

**CENTRAL AND ADMINISTRATIVE OPERATIONS OF  
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN**

**FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

**June 30, 2011 and 2010**

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Most Reverend George V. Murry, S.J.  
Bishop of The Roman Catholic Diocese  
of Youngstown  
Youngstown, Ohio

We have audited the accompanying statements of financial position of the Central and Administrative Operations of The Roman Catholic Diocese of Youngstown as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Diocese's 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 financial position of the Central and Administrative Operations of The Roman Catholic Diocese of Youngstown as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Anness, Gerlach & Williams*

September 30, 2011

STATEMENTS OF FINANCIAL POSITION  
CENTRAL AND ADMINISTRATIVE OPERATIONS OF  
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

	June 30	
	2011	2010
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,575,663	\$ 3,042,867
Investments, at fair value	511,952	417,045
Accounts receivable of \$7,125,869 in 2011 and \$6,978,848 in 2010, less allowance for doubtful accounts of \$1,602,000 and \$1,556,000, respectively	5,523,869	5,422,848
Prepaid expenses and other current assets	106,191	304,641
Current portion of notes and loans receivable	28,287	36,930
<b>TOTAL CURRENT ASSETS</b>	<b>10,745,962</b>	<b>9,224,331</b>
<b>OTHER ASSETS</b>		
Investments, at fair value	11,461,165	8,657,722
Beneficial interest in perpetual trust	350,000	350,000
Notes and loans receivable in 2011 and 2010, net of allowance for doubtful accounts of \$165,000 and \$-0-, respectively	1,317,724	771,568
<b>TOTAL OTHER ASSETS</b>	<b>13,128,889</b>	<b>9,779,290</b>
<b>LAND, BUILDINGS AND EQUIPMENT</b>	<b>1,530,089</b>	<b>1,209,334</b>
<b>TOTAL ASSETS</b>	<b>\$ 25,404,940</b>	<b>\$ 20,212,955</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

		June 30	
		<u>2011</u>	<u>2010</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses		\$ 584,715	\$ 666,496
Insurance claims payable		55,878	413,260
Estimated liability for claims incurred but not reported		2,406,200	2,177,534
Funds held for others		1,098,335	1,072,143
Current portion of long-term debt		105,000	70,000
	<b>TOTAL CURRENT LIABILITIES</b>	<u>4,250,128</u>	<u>4,399,433</u>
<b>OTHER LIABILITIES</b>			
Pension plan funded status		352,000	1,390,000
Long-term debt		978,074	726,330
	<b>TOTAL OTHER LIABILITIES</b>	<u>1,330,074</u>	<u>2,116,330</u>
	<b>TOTAL LIABILITIES</b>	5,580,202	6,515,763
<b>NET ASSETS</b>			
<b>Unrestricted:</b>			
Undesignated		2,923,734	1,589,033
Designated		16,037,808	11,414,869
	<b>TOTAL UNRESTRICTED</b>	<u>18,961,542</u>	<u>13,003,902</u>
Temporarily restricted		513,196	343,290
Permanently restricted		350,000	350,000
	<b>TOTAL NET ASSETS</b>	<u>19,824,738</u>	<u>13,697,192</u>
	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 25,404,940</u>	<u>\$ 20,212,955</u>

STATEMENTS OF ACTIVITIES

CENTRAL AND ADMINISTRATIVE OPERATIONS OF  
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

	Year Ended June 30, 2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>CENTRAL SERVICES OPERATIONS</b>				
Revenues and other support:				
Parish assessments	\$ 3,638,222	\$ -	\$ -	\$ 3,638,222
Support from Bishop's Appeal	984,657	-	-	984,657
Departmental revenue and fees	892,319	-	-	892,319
Gifts and donations	345,660	109,535	-	455,195
Interest and dividend income	17,031	7,796	-	24,827
Net assets released from donor restrictions	19,645	(19,645)	-	-
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<b>5,897,534</b>	<b>97,686</b>	<b>-</b>	<b>5,995,220</b>
Expenses:				
Program Services:				
Canonical	375,952	-	-	375,952
Clergy and religious	1,060,727	-	-	1,060,727
Pastoral	1,346,118	-	-	1,346,118
Educational	1,191,097	-	-	1,191,097
Supporting Services:				
Administrative	1,430,846	-	-	1,430,846
Fundraising	145,953	-	-	145,953
Diocesan assessments and pastoral grants	149,701	-	-	149,701
Provision for doubtful accounts	209,000	-	-	209,000
<b>TOTAL EXPENSES</b>	<b>5,909,394</b>	<b>-</b>	<b>-</b>	<b>5,909,394</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SUPPORT OVER EXPENSES</b>	<b>(11,860)</b>	<b>97,686</b>	<b>-</b>	<b>85,826</b>
Gains on investments:				
Net realized gains on sale of	33,661	-	-	33,661
Net unrealized appreciation in fair of investments	72,040	72,220	-	144,260
<b>TOTAL GAINS</b>	<b>105,701</b>	<b>72,220</b>	<b>-</b>	<b>177,921</b>
<b>CHANGE IN NET ASSETS - CENTRAL SERVICES OPERATIONS</b>	<b>93,841</b>	<b>169,906</b>	<b>-</b>	<b>263,747</b>

