

37th Annual Financial Report

Consolidated Financial Statements and Supplemental Information
For the Year Ended June 30, 2008



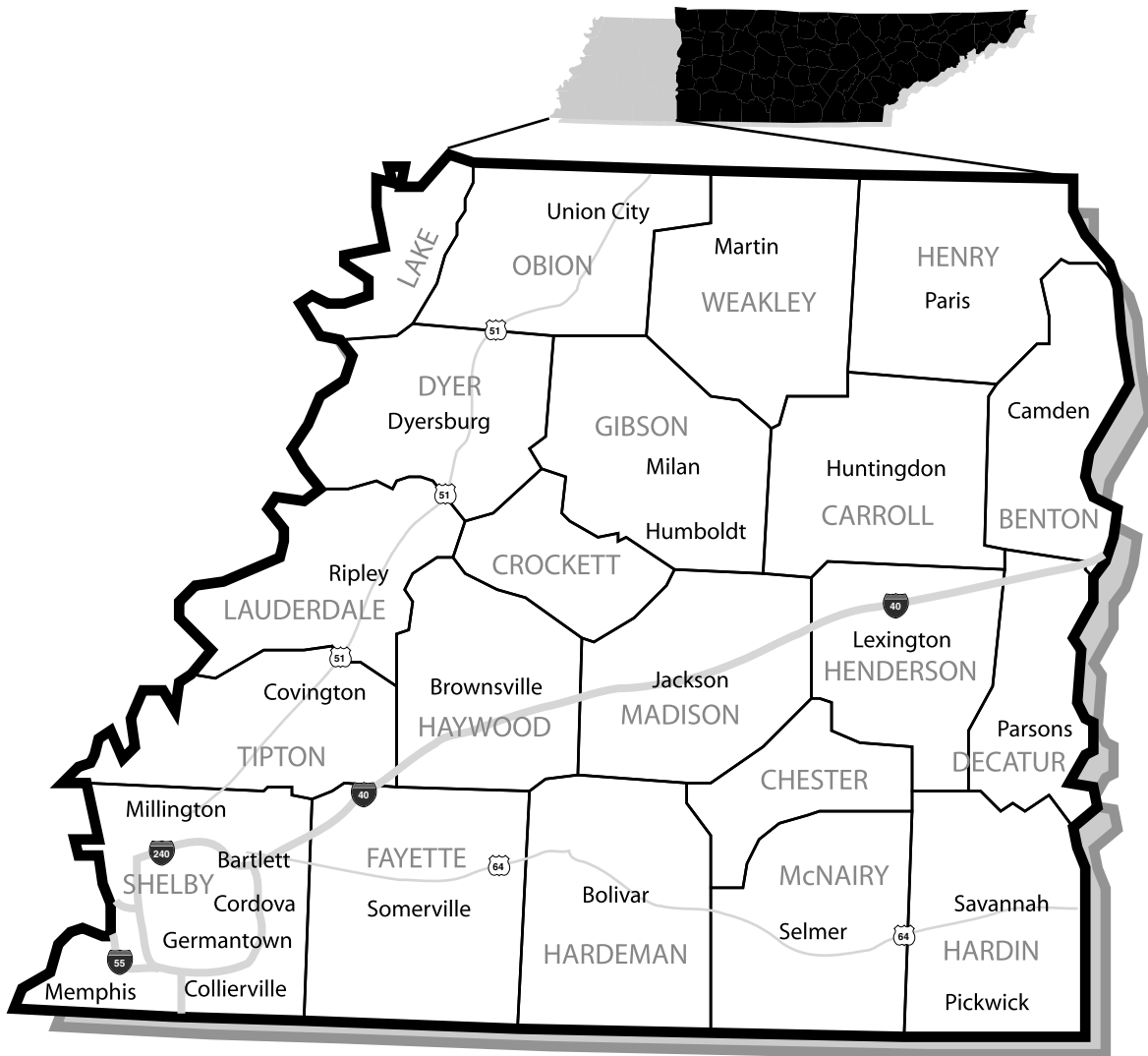


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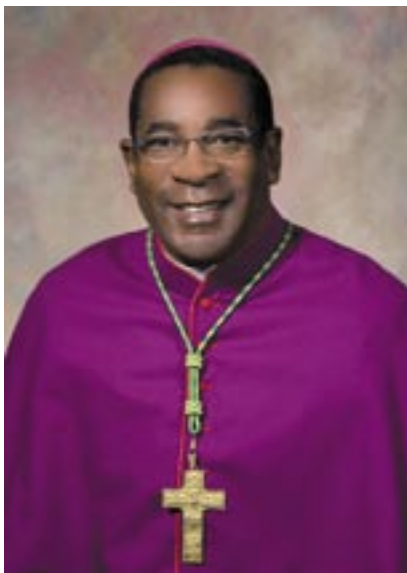
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OFFICE OF THE BISHOP



Sisters and Brothers,

For 37 years now, we have presented the annual financial report of the Diocese of Memphis. I believe that during these troubled economic times, it is especially important that we report on the financial status of our Diocese and account for the use of diocesan resources. I am concerned that many of you have lost your jobs; many of you have seen your savings reduced severely; and many are not able to enjoy the retirement you had planned. I pray that God will grant peace to all who are suffering.

In spite of the many difficulties we faced in 2008, we continue to serve the needs of the Diocese of Memphis. God continues to bless our seminarian training program. Currently 24 young men are in formation. We expect six ordinations this year. Our Lady Queen of Peace Retreat Center serves as a refuge for parishioners seeking contemplation and spiritual growth. The Institute for Liturgy and other programs help us to grow in the Catholic faith. Catholic Charities continues its work of ministering to those whom Jesus called, "the least of these."



Bishop's Coat of Arms

Our Catholic Schools program receives deserved accolades as it fosters Catholic education for our children as well as promoting evangelization through its ministry. The Jubilee School program is a sterling example of Diocesan collaboration with business leaders and dedicated volunteers that continues to serve urban education and social needs.

I am heartened to see the wonderful generosity that you as God's people poured out so that the Diocese can continue to provide these services. It invigorates me to see the vitality of this Diocese as all of its components work together in responding to Christ's call to serve. Your strength and determination to insure that our Church will survive and thrive despite the challenges that the current environment may throw at us, gives me comfort.

I am confident that with our awesome God and with the dedicated Christians in our community of faith, our Diocese will emerge even stronger in faith and even more responsive to God's call to proclaim the Good News throughout West Tennessee.

In the Divine Word,

Most Reverend J. Terry Steib, S.V.D.
Bishop of Memphis in Tennessee



Statement of the Chief Financial Officer

Dear Members of the Diocese of Memphis

We present the Diocese of Memphis Consolidated Financial Statements for the years ending June 30, 2008 and 2007. We do this as financial stewards of diocesan resources to account for the use of the resources entrusted to us for the work of the Church in West Tennessee.

