising expenses										
Catholic Charity Fund Appeal	—	872,577	—	—	—	—	—	—	872,577	857,559
Total fundraising expenses	—	872,577	—	—	—	—	—	—	872,577	857,559
Total expenses	5,290,032	8,100,470	6,348,009	158,745	21,218,671	1,339,588	3,959,812	244,164	46,659,491	30,568,892
Excess (deficiency) of revenues over expenses before capital additions and other income	(1,164,170)	142,459	(413,461)	79,661	1,410,888	330,356	432,924	(231,608)	587,049	6,625,606
Capital additions and other income										
Endowment gifts and bequests	—	—	—	—	—	—	5,090,801	—	5,090,801	3,803,661
Beneficial interest in perpetual trusts	—	—	—	—	—	—	(399,679)	—	(399,679)	452,369
Transfers from Perpetual Care Fund	—	—	275,000	—	—	—	—	—	275,000	250,000
Transfers (from) to	960,183	—	—	(30,000)	(2,622,136)	—	—	1,691,953	—	—
Gain (loss) on sale of property	—	—	—	—	3,951,750	—	—	—	3,951,750	(159,968)
Unrealized gains (losses) on investments	—	—	—	(226,848)	(1,255,893)	(581,336)	(6,541,037)	—	(8,605,114)	4,317,681
Total capital additions and other income	960,183	—	275,000	(256,848)	73,721	(581,336)	(1,849,915)	1,691,953	312,758	8,663,743
Increase (decrease) in net assets	(203,987)	142,459	(138,461)	(177,187)	1,484,609	(250,980)	(1,416,991)	1,460,345	899,807	15,289,349
Net assets, beginning of year	1,365,936	4,154,051	2,753,586	4,454,953	18,328,291	4,655,449	71,904,834	5,247,009	112,864,109	97,574,760
Net assets, end of year	\$1,161,949	\$4,296,510	\$2,615,125	\$4,277,766	\$19,812,900	\$4,404,469	\$70,487,843	\$6,707,354	\$113,763,916	\$112,864,109

See independent auditors' report on other financial information and accompanying note.

CENTRAL ADMINISTRATION FUNDS AND DIOCESAN CEMETERY OPERATIONS WITHIN THE DIOCESE OF PROVIDENCE

Note to Other Financial Information

The assets, liabilities, and net assets of the Central Administration Funds and Diocesan Cemetery Operations within the Diocese of Providence are reported in self-balancing fund groups as follows:

The General Fund records the daily unrestricted operating activities and its operations are part of the Diocesan Administration Corporation.

The Catholic Charity Fund raises funds that are used for the support of a broad range of community services and programs run by other organizations and entities.

The Cemetery Fund accounts for the operations of the Catholic Cemeteries.

The Capital Campaign Fund (Vision of Hope) records the donations received from and the support provided by a multi-year fund raising effort that was completed in 2003. The Capital Campaign will provide capital improvements for various parishes and institutions, establish endowments, and fund start-up costs for programs developed by the Diocesan Strategic Plan.

Other Funds: These Funds and a description of their operations follows:

The Insurance Funds are Board restricted for Diocesan insurance deductibles and for a partial self-insured workers' compensation program for the parishes and various institutions, and for claims not covered by insurance policies.

The Diocesan Service Corporation, a separate legal entity, was established for the purposes of providing administrative, bookkeeping and other support services to various corporations organized to conduct temporal affairs for the Roman Catholic Church in the Diocese of Providence.

DiMed Corp. was established in fiscal year 2006 and is Board restricted for the operation of group healthcare programs for the various Parishes and Institutions.

Modernization and Support Fund and RCB are restricted by the Board to support the capital and contingent needs of DAC.

The Fiduciary Funds: These funds account for money received from other funds, parishes and institutions that are held in a Trustee capacity. These funds include:

The Loan Fund acts as a revolving loan fund for participating parishes and institutions. Loans are made for capital improvement needs and are funded by loans from parishes.

The Parish Investment Group represents assets of Parishes and Institutions which are in excess of short-term operating needs and are invested for the longer term in various managed equity and fixed income pools.

F.A.C.E. of Rhode Island established in fiscal year 2007, is the Diocesan Scholarship Granting Organization, which has been certified by the State Department of Taxation to receive from Rhode Island corporations, tax credits which in turn will be used to support students who attend Catholic Schools.

The Endowment and Similar Funds: These represent funds that are subject to restrictions of gift instruments requiring that the principal be invested and the income only be used. They also include funds that are functioning as endowments and have been so designated by appropriate internal authority. These funds include:

Catholic Foundation, whose endowments are restricted to support specific parishes, Catholic education, certain agencies, programs, and services.

Seminary of Our Lady of Providence, whose endowment supports seminarians and vocation efforts.

The Mission Fund, whose endowment is used for the support of the missionary efforts of the Church of Providence.

Davey Trust, which holds a remainder trust.

The Cutting Trust holds an endowment for the Saint Clare Home, a separate corporation.

The Plant Fund accounts for expenditures for land, buildings, furniture, and equipment used by the Central Administration Funds.

Prior to July 1, 1997, property, plant and equipment for the Funds, exclusive of Catholic Cemeteries, were accounted for in the Plant Fund. Subsequent to that date, all capital additions have been recorded in the specific funds that acquired them, along with the related depreciation expense for each period.