Year Ended June 30, 2010

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 3,708,831	\$ -	\$ -	\$ 3,708,831
856,352	-	-	856,352
564,069	-	-	564,069
200,467	-	-	200,467
17,379	6,843	-	24,222
40,019	(40,019)	-	-
5,387,117	(33,176)	-	5,353,941
385,268	-	-	385,268
1,189,884	-	-	1,189,884
1,412,780	-	-	1,412,780
1,277,889	-	-	1,277,889
1,575,160	-	-	1,575,160
146,809	-	-	146,809
146,759	-	-	146,759
(9,025)	-	-	(9,025)
6,125,524	-	-	6,125,524
(738,407)	(33,176)	-	(771,583)
-	10,120	-	10,120
35,906	24,371	-	60,277
35,906	34,491	-	70,397
(702,501)	1,315	-	(701,186)

STATEMENTS OF ACTIVITIES (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF  
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

	Year Ended June 30, 2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>HIGH SCHOOL OPERATIONS</b>				
Revenues and other support:				
Parish assessments	1,853,927	-	-	1,853,927
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<b>1,853,927</b>	<b>-</b>	<b>-</b>	<b>1,853,927</b>
Expenses:				
Support	1,800,000	-	-	1,800,000
Administrative	57	-	-	57
Provision for doubtful accounts	17,000	-	-	17,000
<b>TOTAL EXPENSES</b>	<b>1,817,057</b>	<b>-</b>	<b>-</b>	<b>1,817,057</b>
<b>CHANGE IN NET ASSETS - HIGH SCHOOL OPERATIONS</b>	<b>36,870</b>	<b>-</b>	<b>-</b>	<b>36,870</b>
<b>BISHOP'S RESERVE OPERATIONS</b>				
Revenues, gains and other support:				
Interest and dividend income	29,807	-	-	29,807
Net realized gains on sale of	55,684	-	-	55,684
Net unrealized appreciation in fair value of investments	163,754	-	-	163,754
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<b>249,245</b>	<b>-</b>	<b>-</b>	<b>249,245</b>
Expenses:				
Distributions	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET ASSETS - BISHOP'S RESERVE OPERATIONS</b>	<b>249,245</b>	<b>-</b>	<b>-</b>	<b>249,245</b>

Year Ended June 30, 2010

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
1,888,160	-	-	1,888,160
1,888,160	-	-	1,888,160
1,800,000	-	-	1,800,000
5,160	-	-	5,160
(18,682)	-	-	(18,682)
<u>1,786,478</u>	<u>-</u>	<u>-</u>	<u>1,786,478</u>
101,682	-	-	101,682
27,172	-	-	27,172
34,848	-	-	34,848
47,048	-	-	47,048
109,068	-	-	109,068
10,000	-	-	10,000
<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
99,068	-	-	99,068

STATEMENTS OF ACTIVITIES (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF  
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

	Year Ended June 30, 2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>SELF-INSURANCE OPERATIONS</b>				
Revenues and other support:				
Premium billings	15,461,813	-	-	15,461,813
Interest and dividend income	116,254	-	-	116,254
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<b>15,578,067</b>	<b>-</b>	<b>-</b>	<b>15,578,067</b>
Expenses:				
Insurance claims settled and paid	10,485,566	-	-	10,485,566
Insurance premiums	2,486,124	-	-	2,486,124
Third-party claims administrator fees	626,202	-	-	626,202
Provision for claims incurred but not reported	13,766	-	-	13,766
Administrative	484,270	-	-	484,270
Provision for doubtful accounts	21,021	-	-	21,021
<b>TOTAL EXPENSES</b>	<b>14,116,949</b>	<b>-</b>	<b>-</b>	<b>14,116,949</b>
<b>EXCESS OF REVENUES AND OTHER SUPPORT OVER EXPENSES</b>	<b>1,461,118</b>	<b>-</b>	<b>-</b>	<b>1,461,118</b>
Gains on investments:				
Net realized gains on sale of	172,663	-	-	172,663
Net unrealized appreciation in fair value of investments	872,474	-	-	872,474
<b>TOTAL GAINS</b>	<b>1,045,137</b>	<b>-</b>	<b>-</b>	<b>1,045,137</b>
<b>CHANGE IN NET ASSETS - SELF INSURANCE OPERATIONS</b>	<b>2,506,255</b>	<b>-</b>	<b>-</b>	<b>2,506,255</b>
<b>CHANGE IN TOTAL NET ASSETS BEFORE OTHER INCOME (DEDUCTIONS)</b>	<b>2,886,211</b>	<b>169,906</b>	<b>-</b>	<b>3,056,117</b>