You may wonder why it takes until February to bring this information to you. The audit requires many hours to complete because of the extensive scope of financial activity in the Diocese of Memphis. While we devote many hours to prepare the accounts for audit, many more hours are required for the independent auditors to satisfy their professional responsibility that controls are in place and that transactions are properly recorded and well documented. The audit includes:

- 50 Parishes, missions, and religious education programs
- 12 Parish grade schools and 6 cafeterias
- 8 Jubilee schools
- 3 High schools
- The Administrative offices
- 2 Cemeteries
- 43 Investment and custodial trust accounts
- The West Tennessee Catholic

The audit firm and the finance office staff believe this report gives a fair presentation of the resources of the Diocese of Memphis at June 30, 2008.

As Chief Financial Officer of the Diocese of Memphis, I want to discuss some of the significant features of the June, 2008 report. In the past year, the world economy has seen a severe disruption that U.S. and world leaders are trying to control while they seek workable solutions. Because of the ongoing concern for the effects of these cataclysmic events, I want to discuss the impact on Diocesan finances.

The information in the report helps tell the story of how the Diocese of Memphis serves the Catholic community in West Tennessee and spreads the good news of the Gospel. In 2007/2008 the Diocese served 22,000 registered families. Our schools improved the educational opportunities for 7,000 students. Our Lady Queen of Peace Retreat Center fostered spiritual growth with 1,760 retreats. The Diocese supported 24 seminarians in their formation. Six will be ordained this year.

Financial Summary – 2007/2008

- Although we reduced debt principal by \$2.7 Million, we had to borrow \$4.0 Million to:
 - Fund needs of struggling parishes and grade schools-- \$3.5 Million, and
 - Meet funding requirements of Employee Retirement Plan--\$500 Thousand.
- Our retirement plan liability increased by \$3.0 Million.
- The generosity of the Diocese is reflected in the increase in support and revenue of \$2.3 Million compared to last year.
- Expenses for the year increased by \$2.0 Million. Net assets increased by \$11 Million.
- In June 2008, we were seeing the early recognition of the economic decline. The Federal Reserve had reduced rates, so that our rate of interest was 3.5% at June 30, 2008; and our investments had suffered a 4% loss in market value. At June 2007 we saw market gains of \$2.8 Million, but in 2008 losses of almost \$1.0 Million.



Impact of Economic Changes From June 2008 to December 2008

Although the effects of the subprime lending, the housing decline, failing banks, illiquidity, and tightening of credit were apparent in June 2008, the impact worsened in the second half of 2008. Here are some outcomes:

- The market value of the invested assets in our retirement plans and other diocesan investments have decreased in value by 21% since June 30, 2008. (See chart below.)
- Interest rates have dropped to extreme lows. While this is good for reducing our debt, it has a negative impact on certain investment income.
- Since pension liability increases with a decrease in long term rates, the detriment to the retirement plans is double: liability has increased while investments values have decreased.
- The Diocese too has felt the universal credit tightening. Even so, we were able to borrow \$1.9 Million in September, 2008 to meet pension funding requirements. With bank debt balances of \$36 Million we have to be concerned about renewal of lines of credit in this tight credit market.
- We are thankful that through December, 2008, we have not seen significant decreases in the church offertory.

Meeting These Challenges

These are unprecedented times. The unraveling of the U.S. and global economies present continuing revelations of system failures that make planning seem futile. But we do continue to plan, although even more conservatively. Prudent management requires that we have emergency contingency plans. At the same time we continue to look for ways to operate more efficiently, continue to pay debt and other obligations, and to provide services needed by the Diocese.

We are aided by our business partners. Our banking partners help us meet our debt and other financial obligations. Our investment consultants help control the loss of investment value. Our benefit consultants help us manage our employee health and retirement benefits.

The Diocese of Memphis owes much gratitude to the professionals who serve on the Diocesan Finance Council and the Parish Finance Councils. These volunteers selflessly provide their time and talent to serve the financial well being of the Diocese. Their only reward is the satisfaction of knowing they are serving their Church in West Tennessee.

As we try to maintain a level course through this economic turbulence, we will continue to plan and to react as appropriate to new developments. Please pray for the financial stewards at your parish and at the Diocese to find the prudent response to these challenges. Also please pray for all government leaders as they seek solutions to these daunting problems.



James Abernathy
Chief Financial Officer

Market Value Decline of Investments
June 2008 v. December 2008
Dollars in Millions



Parish Offertory Collections

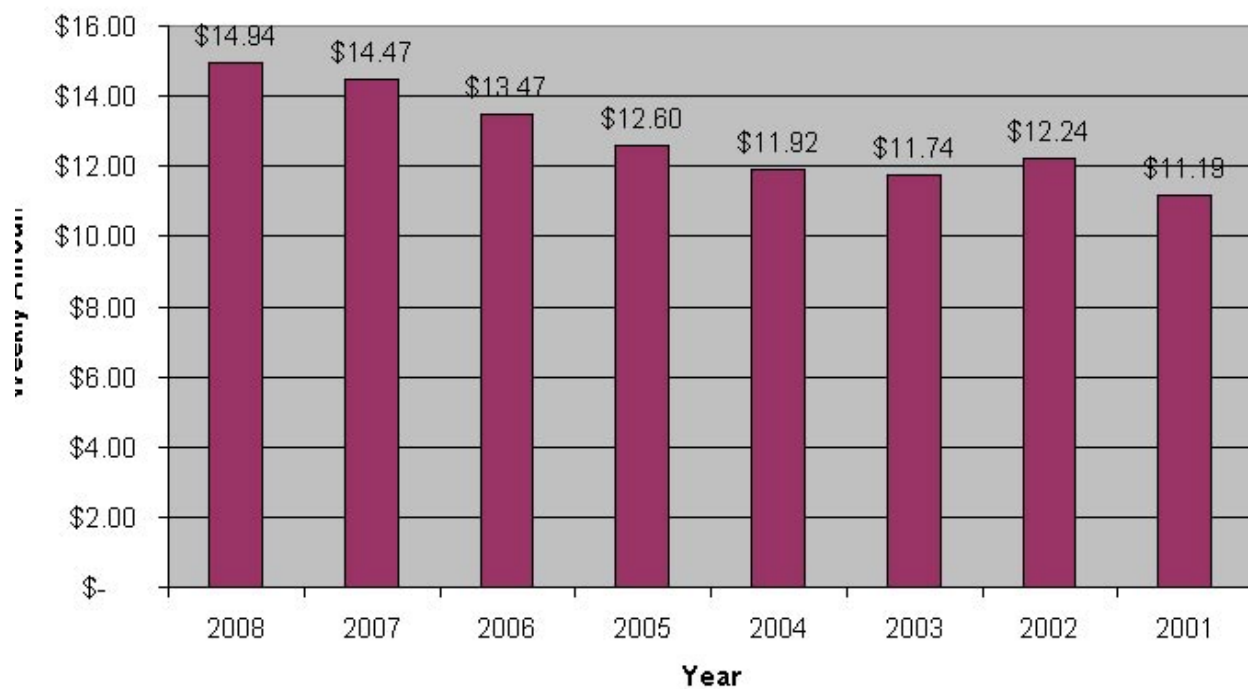
For the Years Ended June 30, 2008 and 2007