Year Ended June 30, 2010

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
14,776,274	-	-	14,776,274
<u>85,645</u>	<u>-</u>	<u>-</u>	<u>85,645</u>
14,861,919	-	-	14,861,919
10,516,063	-	-	10,516,063
2,521,224	-	-	2,521,224
656,777	-	-	656,777
171,768	-	-	171,768
371,384	-	-	371,384
94,091	-	-	94,091
<u>14,331,307</u>	<u>-</u>	<u>-</u>	<u>14,331,307</u>
530,612	-	-	530,612
269,280	-	-	269,280
424,105	-	-	424,105
<u>693,385</u>	<u>-</u>	<u>-</u>	<u>693,385</u>
<u>1,223,997</u>	<u>-</u>	<u>-</u>	<u>1,223,997</u>
722,246	1,315	-	723,561

STATEMENTS OF ACTIVITIES (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF  
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

	Year Ended June 30, 2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
OTHER INCOME (DEDUCTIONS)				
Increase (decrease) in net assets due to pension plan funded status	1,038,000	-	-	1,038,000
Transfer of net assets to related entities	-	-	-	-
Transfer of net assets from related entities	428,024	-	-	428,024
Interest expense	(30,097)	-	-	(30,097)
Gain (loss) on disposal of assets	1,635,502	-	-	1,635,502
TOTAL OTHER INCOME (DEDUCTIONS)	<u>3,071,429</u>	<u>-</u>	<u>-</u>	<u>3,071,429</u>
CHANGE IN TOTAL NET ASSETS	5,957,640	169,906	-	6,127,546
NET ASSETS BEGINNING OF YEAR	<u>13,003,902</u>	<u>343,290</u>	<u>350,000</u>	<u>13,697,192</u>
NET ASSETS END OF YEAR	<u>\$ 18,961,542</u>	<u>\$ 513,196</u>	<u>\$ 350,000</u>	<u>\$ 19,824,738</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL  
PART OF THESE FINANCIAL STATEMENTS.

Year Ended June 30, 2010

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
(390,000)	-	-	(390,000)
(215,176)	-	-	(215,176)
9,039	-	-	9,039
(12,893)	-	-	(12,893)
<u>(101,451)</u>	<u>-</u>	<u>-</u>	<u>(101,451)</u>
<u>(710,481)</u>	<u>-</u>	<u>-</u>	<u>(710,481)</u>
11,765	1,315	-	13,080
<u>12,992,137</u>	<u>341,975</u>	<u>350,000</u>	<u>13,684,112</u>
<u>\$ 13,003,902</u>	<u>\$ 343,290</u>	<u>\$ 350,000</u>	<u>\$ 13,697,192</u>

STATEMENTS OF CASH FLOWS

CENTRAL AND ADMINISTRATIVE OPERATIONS OF  
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

	Year Ended June 30	
	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in total net assets	\$ 6,127,546	\$ 13,080
Adjustments to reconcile to net cash provided by operating activities:		
Noncash (revenues) expenses:		
Depreciation	179,456	228,824
Provision for doubtful accounts	247,021	66,384
Provision for claims incurred but not reported	13,766	171,768
Net unrealized appreciation in fair value of investments	(1,180,488)	(531,430)
Net realized gains on sale of investments	(262,008)	(314,248)
Net periodic pension costs	186,000	170,000
Pension plan curtailment gain	(433,000)	-
(Gain) loss on pension plan funded status	(791,000)	220,000
(Gain) loss on disposal of assets	(1,635,502)	101,451
Recoverable seminarian tuition	(356,341)	-
Transfer of net asset from related entities	(417,525)	-
	1,677,925	125,829
Change in operating assets and liabilities:		
Net (increase) decrease in accounts receivable	(183,042)	737,204
Net decrease in prepaid expenses and other current assets	198,450	85,924
Net increase (decrease) in accounts payable, accrued expenses and other liabilities	(224,263)	448,742
Net increase (decrease) in funds held for others	26,192	(246,696)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,495,262</b>	<b>1,151,003</b>

STATEMENTS OF CASH FLOWS (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF  
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

	Year Ended June 30	
	2011	2010
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of land, buildings and equipment	(86,825)	(145,121)
Proceeds from sale of assets	1,639,641	271,063
Advances on notes and loans receivable	(27,723)	(20,000)
Receipts on notes and loans receivable	31,551	67,647
Purchase of investments	(4,854,194)	(4,254,776)
Proceeds from sale of investments	3,398,340	4,248,739
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>100,790</b>	<b>167,552</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on long-term debt	(63,256)	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(63,256)</b>	<b>-</b>
<b>NET INCREASE IN CASH</b>	<b>1,532,796</b>	<b>1,318,555</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>3,042,867</b>	<b>1,724,312</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 4,575,663</b>	<b>\$ 3,042,867</b>

OTHER SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid during the year for interest	\$ 22,041	\$ 9,039
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SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS

Loan to related party financed through loan payable to bank	\$ 350,000	\$ 700,000
Transfer from related party to purchase land, buildings and equipment	\$ 417,525	\$ -

THE ACCOMPANYING NOTES ARE AN INTEGRAL  
PART OF THESE FINANCIAL STATEMENTS.

## NOTES TO FINANCIAL STATEMENTS

### CENTRAL AND ADMINISTRATIVE OPERATIONS OF THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2011 and 2010

#### NOTE A - NATURE OF ORGANIZATION AND OPERATIONS

The Central and Administrative Operations of The Roman Catholic Diocese of Youngstown (the Diocese), a not-for-profit religious organization, is comprised of the activities of the central services office of The Roman Catholic Diocese of Youngstown. The Diocese serves six counties in northeastern Ohio.

Revenue and support for central services operations are generated primarily by parish assessments, support from Bishop's Appeal, and fees for services rendered by the central services departments.

Major program services provided by central services consist of canonical, clergy and religious, pastoral, and educational services.

Central services administer funds received from parishes for the support of Diocesan high schools.

The Bishop's Reserve is a Diocesan reserve available for contingencies or extraordinary expenses incurred by the Diocese.

The Diocese has a self-insured program for physical damage to property, equipment and contents as well as comprehensive liability. The central services office, all parishes and certain related institutions participate in the program. Commercial insurance coverage is maintained for losses in excess of self-insured limits.

The Diocese also maintains a self-funded health insurance program and self-funded unemployment and workers' compensation programs. These programs cover employees of the central services office, all parishes and certain related institutions. The self-funded health insurance program includes insurance for catastrophic claims and specific and aggregate stop loss coverages. Stop loss coverage is also carried for the workers' compensation program.

Third-party administrators assist the central services office in the claims administration of all self-insurance operations.

The financial statements include the financial activities of the central and administrative operations of The Roman Catholic Diocese of Youngstown. The financial statements do not include the accounts of other Diocesan organizations such as Catholic Charities, Catholic Exponent, Diocesan Foundation, Diocesan Property Corporation, Diocesan Capital Campaign Corporation, parishes, schools, cemeteries and homes for the aged, which are separate operating entities distinct from the central services office. These organizations administer their own service programs and maintain separate accounts.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF  
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2011 and 2010

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

The financial statements of the Diocese have been prepared utilizing the accrual basis of accounting. All material interoffice and interdepartmental transactions have been eliminated in the accompanying statements.

Self-insurance premium billings include the amounts billed to Central Services Operations for their portion related to health insurance, unemployment, workers' compensation, property and equipment and comprehensive liability. The related costs of the above insurance programs are included in the program and supporting services expenses of the Central Services Operations in the statement of activities.

Financial Statement Presentation:

The Diocese records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

The Diocese is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Net assets of the temporarily and permanently restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including designated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

The Diocese's endowment funds are subject to an enacted version of the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA). UPMIFA is a model act approved by the Uniform Law Commission (ULC; formerly known as the National Conference of Commissioners on Uniform State Laws) that serves as a guidance for states to use in enacting legislation. Disclosures are required about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA. As discussed further in Note N, the State of Ohio adopted the provisions of UPMIFA on January 6, 2009.

Cash and Cash Equivalents:

The Diocese includes cash checking and sweep accounts that are used for operating purposes as cash and cash equivalents for the statements of financial position and cash flows.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
CENTRAL AND ADMINISTRATIVE OPERATIONS OF  
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2011 and 2010

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Investments:**

Investments are stated at fair value with realized gains or losses on the sale of investments determined through reference to the fair value at the beginning of the fiscal year, or cost, if acquired during the year. Unrestricted gains and losses are included in the change in net assets. Reference is made to Note D for further discussion of fair value.

**Accounts Receivable:**

Accounts receivable include uncollateralized obligations due from parishes and other institutions for services provided by the Diocese.

The Diocese provides an allowance for doubtful accounts based upon prior experience and management's assessment of the collectability of existing receivable accounts. Criteria used to determine when an account is deemed uncollectible include billing terms and how recently parishes and other institutions have made payments. Historical losses and existing economic conditions are also considered to determine the collectability of an account.