	2008 Registered Families	2008 Collections	2008 Avg Per Family	2008 Avg Weekly Collections	2007 Reg. Families	2007 Collections	2007 Avg Per Family	2007 Avg Weekly Collections	% +(-) In Collections
Parishes in Memphis & the Surrounding Area:									
St. Peter Church	495	\$764,469	\$1,544	\$14,701	437	\$682,365	\$1,561	\$13,122	12%
Church of the Holy Spirit	1,061	1,217,460	1,147	23,413	1,097	1,148,844	1,047	22,093	6%
St. Brigid Church	318	327,391	1,030	6,296	272	169,630	624	3,262	93%
Church of the Resurrection	431	442,024	1,026	8,500	418	389,443	932	7,489	14%
St. Louis Church	1,834	1,872,584	1,021	36,011	1,930	1,876,499	972	36,087	0%
St. John Church	72	73,386	1,019	1,411	80	87,029	1,088	1,674	-16%
St. Anne Church - Highland	248	250,003	1,008	4,808	236	233,938	991	4,499	7%
St. Patrick Church	170	171,050	1,006	3,289	173	154,468	893	2,971	11%
St. Paul Church	500	451,564	903	8,684	476	439,661	924	8,455	3%
Holy Names Church	94	78,329	833	1,506	71	91,531	1,289	1,760	-14%
Cathedral of Immaculate Conception	859	715,371	833	13,757	851	743,661	874	14,301	-4%
Church of the Nativity	522	425,308	815	8,179	493	378,585	768	7,280	12%
Our Lady of Perpetual Help	1,479	1,191,376	806	22,911	1,430	1,059,068	741	20,367	12%
Our Lady of Sorrows Church	235	182,669	777	3,513	233	191,643	823	3,685	-5%
Blessed Sacrament Church	184	137,991	750	2,654	88	115,136	1,308	2,214	20%
St. William Church	409	286,615	701	5,512	422	246,784	585	4,746	16%
St. James Church	179	124,293	694	2,390	106	120,266	1,135	2,313	3%
St. Ann Church - Bartlett	1,733	1,190,621	687	22,897	1,800	1,215,672	675	23,378	-2%
Holy Rosary Church	1,162	794,029	683	15,270	1,172	769,255	656	14,793	3%
St. Augustine Church	799	545,578	683	10,492	790	524,090	663	10,079	4%
St. Francis of Assisi	2,479	1,606,728	648	30,899	2,424	1,554,739	641	29,899	3%
St. Mary Church	324	196,954	608	3,788	302	190,880	632	3,671	3%
Church of Incarnation	1,481	862,419	582	16,585	1,389	816,669	588	15,705	6%
St. Therese Church	281	136,855	487	2,632	270	123,999	459	2,385	10%
Church of Ascension	315	137,561	437	2,645	246	130,656	531	2,513	5%
St. Michael Church	720	313,798	436	6,035	661	274,963	416	5,288	14%
St. Joseph Church	246	106,455	433	2,047	228	90,877	399	1,748	17%
Sacred Heart Church	182	76,542	421	1,472	255	69,137	271	1,330	11%
	18,812	14,679,421	780	282,297	18,350	13,889,488	757	267,106	6%
Parishes in the Deanery:									
St. Mary Church - Bolivar	50	63,522	1,270	1,222	59	51,452	872	989	23%
Our Lady of the Lake - Savannah	44	52,300	1,189	1,006	47	43,894	934	844	19%
St. Matthew Mission - Humboldt	65	72,122	1,110	1,387	63	71,174	1,130	1,369	1%
Ave Maria - Ripley	21	23,173	1,103	446	23	20,818	905	400	11%
St. Alphonsus Church - Covington	94	97,460	1,037	1,874	107	90,499	846	1,740	8%
Holy Cross Church - Paris	324	307,074	948	5,905	317	298,683	942	5,744	3%
St. Regina Mission - Parsons	54	47,983	889	923	48	31,753	662	611	51%
Sacred Heart Church - Humboldt	138	118,509	859	2,279	169	127,766	756	2,457	-7%
St. Jude Church - Selmer	61	44,641	732	858	63	46,300	735	890	-4%
St. Mary Church - Savannah	140	98,790	706	1,900	140	90,198	644	1,735	10%
St. Jude Church - Martin	129	90,660	703	1,743	145	99,616	687	1,916	-9%
St. Mary Church - Jackson	1,168	815,887	699	15,690	1,156	818,569	708	15,742	0%
St. Mary Church - Camden	104	70,996	683	1,365	88	75,452	857	1,451	-6%
Holy Angels Church - Dyersburg	214	142,855	668	2,747	215	137,839	641	2,651	4%
St. Philip the Apostle - Somerville	234	153,425	656	2,950	196	117,912	602	2,268	30%
St. Andrew the Apostle - Lexington	88	55,633	632	1,070	90	37,592	418	723	48%
Immaculate Conception - Union City	157	97,719	622	1,879	154	90,040	585	1,732	9%
Holy Family Mission - Huntingdon	34	20,473	602	394	26	21,317	820	410	-4%
St. John Church - Brownsville	44	18,321	416	352	44	18,929	430	364	-3%
	3,163	2,391,543	756	45,991	3,150	2,289,803	727	44,035	4%
Totals	21,975	\$17,070,964	\$777	\$328,288	21,500	\$16,179,291	\$753	\$311,140	6%



Parish Offertory Collections

Average Weekly Offertory Per Family



Parish Operations

CASH TO DEBT

	Total Cash	Invested Reserves	Debt Obligations
Parishes in Memphis & the Surrounding Area:			
Church of Incarnation	\$301,947	\$5,312	\$8,255,951
St. Ann Church - Bartlett	117,815	-	5,529,131
St. Francis of Assisi	188,155	-	4,564,052
St. Brigid Church (178)	(178)	-	2,278,290
St. Mary Church	50,174	426,676	2,154,358
Church of the Nativity	34,278	-	1,514,198
St. William Church	29,172	32,709	671,116
Our Lady of Perpetual Help	729,698	965	399,943
St. Anne Church - Highland	2,683	39,236	328,159
St. Michael Church (334,981)	(334,981)	3,636	275,687
St. Therese Church (22,992)	(22,992)	27,590	232,856
Holy Rosary Church	200,595	1,453,757	55,919
St. Augustine Church	169,024	42,725	52,712
St. Peter Church	226,063	-	24,755
Our Lady of Sorrows Church	2,577	10,023	23,408
Sacred Heart Church	48,558	185,052	18,615
St. Patrick Church	132,579	-	17,785
Church of Ascension	71,332	-	8,498
Holy Names Church (28,335)	(28,335)	41,696	-
Religious Education - OLPH	6,937	-	-
St. Joseph Church	9,984	62,517	-
Blessed Sacrament Church	13,823	27,053	-
Cathedral of the Immaculate Conception	20,525	24,846	-
Religious Education - St. Louis	37,492	-	-
St. Patrick Center, Inc.	57,571	-	-
Church of the Holy Spirit	72,663	242,541	-
St. John Church	92,056	103,824	-
St. James Church	111,207	-	-
Church of the Resurrection	188,771	-	-
St. Paul Church	513,531	-	-
St. Louis Church	619,812	1,868,108	-
	3,662,538	4,598,266	26,405,433
Parishes in the Deanery:			
St. Mary Church - Savannah	\$10,390	\$44,379	\$707,068
Our Lady of the Lake - Savannah	75,519	-	297,021
St. Jude Church - Selmer	41,655	-	33,859
St. Andrew the Apostle - Lexington	14,770	3,051	25,405
St. Mary Church - Camden	115,545	370,807	12,953
Holy Angels Church - Dyersburg	56,040	9,772	10,979
St. Jude Church - Martin	15,712	27,976	-
St. Philip the Apostle - Somerville	16,461	267,363	-
Ave Maria - Ripley	17,377	20,363	-
St. Regina Mission - Parsons	22,565	136,317	-
St. John Church - Brownsville	31,420	103,824	-
St. Mary Church - Bolivar	50,518	575	-
Holy Family Mission - Huntingdon	56,749	3,209	-
St. Matthew Mission - Milan	67,030	40,881	-
St. Alphonsus Church - Covington	89,279	2,189	-
Holy Cross Church - Paris	129,743	310,232	-
Sacred Heart Church - Humboldt	190,795	165,119	-
St. Mary Church - Jackson	927,107	124,597	-
Immaculate Conception - Union City	928,208	-	-
	2,856,881	1,630,654	1,087,285
Totals	\$6,519,419	\$6,228,920	\$27,492,718