**Land, Buildings and Equipment:**

Land, buildings and equipment are capitalized at cost, when purchased, or fair value at date of gift, when donated. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets.

**Tax Status:**

The Diocese is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The exemption is on all income except unrelated business income as noted under Section 511 of the Internal Revenue Code.

During the fiscal year ended June 30 2010, the Diocese adopted the provisions of "Accounting for Uncertainty in Income Taxes" which prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. The Diocese recognizes interest and penalties accrued related to unrecognized tax uncertainties, if any, in income tax expense. As a result of the implementation of this standard, the Diocese determined that there are no material uncertain tax positions.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF  
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2011 and 2010

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status (Continued):

The Diocese is subject to potential income tax examinations for the open tax years ended June 30, 2008 through June 30, 2011.

Pensions:

The central services office's personnel participate in pension plans with the Diocese covering eligible employees. Lay personnel are covered by a contributory pension plan. The charge to income for the years ended June 30, 2011 and 2010 was \$126,697 and \$144,781, respectively. Priests are covered by a noncontributory pension plan. The charge to income for the years ended June 30, 2011 and 2010 was \$78,375 and \$59,850, respectively. The central services office's policy is to fund pension costs accrued and recognize its portion of the Diocesan pension plan funded status.

An employer is required to recognize the funded status of the plan in its statement of financial position. The funded status is measured as the difference between the fair value of plan assets and the related benefit obligation. For pension plans, the benefit obligation is the projected benefit obligation. An employer is also required to recognize in the changes in unrestricted net assets the actuarial gains (losses) and prior service costs (credits) that arise during the period. Further, an employer is required to measure defined benefit plan assets and obligations as of the date of its fiscal year end statement of financial position and to disclose certain effects of net periodic benefit cost for the upcoming fiscal year resulting from delayed recognition of actuarial gains (losses) and prior service costs (credits).

As of June 30, 2011, the Diocese froze the contributory pension plan, which resulted in a curtailment gain of \$433,000 that has been included in the pension benefit activity for the year ended June 30, 2011. During the year ended June 30, 2011, the pension benefit activity also consists of a \$791,000 gain and net periodic pension costs of \$186,000. During the year ended June 30, 2010, the pension benefit activity consists of a \$220,000 loss and net periodic pension costs of \$170,000. There are no unrecognized gains, losses or costs as of June 30, 2011 and 2010.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF  
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2011 and 2010

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates (Continued):

The establishment of insurance claims payable is based on known facts and interpretation of circumstances and is, therefore, a complex and dynamic process influenced by a variety of factors. Consequently, the establishment of the insurance claims payable and insurance and benefits expense relies on the judgment and opinion of management, on historical precedent and trends, and on expectations as to future developments. The process of determining the insurance claims payable involves risks that the actual results could substantially deviate from the estimates made.

Reclassifications:

Certain 2010 amounts have been reclassified to conform to 2011 classifications.

NOTE C - INVESTMENTS

Investments are stated at fair value and consist of the following:

	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
Current:		
Mutual funds:		
Equity	\$ 345,360	\$ 256,030
Fixed income	<u>165,065</u>	<u>159,488</u>
	510,425	415,518
Money market funds	<u>1,527</u>	<u>1,527</u>
	<u>\$ 511,952</u>	<u>\$ 417,045</u>
TOTAL CURRENT INVESTMENTS	<u>\$ 511,952</u>	<u>\$ 417,045</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 CENTRAL AND ADMINISTRATIVE OPERATIONS OF  
 THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2011 and 2010

NOTE C - INVESTMENTS (CONTINUED)

	June 30	
	2011	2010
Noncurrent:		
Common and preferred stock	\$ 2,412,991	\$ 1,910,234
Mutual funds:		
Equity	3,547,027	2,533,187
Fixed income	<u>1,473,740</u>	<u>1,198,830</u>
	5,020,767	3,732,017
Corporate bonds and notes	822,959	796,730
U.S. Government obligations	759,311	755,519
Money market funds	1,823,278	934,782
Nonmarketable securities	<u>621,859</u>	<u>528,440</u>
TOTAL NONCURRENT INVESTMENTS	<u>\$ 11,461,165</u>	<u>\$ 8,657,722</u>

Nonmarketable securities consist of the investment in Class A and Class B common stock of two (2) captive insurance companies, namely, The National Catholic Risk Retention Group, Inc. (NCRRG) and the Bishop's Plan Insurance Company (BPIC). At June 30, 2011, these securities amount to \$83,600 and \$538,259, respectively. At June 30, 2010 these securities amount to \$73,632 and \$454,808, respectively.