Parish Operations con't.

REVENUES

	Other Ordinary Revenue	Offertory Collections	Building Fund Revenue
Parishes in Memphis & the Surrounding Area:			
Church of Incarnation	\$886,348	\$816,669	\$68,753
St. Ann Church - Bartlett	195,808	1,215,672	1,314,320
St. Francis of Assisi	118,987	1,554,739	169,583
St. Brigid Church	161,933	169,630	170,311
St. Mary Church	173,311	190,880	82,864
Church of the Nativity	46,804	378,585	46,968
St. William Church	97,511	246,784	312,099
Our Lady of Perpetual Help	403,829	1,059,068	133,144
St. Anne Church - Highland	166,710	233,938	55,337
St. Michael Church	49,422	274,963	26,744
St. Therese Church	152,713	123,999	(2,308)
Holy Rosary Church	140,533	769,255	392,419
St. Augustine Church	111,791	524,090	-
St. Peter Church	27,559	682,365	-
Our Lady of Sorrows Church	75,886	191,643	-
Sacred Heart Church	181,433	69,137	-
St. Patrick Church	20,020	154,468	-
Church of Ascension	37,823	130,656	118,460
Holy Names Church	134,301	91,531	-
Religious Education - OLPH	41,050	-	-
St. Joseph Church	133,439	90,877	-
Blessed Sacrament Church	71,313	115,136	-
Cathedral of the Immaculate Conception	815,592	743,661	-
Religious Education - St. Louis	13,543	-	-
St. Patrick Center, Inc.	132,730	-	-
Church of the Holy Spirit	160,431	1,148,844	142,694
St. John Church	(87,029)	87,029	-
St. James Church	79,576	120,266	11,956
Church of the Resurrection	72,935	389,443	79,483
St. Paul Church	86,490	439,661	17,825
St. Louis Church	382,884	1,876,499	-
	5,085,676	13,889,488	3,140,648
Parishes in the Deanery:			
St. Mary Church - Savannah	\$24,997	\$90,198	\$250,582
Our Lady of the Lake - Savannah	67,884	43,894	174,832
St. Jude Church - Selmer	49,562	46,300	-
St. Andrew the Apostle - Lexington	146,157	37,592	-
St. Mary Church - Camden	78,768	75,452	-
Holy Angels Church - Dyersburg	118,405	137,839	-
St. Jude Church - Martin	13,052	99,616	-
St. Philip the Apostle - Somerville	41,149	117,912	-
Ave Maria - Ripley	9,247	20,818	993
St. Regina Mission - Parsons	49,752	31,753	-
St. John Church - Brownsville	5,551	18,929	1,732
St. Mary Church - Bolivar	24,520	51,452	5,998
Holy Family Mission - Huntingdon	12,889	21,317	3,855
St. Matthew Mission - Milan	10,847	71,174	-
St. Alphonsus Church - Covington	27,213	90,499	11,260
Holy Cross Church - Paris	132,015	298,683	77,917
Sacred Heart Church - Humboldt	53,490	127,766	-
St. Mary Church - Jackson	374,697	818,569	-
Immaculate Conception - Union City	56,904	90,040	-
	1,297,100	2,289,803	527,167
Totals	\$6,382,775	\$16,179,291	\$3,667,815



Parish Operations con't.

EXPENSES	High School Assessment	Cathedraticum Assessment	Operating Expenses
Parishes in Memphis & the Surrounding Area:			
Church of Incarnation	\$36,697	\$127,879	\$1,165,076
St. Ann Church - Bartlett	44,667	205,297	1,511,305
St. Francis of Assisi	42,862	243,474	1,169,900
St. Brigid Church	9,727	26,613	393,873
St. Mary Church	11,091	38,891	334,271
Church of the Nativity	13,753	63,750	370,858
St. William Church	7,866	37,153	202,457
Our Lady of Perpetual Help	41,188	167,537	1,291,988
St. Anne Church - Highland	10,509	36,153	313,605
St. Michael Church	-	43,127	269,926
St. Therese Church	6,695	19,394	195,631
Holy Rosary Church	26,807	120,231	600,533
St. Augustine Church	19,977	86,926	584,647
St. Peter Church	19,038	107,684	505,400
Our Lady of Sorrows Church	6,733	30,027	220,197
Sacred Heart Church	6,276	10,755	174,454
St. Patrick Church	2,505	24,988	162,741
Church of Ascension	7,057	20,305	213,054
Holy Names Church	6,093	13,392	217,569
Religious Education - OLPH	-	-	41,643
St. Joseph Church	6,480	14,352	227,829
Blessed Sacrament Church	8,353	18,471	193,220
Cathedral of the Immaculate Conception	-	116,523	793,688
Religious Education - St. Louis	-	-	147,666
St. Patrick Center, Inc.	-	-	197,315
Church of the Holy Spirit	42,084	179,947	1,074,932
St. John Church	2,928	13,642	80,601
St. James Church	6,676	20,311	162,864
Church of the Resurrection	13,384	61,168	351,315
St. Paul Church	18,580	69,211	516,845
St. Louis Church	48,808	294,118	1,435,481
	466,834	2,211,316	15,120,883
Parishes in the Deanery:			
St. Mary Church - Savannah	\$-	\$13,672	\$168,333
Our Lady of the Lake - Savannah	-	7,096	65,357
St. Jude Church - Selmer	-	6,872	53,533
St. Andrew the Apostle - Lexington	-	5,541	132,985
St. Mary Church - Camden	-	13,126	93,807
Holy Angels Church - Dyersburg	-	24,315	140,495
St. Jude Church - Martin	-	15,595	83,167
St. Philip the Apostle - Somerville	-	18,477	75,637
Ave Maria - Ripley	-	3,261	18,156
St. Regina Mission - Parsons	-	4,668	62,077
St. John Church - Brownsville	-	3,045	19,954
St. Mary Church - Bolivar	-	7,591	81,396
Holy Family Mission - Huntingdon	-	3,655	40,432
St. Matthew Mission - Milan	-	9,835	46,397
St. Alphonsus Church - Covington	-	14,220	92,735
Holy Cross Church - Paris	-	47,936	447,171
Sacred Heart Church - Humboldt	-	18,623	103,681
St. Mary Church - Jackson	-	129,224	798,842
Immaculate Conception - Union City	-	15,156	108,138
	-	361,910	2,632,295
Totals	\$466,834	\$2,573,226	\$17,753,178



Parish Operations con't.