NCRRG operates as a risk retention group providing excess liability insurance to the Diocese and certain other Roman Catholic Dioceses and Archdioceses that are investing members of the Company. BPIC operates as a reinsurance company for workers' compensation, general liability, fidelity and crime, automobile liability, and property losses of Roman Catholic Dioceses and Archdioceses.

In 2011, the net realized gain on the sale of investments was \$262,008 and the net unrealized appreciation in the fair value of investments was \$1,180,488.

In 2010, the net realized gain on the sale of investments was \$314,248 and the net unrealized appreciation in the fair value of investments was \$531,430.

Interest and dividend income in the statement of activities is net of investment fees of \$51,480 and \$35,034 for the years ended June 30, 2011 and 2010, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF  
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2011 and 2010

NOTE D - FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value hierarchy consists of three levels of input generally ranging from the most objective determination of fair value to the most subjective. The levels vary depending on the objectivity of the information used in valuation techniques to determine fair value. The levels as categories of inputs are defined as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 inputs generally are available indirect information, such as quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3 inputs are the most subjective, are generally based on the entity's own assumptions on how knowledgeable parties would price assets or liabilities, and are developed using the best information available in the circumstances.

Investments measured at fair value on a recurring basis at June 30, 2011 are as follows:

Description	June 30, 2011	Fair Value Measurements at Reporting Date Using		
		Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common and preferred stock	\$ 2,412,991	\$ 2,412,991	\$ -	\$ -
Corporate bonds and notes	822,959	822,959	-	-
Mutual funds	5,531,192	5,531,192	-	-
U.S. Government obligations	759,311	759,311	-	-
Money market funds	1,824,805	1,824,805	-	-
Nonmarketable securities	<u>621,859</u>	<u>-</u>	<u>-</u>	<u>621,859</u>
TOTALS	<u>\$ 11,973,117</u>	<u>\$ 11,351,258</u>	<u>\$ -</u>	<u>\$ 621,859</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF  
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2011 and 2010

NOTE D - FAIR VALUE MEASUREMENTS (CONTINUED)

Investments measured at fair value on a recurring basis at June 30, 2010 are as follows:

Description	June 30, 2010	Fair Value Measurements at Reporting Date Using		
		Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common and preferred stock	\$ 1,910,234	\$ 1,910,234	\$ -	\$ -
Corporate bonds and notes	796,730	796,730	-	-
Mutual funds	4,147,535	4,147,535	-	-
U.S. Government obligations	755,519	755,519	-	-
Money market funds	936,309	936,309	-	-
Nonmarketable securities	528,440	-	-	528,440
<b>TOTALS</b>	<b>\$ 9,074,767</b>	<b>\$ 8,546,327</b>	<b>\$ -</b>	<b>\$ 528,440</b>

Investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are as follows:

	Year Ended June 30	
	2011	2010
Balance at beginning of year	\$528,440	\$222,899
Total unrealized gain included in changes in net assets	93,419	305,541
<b>BALANCE AT END OF YEAR</b>	<b>\$621,859</b>	<b>\$528,440</b>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 CENTRAL AND ADMINISTRATIVE OPERATIONS OF  
 THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2011 and 2010

NOTE D - FAIR VALUE MEASUREMENTS (CONTINUED)

The Diocese's ownership interest in NCRRG is .45%. The investment in NCRRG is valued at .45% of the shareholders' equity as of December 31, 2010 (date of most recent audited financial statements). The Diocese's ownership interest in BPIC is 7.81%. The investment in BPIC is valued at 7.81% of the member's surplus in the company as of December 31, 2010 (date of the most recent audited financial statements). The valuation methods are based upon the best information available and reflects management's assumptions.

NOTE E - NOTES AND LOANS RECEIVABLE

Notes and loans receivable are unsecured and consist of the following:

	June 30	
	2011	2010
Ten non-interest bearing notes receivable from individuals studying for the priesthood, due in monthly installments starting after their ordination to the priesthood. Four of the notes are currently due in aggregate monthly installments of \$1,576, maturing between August 2011 and October 2016	\$ 279,248	\$ 76,278
Non-interest bearing note receivable from Diocesan Capital Campaign with no stipulated repayment terms	1,050,000	700,000
Non-interest bearing loan to individual, due in bi-weekly installments of \$75 through October 2013	4,150	6,100
Non-interest bearing loan to high school, due in monthly installments of \$1,500 per month through March 2011	-	13,507
Non-interest bearing loan to a priest, due in monthly installments of \$407, beginning November 2009 through October 2012	<u>12,613</u>	<u>12,613</u>
	1,346,011	808,498
Less current portion of notes and loans receivable	<u>28,287</u>	<u>36,930</u>
TOTALS	<u>\$ 1,317,724</u>	<u>\$ 771,568</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF  
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2011 and 2010

NOTE F - BENEFICIAL INTEREST IN PERPETUAL TRUST

The Diocese has a beneficial interest in a perpetual trust. Under the terms of the trust, the Diocese receives one-eighth of the annual distribution of the trust to be used at its discretion for general charitable purposes. The one-eighth beneficial interest is recognized at its estimated fair value at June 30, 2011 and 2010.

NOTE G - LAND, BUILDINGS AND EQUIPMENT

Classification of fixed assets and their respective depreciable lives are summarized as follows:

	<u>June 30</u>		<u>Depreciable Lives</u>
	<u>2011</u>	<u>2010</u>	
Land improvements	\$ 45,527	\$ 45,527	15 years
Buildings and improvements	3,781,899	3,336,344	5-25 years
Equipment	885,923	850,303	3-10 years
Vehicles	<u>64,516</u>	<u>61,128</u>	5 years
	4,777,865	4,293,302	
Less accumulated depreciation	<u>(3,506,586)</u>	<u>(3,342,778)</u>	
Land	1,271,279	950,524	
	<u>258,810</u>	<u>258,810</u>	
TOTALS	<u>\$1,530,089</u>	<u>\$1,209,334</u>	

NOTE H - FUNDS HELD FOR OTHERS

The Diocese receives funds from donors designated to be distributed to various organizations and receives retirement plan funds from related entities that are distributed to the respective retirement plans. Cash and investments in the amounts of \$586,383 and \$511,952, respectively, at June 30, 2011 and \$655,098 and \$417,045, respectively, at June 30, 2010 were being held to fund these obligations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF  
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2011 and 2010

NOTE I - LONG-TERM DEBT

Long-term debt consists of the following:

	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
Note payable and accrued interest to BPIC, unsecured, bearing interest at 7% compounded annually, principal and accrued interest payable on or before June 1, 2013. In the event the Diocese ceases to participate in the BPIC insurance program, the note becomes payable within 60 days.	\$ 103,074	\$ 96,330
Note payable to a bank in a maximum amount of \$1,200,000, unsecured, bearing interest at prime, interest only payments through October 2010; monthly principal payments of \$8,750 plus interest, beginning November 2010, maturing October 2020	<u>980,000</u> 1,083,074	<u>700,000</u> 796,330
Less current portion of long-term debt	<u>105,000</u>	<u>70,000</u>
TOTALS	<u>\$ 978,074</u>	<u>\$ 726,330</u>

Principal payments over the next five years and thereafter consist of the following:

<u>Year Ending June 30</u>	<u>Amount</u>
2012	\$ 105,000
2013	208,074
2014	105,000
2015	105,000
2016	105,000
Thereafter	<u>455,000</u>
TOTAL	<u>\$ 1,083,074</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF  
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2011 and 2010

NOTE J - UNRESTRICTED NET ASSETS

Unrestricted net assets are available for the following purposes:

<u>Purpose</u>	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
Undesignated for central services operations	\$ 2,923,734	\$ 1,589,033
Designated for:		
Self-insurance operations	10,453,901	7,947,646
Bishop's reserves	1,682,474	1,433,229
Land, buildings and equipment	1,530,089	1,209,334
CTNY operations	1,509,814	-
High school operations	<u>861,530</u>	<u>824,660</u>
	<u>16,037,808</u>	<u>11,414,869</u>
TOTALS	<u>\$18,961,542</u>	<u>\$13,003,902</u>

NOTE K - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

<u>Purpose</u>	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
Seminarian education	\$423,306	\$343,290
Catholic Extension Society grant program services	<u>89,890</u>	<u>-</u>
TOTALS	<u>\$513,196</u>	<u>\$343,290</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 CENTRAL AND ADMINISTRATIVE OPERATIONS OF  
 THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2011 and 2010

NOTE L - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets, the income from which is currently expendable, but which are restricted to investments in perpetuity are:

Purpose	June 30	
	2011	2010
General charity	<u>\$350,000</u>	<u>\$350,000</u>

NOTE M - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions due to events specified by the donors as follows:

Purpose Restrictions Accomplished	Year Ended June 30	
	2011	2010
Seminarian education	\$ -	\$ 24,750
Religious education program services	-	10,269
Catholic Extension Society grant program services	19,645	-
Faith and family festival	-	5,000
TOTALS	\$ 19,645	\$ 40,019

NOTE N - ENDOWMENT

The Diocese's endowment consists of investments in fewer than ten accounts. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. At June 30, 2011 and 2010, there are not any board-designated endowment funds.

On January 6, 2009, Ohio Governor Ted Strickland signed House Bill 522, which establishes specific requirements under the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) regarding the management, investment and appropriation of institutional funds under the control of charitable institutions.