NET INCOME

	Net Income (Loss) Including Extraordinary Item	Pension Plan - FAS 87 Req. *	Net Income (Loss) Excluding Extraordinary Item
Parishes in Memphis & the Surrounding Area:			
Church of Incarnation	\$442,118	\$17,567	\$459,685
St. Ann Church - Bartlett	964,531	23,032	987,562
St. Francis of Assisi	387,073	14,461	401,534
St. Brigid Church	71,660	3,437	75,097
St. Mary Church	62,801	4,178	66,979
Church of the Nativity	23,996	5,714	29,710
St. William Church	408,919	4,147	413,065
Our Lady of Perpetual Help	95,327	14,989	110,316
St. Anne Church - Highland	95,718	4,338	100,056
St. Michael Church	38,076	6,655	44,731
St. Therese Church	52,684	2,616	55,300
Holy Rosary Church	554,635	13,958	568,593
St. Augustine Church	(55,669)	9,431	(46,238)
St. Peter Church	77,802	9,112	86,914
Our Lady of Sorrows Church	10,572	2,352	12,923
Sacred Heart Church	59,085	3,663	62,749
St. Patrick Church	(15,745)	2,655	(13,090)
Church of Ascension	46,524	2,444	48,967
Holy Names Church	(11,221)	2,389	(8,832)
Religious Education - OLPH	(593)	408	(185)
St. Joseph Church	(24,345)	1,505	(22,840)
Blessed Sacrament Church	(33,595)	1,833	(31,761)
Cathedral of the Immaculate Conception	649,042	14,663	663,706
Religious Education - St. Louis	(134,123)	2,917	(131,206)
St. Patrick Center, Inc.	(64,585)	1,897	(62,688)
Church of the Holy Spirit	155,005	16,707	171,712
St. John Church	(97,171)	1,245	(95,926)
St. James Church	21,947	2,349	24,295
Church of the Resurrection	115,995	4,637	120,632
St. Paul Church	(60,659)	9,361	(51,298)
St. Louis Church	480,976	18,988	499,964
	4,316,778	223,648	4,540,426
Parishes in the Deanery:			
St. Mary Church - Savannah	\$183,771	\$1,160	\$184,931
Our Lady of the Lake - Savannah	214,156	814	214,970
St. Jude Church - Selmer	35,457	429	35,886
St. Andrew the Apostle - Lexington	45,223	1,092	46,315
St. Mary Church - Camden	60,413	1,207	61,619
Holy Angels Church - Dyersburg	91,434	2,772	94,206
St. Jude Church - Martin	13,906	1,398	15,303
St. Philip the Apostle - Somerville	64,947	1,274	66,221
Ave Maria - Ripley	9,641	275	9,915
St. Regina Mission - Parsons	14,761	659	15,421
St. John Church - Brownsville	3,213	76	3,289
St. Mary Church - Bolivar	(7,018)	495	(6,523)
Holy Family Mission - Huntingdon	(6,026)	238	(5,789)
St. Matthew Mission - Milan	25,789	515	26,305
St. Alphonsus Church - Covington	22,017	1,158	23,176
Holy Cross Church - Paris	13,508	5,254	18,763
Sacred Heart Church - Humboldt	58,952	953	59,904
St. Mary Church - Jackson	265,199	13,287	278,486
Immaculate Conception - Union City	23,650	1,629	25,279
	1,132,991	34,685	1,167,676
Totals	\$5,449,770	\$258,333	\$5,708,102

* - The reporting of retirement contribution expense is required by Generally Accepted Accounting Principles Financial Accounting Standard #87 and represents a portion of net income.

Parish Grade School Statistics

2007-08	Number of Students	Average Cost Per Student	Number of Teachers	Student/ Teacher Ratio
Cathedral Schools	457	\$6,338	43	11
Holy Rosary School	443	5,547	36	12
Incarnation School	252	6,438	23	11
OLPH Grade School	238	5,232	27	9
Our Lady of Sorrows School	141	4,702	11	13
St. Ann School Bartlett	625	4,829	43	15
St. Anne School - Highland	116	9,443	24	5
St. Francis of Assisi	950	6,345	75	13
St. Louis School	505	4,292	32	16
St. Mary School - JXN, TN	370	4,769	30	12
St. Michael School	189	4,778	12	16
St. Paul School	253	4,882	24	11
	4,539	\$5,633	380	12

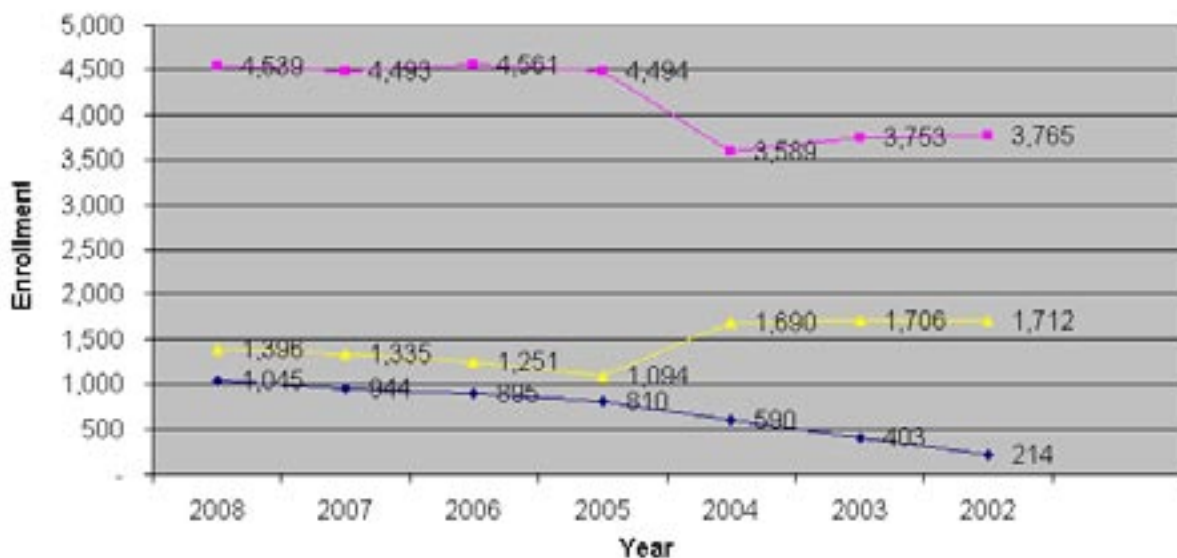
2006-07	Number of Students	Average Cost Per Student	Number of Teachers	Student/ Teacher Ratio
Cathedral Schools	442	\$5,277	33	9
Holy Rosary School	435	4,904	34	14
Incarnation School	258	4,801	21	16
OLPH Grade School	244	5,081	27	15
Our Lady of Sorrows School	114	5,272	13	10
St. Ann School Bartlett	626	4,688	44	17
St. Anne School - Highland	138	6,383	21	8
St. Francis of Assisi	927	5,067	71	14
St. Louis School	497	5,028	31	17
St. Mary School - JXN, TN	335	5,211	30	14
St. Michael School	203	4,683	15	15
St. Paul School	274	4,491	26	11
	4,493	\$5,074	366	13



Parish Grade School Statistics con't.

	2007-2008 Average Tuition Per Student	2006-2007 Average Tuition Per Student
Cathedral Schools	\$5,744	\$4,749
Holy Rosary School	4,853	4,520
Incarnation School	4,525	3,968
OLPH Grade School	4,747	3,978
Our Lady of Sorrows School	1,778	2,340
St. Ann School Bartlett	4,734	4,106
St. Anne School - Highland	3,915	3,963
St. Francis of Assisi	6,306	5,159
St. Louis School	4,134	3,647
St. Mary School - JXN, TN	3,770	3,407
St. Michael School	2,288	2,382
St. Paul School	3,778	3,707
	<hr/>	<hr/>
	\$4,214	\$3,827

Student Enrollment



Total enrollment includes grades 9-12 in 2007 to 2005, and grades 1-12 in 2004 through 2002 for St. Benedict.

—♦— Jubilee Schools —■— Grade Schools —▲— High Schools

Parish Grade School and Cafeteria Operations

REVENUES	Tuition & Fees	General Contri- butions	Books and Supplies Sales	Other Revenue	Subsidy Income
Cathedral Schools	\$2,624,788	\$-	\$-	\$205,351	\$-
Holy Rosary School	2,149,755	6,866	164,307	118,080	51,970
Incarnation School	1,140,383	7,092	79,963	216,742	-
OLPH Grade School	1,129,784	-	68,550	42,523	-
Our Lady of Sorrows School	250,690	21,624	18,156	307,093	-
St. Ann School Bartlett	2,958,644	-	273,656	61,404	-
St. Anne School - Highland	454,125	-	23,191	153,802	76,850
St. Francis of Assisi	5,990,713	87,497	-	181,673	-
St. Louis School	2,087,517	11,832	136,102	252,947	-
St. Mary School - JXN, TN	1,395,070	109,755	97,540	177,791	69,908
St. Michael School	432,373	-	60,522	357,578	23,484
St. Paul School	955,790	-	40,663	120,020	68,744
Holy Rosary Cafeteria	-	-	-	97,729	20,000
St. Ann Cafeteria Bartlett	-	-	-	150,272	-
St. Louis Cafeteria	-	-	-	116,966	10,000
St. Mary Cafeteria - JXN, TN	-	-	-	88,281	-
St. Michael Cafeteria	-	-	-	52,456	-
St. Paul Cafeteria	-	-	-	77,292	4,000
	<hr/>				
	\$21,569,632	\$244,666	\$962,650	\$2,778,000	\$324,956



Parish Grade School and Cafeteria Operations con't.

EXPENSES	Salaries & Benefits	Operations & Maintenance	Administrative & General	Other Expenses
Cathedral Schools	\$2,293,640	\$261,113	\$193,465	\$148,404
Holy Rosary School	1,834,893	179,937	133,045	309,283
Incarnation School	988,733	139,271	108,709	385,648
OLPH Grade School	1,011,560	122,487	52,642	58,443
Our Lady of Sorrows School	534,163	65,061	19,597	44,096
St. Ann School Bartlett	2,489,278	224,446	187,084	117,470
St. Anne School - Highland	831,492	62,315	53,800	147,788
St. Francis of Assisi	4,066,035	577,022	840,296	544,183
St. Louis School	1,622,530	253,841	121,681	169,179
St. Mary School - JXN, TN	1,309,534	207,852	141,469	105,761
St. Michael School	690,731	74,183	47,467	90,742
St. Paul School	935,998	138,402	46,211	114,469
Holy Rosary Cafeteria	36,154	18,991	-	62,631
St. Ann Cafeteria Bartlett	74,665	10,829	-	64,672
St. Louis Cafeteria	43,712	2,624	-	57,898
St. Mary Cafeteria - JXN, TN	33,533	12,816	-	40,821
St. Michael Cafeteria	14,411	3,162	-	34,938
St. Paul Cafeteria	48,487	870	-	38,603
	\$18,859,549	\$2,355,222	\$1,945,466	\$2,535,029



Parish Grade School and Cafeteria Operations con't.

	Net Income (Loss) Including Extraordinary Item	Pension Plan - FAS 87 Req. *	Net Income (Loss) Excluding Extraordinary Item
Cathedral Schools	\$(66,483)	\$42,974	\$(23,509)
Holy Rosary School	33,820	50,651	84,471
Incarnation School	(178,181)	20,775	(157,406)
OLPH Grade School	(4,275)	30,065	25,790
Our Lady of Sorrows School	(65,354)	16,846	(48,508)
St. Ann School Bartlett	275,426	76,838	352,264
St. Anne School - Highland	(387,427)	23,990	(363,437)
St. Francis of Assisi	232,347	119,572	351,919
St. Louis School	321,167	49,791	370,958
St. Mary School - JXN, TN	85,448	33,624	119,072
St. Michael School	(29,166)	19,148	(10,018)
St. Paul School	(49,863)	33,317	(16,546)
Holy Rosary Cafeteria	(47)	1,097	1,050
St. Ann Cafeteria Bartlett	106	2,572	2,678
St. Louis Cafeteria	22,732	1,810	24,542
St. Mary Cafeteria - JXN, TN	1,111	1,291	2,402
St. Michael Cafeteria	(55)	479	424
St. Paul Cafeteria	(6,668)	1,207	(5,461)
	<hr/> \$184,638	<hr/> \$526,045	<hr/> \$710,683

* - This reporting of retirement contribution expense is required by Generally Accepted Accounting Principles Financial Accounting Standard #87 and represents a portion of net income.