As a result of UPMIFA, the following additional endowment disclosures are required for the years ended June 30, 2011 and 2010.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF  
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2011 and 2010

NOTE N - ENDOWMENT (CONTINUED)

Interpretation of relevant law

The Finance Council of the Diocese has interpreted the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. The Diocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Diocese and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Diocese
7. The investment policies of the Diocese

Endowment spending and investment policy

The Diocese has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to support parishes, schools, agencies, departments and programs of The Roman Catholic Diocese of Youngstown, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds. Under this policy, as approved by the Finance Council, the endowment assets are invested in equity, fixed income securities, and money market investments.

Endowment net asset composition by type of fund as of June 30, 2011 is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 513,196</u>	<u>\$ 350,000</u>	<u>\$ 863,196</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF  
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2011 and 2010

NOTE N - ENDOWMENT (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2011 is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 343,290	\$ 350,000	\$ 693,290
Gifts and donations	109,535	-	109,535
Investment return:			
Interest income	7,796	-	7,796
Net appreciation	<u>72,220</u>	<u>-</u>	<u>72,220</u>
Total investment return	80,016	-	80,016
Amounts appropriated for expenditure	<u>(19,645)</u>	<u>-</u>	<u>(19,645)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 513,196</u>	<u>\$ 350,000</u>	<u>\$ 863,196</u>

Endowment net asset composition by type of fund as of June 30, 2010 is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 343,290</u>	<u>\$ 350,000</u>	<u>\$ 693,290</u>

Changes in endowment net assets for the year ended June 30, 2010 is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 341,975	\$ 350,000	\$ 691,975
Investment return:			
Investment income	6,843	-	6,843
Net appreciation	<u>34,491</u>	<u>-</u>	<u>34,491</u>
Total investment return	41,334	-	41,334
Amounts appropriated for expenditure	<u>(40,019)</u>	<u>-</u>	<u>(40,019)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 343,290</u>	<u>\$ 350,000</u>	<u>\$ 693,290</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF  
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2011 and 2010

NOTE O - RELATED PARTIES

Transfer of Net Assets to Related Entities:

During the year ended June 30, 2011, there were no transfers to related entities. During the year ended June 30, 2010, the Diocese transferred cash in the amount of \$215,176 from the sale of the Bishop's residence to the Diocesan Property Corporation.

Transfer of Net Assets from Related Entities:

During the year ended June 30, 2011, \$417,525 of land, buildings and equipment was paid by the Diocesan Property Corporation and then transferred to the Diocese. During the year ended June 30, 2011 and 2010, \$10,499 and \$9,039, respectively, was transferred from the Diocesan Capital Campaign.

NOTE P - CASH BALANCES AND SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

The Diocese maintains its cash and cash equivalents and money market funds in financial institutions. Accounts at these institutions are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and/or the Securities Investor Protection Corporation (SIPC) up to \$100,000 per institution. Financial Accounting Standards require disclosure of all deposit balances in excess of insured limits. On occasion, the Diocese maintains cash and cash equivalents and money market fund balances at financial institutions in excess of FDIC or SIPC insured limits.

Credit risk for accounts receivable is concentrated because substantially all of the balances are due from parishes and institutions located within the same geographic region.

NOTE Q - COMMITMENTS AND CONTINGENCIES

The Diocese is involved in various matters of litigation. These matters are defended by counsel and ultimately resolved through normal legal procedures. In the opinion of management and legal counsel, the ultimate disposition of all litigation matters will not have a material adverse effect on the financial position of the Diocese.

In addition, The Roman Catholic Diocese of Youngstown is guarantor of loans to parishes and institutions which aggregated \$10,398,566 at June 30, 2011 and \$11,441,763 at June 30, 2010.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

CENTRAL AND ADMINISTRATIVE OPERATIONS OF  
THE ROMAN CATHOLIC DIOCESE OF YOUNGSTOWN

June 30, 2011 and 2010

NOTE R - LEASES

The Diocese leases certain office equipment, including two copiers and two postage meters, in addition to a broadcasting tower and floor space at a broadcasting facility under noncancellable operating leases which expire between June 2012 and December 2015. At June 30, 2011, the minimum rental commitment under the leases is as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2012	\$ 21,911
2013	15,895
2014	14,460
2015	13,090
2016	<u>5,532</u>
TOTAL	<u>\$ 70,888</u>

The Diocese also leases office space on a month-to-month basis. The total amount of rent expense charged to operations for June 30, 2011 and 2010 was \$24,853 and \$22,120, respectively.

NOTE S - FUNCTIONAL ALLOCATION OF EXPENSES

Certain costs of central services operations have directly benefited various programs and supporting services. These costs have been allocated and are presented on a functional basis in the statement of activities.

NOTE T - SUBSEQUENT EVENT

The Diocese has evaluated all subsequent events through September 30, 2011, the date the financial statements were available to be issued.