Deposits and Investments

DEPOSITS WITH THE DIOCESE	2008	2007	VARIANCE
All Saint's Cemetery	\$71,463	\$73,081	\$(1,618)
Ave Maria Church	21,368	20,363	1,005
Bishop Byrne High School	2,201	2,097	104
Blessed Sacrament Church	25,776	27,053	(1,277)
Calvary Cemetery, Jackson	23,876	22,646	1,230
Cathedral Schools	21,649	24,846	(3,197)
Church of the Holy Spirit	342,197	242,541	99,656
Church of the Incarnation	5,574	5,312	262
Holy Angels Church, Dyersburg	13,335	9,772	3,563
Holy Cross Church	640,888	310,232	330,656
Holy Family Church, Huntingdon	3,367	3,209	158
Holy Names Church	43,754	41,696	2,058
Holy Rosary Church	1,907,526	1,453,757	453,769
Holy Rosary Grade School	278,097	279,371	(1,274)
Our Lady of Perpetual Help Grade School	1,012	965	47
Our Lady of Sorrows Church	10,518	10,023	495
Our Lady of Sorrows Grade School	30,506	25,102	5,404
Resurrection Church	155,529	-	155,529
Sacred Heart Church, Memphis	194,183	185,052	9,131
Sacred Heart Church, Humboldt	67,908	165,119	(97,211)
Sloyan Scholarship Fund	31,539	29,994	1,545
St. Alphonsus Church	2,296	2,189	108
St. Andrew Church, Lexington	3,212	3,051	161
St. Ann School, Bartlett	518,430	-	518,430
St. Anne Church, Highland	94,721	39,236	55,485
St. Anne School, Highland	5,041	-	5,041
St. Augustine Church	45,730	42,725	3,005
St. Benedict at Auburndale School	144,376	126,993	17,383
St. Francis of Assisi Church	101,219	-	101,219
St. Francis of Assisi School	2,061,383	-	2,061,383
St. John Church, Memphis	175,004	103,824	71,180
St. Joseph Church	65,603	62,517	3,086
St. Jude Church, Martin	11,733	27,976	(16,243)
St. Louis Church	2,440,881	1,868,108	572,773
St. Louis School	1,296,074	-	1,296,074
St. Mary Church, Bolivar	603	575	28
St. Mary Church, Camden	449,836	370,807	79,029
St. Mary Church, Memphis	427,649	426,676	973
St. Mary Church, Savannah	31,839	44,379	(12,540)
St. Mary School, Jackson	210,876	124,597	86,279
St. Matthew Church, Milan	119,727	40,881	78,846
St. Michael Church	3,815	3,636	179
St. Phillip the Apostle	332,066	267,363	64,703
St. Regina Church	163,287	136,317	26,970
St. Therese Church	28,951	27,590	1,361
St. William Church	54,961	32,709	22,252
Other	529,007	-	529,007
TOTAL DEPOSITS WITH THE DIOCESE	13,210,586	6,684,381	6,526,205

continued

Deposits and Investments con't.

INVESTMENTS	2008	2007	VARIANCE
Calvary Cemetery, Memphis	1,408,392	1,449,315	(40,923)
Calvary Cemetery, Memphis - Construction Trust	300,281	299,633	648
Cathedral Schools	1,078,466	1,186,947	(108,481)
Catholic Charities, Inc.	187,368	861,520	(674,152)
Costa OLPH Family Endowment Trust	161,962	168,232	(6,270)
Holy Rosary School	902,670	984,560	(81,890)
Main Return Trust	3,352,459	3,476,891	(124,432)
Memphis Catholic High School	639,738	765,070	(125,332)
Neely/St. Vincent de Paul	207,306	239,809	(32,503)
St. Anne School	10	294,748	(294,738)
St. Francis of Assisi School	20,798	-	20,798
St. James Church	675,958	669,612	6,346
St. Louis Church	219,404	199,708	19,696
St. Mary School, Jackson	173,907	180,684	(6,777)
St. Peter Villa Nursing Home	475,390	455,629	19,761
TOTAL INVESTMENTS	9,804,109	11,232,357	(1,428,248)
TOTAL DEPOSITS AND INVESTMENTS	\$23,014,695	\$17,916,738	\$5,097,957



Jubilee School Operations

	Revenue from Catholic Memphis Urban Schools, Inc.	Other Contributions & Grant Revenue	Tuition Revenue	Other Revenue
De La Salle School	\$526,249	\$115,233	\$133,360	\$119,963
Holy Names School	584,700	51,549	57,712	47,578
Little Flower School	381,668	18,334	80,350	45,558
St. John School	796,555	93,375	191,710	168,505
St. Joseph School	729,127	28,963	152,533	115,718
St. Patrick School	719,054	20,470	99,293	93,043
St. Augustine School	717,096	20,881	145,985	80,214
Resurrection School	2,932,748	2,656	109,169	52,179
	\$7,387,197	\$351,462	\$970,110	\$722,758

	Salaries & Benefits	Operating Expenses
De La Salle School	\$578,225	\$204,868
Holy Names School	581,940	225,687
Little Flower School	411,332	140,591
St. John School	831,191	258,888
St. Joseph School	796,797	300,216
St. Patrick School	711,000	253,229
St. Augustine School	564,336	262,592
Resurrection School	514,200	95,615
	\$4,989,020	\$1,741,686

	Net Income (Loss) Including Extraordinary Item	Pension Plan - FAS 87 Req. *	Net Income (Loss) Excluding Extraordinary Item	Capital Purchases **
De La Salle School	\$111,713	\$11,377	\$123,090	\$66,311
Holy Names School	(66,089)	13,519	(52,570)	6,906
Little Flower School	(26,013)	9,856	(16,157)	31,157
St. John School	160,066	17,766	177,833	72,431
St. Joseph School	(70,672)	17,955	(52,717)	58,717
St. Patrick School	(32,370)	7,968	(24,401)	9,053
St. Augustine School	137,248	13,213	150,462	233,036
Resurrection School	2,486,938	8,982	2,495,920	1,890,838
	\$2,349,359	\$100,638	\$2,449,997	\$2,368,449

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** - Capital purchases are recorded on the balance sheet of the respective entities and therefore are not included in the expense section. However, they do represent cash outflows.

Jubilee School Statistics

2007-08	Number of Students	Average Cost Per Student	Number of Teachers	Student/Teacher Ratio
De La Salle School	154	\$5,085	12	13
Holy Names School	80	10,095	9	9
Little Flower School	60	9,199	7	9
St. John School	194	5,619	24	8
St. Joseph School	180	6,095	13	14
St. Patrick School	135	7,142	12	11
St. Augustine School	130	6,361	10	13
Resurrection School	112	5,445	8	14
	1,045	\$6,880	95	11

2006-07	Number of Students	Average Cost Per Student
De La Salle School	115	5,440
Holy Names School	91	8,186
Little Flower School	58	10,682
St. John School	181	5,144
St. Joseph School	171	5,934
St. Patrick School	103	6,727
St. Augustine School	138	6,436
Resurrection School	87	7,467
	944	\$7,002

	2007-2008 Average Tuition Paid By Student	2006-2007 Average Tuition Paid By Student	Variance In School Years
De La Salle School	\$866	\$862	\$4
Holy Names School	721	728	(7)
Little Flower School	1,339	828	511
St. John School	988	1,189	(201)
St. Joseph School	847	919	(72)
St. Patrick School	736	627	109
St. Augustine School	1,123	1,167	(44)
Resurrection School	975	844	131
	\$949	\$896	\$54



High School Operations

REVENUES	Tuition & Fees	Annual Drive	Other Revenue	Subsidy Income
Bishop Byrne	\$1,398,861	\$22,425	\$259,398	\$344,455
Memphis Catholic	322,117	-	724,339	765,502
St. Benedict	6,702,540	109,040	409,601	891,961
	<hr/>	<hr/>	<hr/>	<hr/>
	\$8,423,518	\$131,465	\$1,393,338	\$2,001,918
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENSES	Salaries & Benefits	Administrative & General	Operating Expenses **	Net (Loss) Including Extraordinary Item
Bishop Byrne	\$1,308,648	\$387,786	\$576,505	\$(247,800)
Memphis Catholic	1,192,864	112,373	133,809	372,911
St. Benedict	4,041,763	567,895	2,570,660	932,824
	<hr/>	<hr/>	<hr/>	<hr/>
	\$6,543,276	\$1,068,054	\$3,280,974	\$1,057,935
	<hr/>	<hr/>	<hr/>	<hr/>
	Pension Plan - FAS 87 Req. *	Net Income (Loss) Excluding Extraordinary Item	Capital Purchases ***	
Bishop Byrne	\$34,332	\$(213,468)	\$87,377	
Memphis Catholic	31,166	404,077	53,376	
St. Benedict	104,486	1,037,310	80,228	
	<hr/>	<hr/>	<hr/>	
	\$169,984	\$1,227,919	\$220,981	
	<hr/>	<hr/>	<hr/>	

* - This reporting of retirement contribution expense is required by Generally Accepted Accounting Principles Financial Accounting Standard #87 and represents a portion of net income.

** - For St. Benedict, this amount includes \$ 1,123,505 in interest expense related to debt financing. In addition, St. Benedict made a \$575,000 payment on their debt in the current year.

*** - Capital purchases are recorded on the balance sheet of the respective entities and therefore are not included in the expense section. However, they do represent cash outflows.

High School Statistics

2007-08

	Number of Students	Average Cost per Student	Number of Teachers	Student/ Teacher Ratio
Bishop Byrne	287	\$7,920	24	12
Memphis Catholic	155	9,284	21	7
St. Benedict	954	7,527	73	13
	1,396	\$8,243	118	11

2006-07

	Number of Students	Average Cost per Student	Number of Teachers	Student/ Teacher Ratio
Bishop Byrne	288	\$6,595	28	10
Memphis Catholic	143	8,217	16	9
St. Benedict	904	7,936	76	12
	1,335	\$7,583	120	10

	Average Tuition per Student 2007-08	Average Tuition per Student 2006-07
Bishop Byrne	\$4,874	\$4,367
Memphis Catholic	2,078	5,655
St. Benedict	7,026	6,594
	\$4,659	\$5,539

Cemetery Operations

	Lot Sales Revenue	Interment Revenue	Mausoleum Revenue	Other Revenue
Memphis Cemetery	\$106,550	\$176,432	\$19,845	\$66,979
Jackson Cemetery	1,915	-	-	1,696
	<hr/> \$108,465	<hr/> \$176,432	<hr/> \$19,845	<hr/> \$68,675
	Salaries & Benefits	Administrative & General	Operations & Maintenance	Net (Loss) Including Extraordinary Item
Memphis Cemetery	\$226,217	\$106,251	\$250,431	\$(213,093)
Jackson Cemetery	-	167	5,545	(2,101)
	<hr/> \$226,217	<hr/> \$106,418	<hr/> \$255,976	<hr/> \$(215,194)
	Pension Plan - FAS 87 Req. *	Net Income (Loss) Excluding Extraordinary Item		Capital Purchases **
Memphis Cemetery	\$11,300	\$ (201,793)		\$-
Jackson Cemetery	-	(2,101)		-
	<hr/> \$11,300	<hr/> \$ (203,894)		<hr/> \$-

* - This reporting of retirement contribution expense is required by Generally Accepted Accounting Principles Financial Accounting Standard #87 and represents a portion of net income.

** - Capital purchases are recorded on the balance sheet of the respective entities and therefore are not included in the expense section. However, they do represent cash outflows.

Note - Investment activity for cemetery operations totaled a net of \$25,974. This activity is not included in the totals above as it does not effect cash flows; nor is it used to subsidize the operations of the cemeteries.

The West Tennessee Catholic Operations

REVENUES

Subscription Renewal	\$128,320
Advertising Sales	\$59,483
Other Revenue	\$140

EXPENSES

Salaries & Benefits	\$41,019
Administrative & General	\$148,226
Technology Expenses	\$9,684

Net (Loss) Including Extraordinary Item	\$(10,986)
Net (Loss) Excluding Extraordinary Item	\$(3,183)

Number of Subscribers	12,832
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Debt Obligations

Diocesan Loans	2008	2007	VARIANCE
Holy Angels Church, Dyersburg	\$3,863	\$10,979	\$(7,116)
Memphis Catholic High School (loan forgiven)	-	124,669	(124,669)
Our Lady of Sorrows School	14,000	15,000	(1,000)
St. Andrew Church	-	25,405	(25,405)
St. Anne Church, Memphis	33,610	43,477	(9,867)
St. Mary Church, Camden	-	12,953	(12,953)
St. Mary Church, Jackson	15,263	-	15,263
St. Therese Church	20,283	30,299	(10,016)
St. William Church	17,613	-	17,613
Total Diocesan Loans	104,632	262,781	(158,149)

Bank Loans

Bishop Byrne High School	10,826	28,029	(17,203)
Calvary Cemetery	-	4,042	(4,042)
Cathedral Schools	406,620	-	406,620
Catholic Center	1,716,293	1,261,883	454,410
Catholic Charities, Inc.	780,114	829,449	(49,335)
Church of the Ascension	-	8,498	(8,498)
Church of the Incarnation	7,977,807	8,204,250	(226,443)
Church of the Nativity	1,359,855	1,490,350	(130,495)
Catholic Memphis Urban Schools, Inc.	1,513,715	1,500,000	13,715
Diocese of Memphis - Other	52,616	-	52,616
Diocese of Memphis Housing Corporation	23,103	25,461	(2,358)
Diocese of Memphis Pension Plan	503,958	-	503,958
Holy Names Church	78,485	-	78,485
Holy Rosary Church	50,949	55,919	(4,970)
Our Lady of Perpetual Help Church	-	399,943	(399,943)
Our Lady of Sorrows Church	85,526	-	85,526
Our Lady of Sorrows School	181,004	-	181,004
Our Lady of the Lake, Savannah	79,373	131,804	(52,431)
St. Ann Church, Bartlett	5,328,963	5,431,048	(102,085)
St. Anne Church, Highland	255,869	284,682	(28,813)
St. Anne School, Highland	1,021,564	-	1,021,564
St. Benedict at Auburndale School	2,128,491	2,198,302	(69,811)
St. Brigid Church	2,136,843	2,262,296	(125,453)
St. Francis of Assisi Church	4,390,504	4,538,621	(148,117)
St. Jude Church, Selmer	-	33,473	(33,473)
St. Mary Church, Memphis	2,058,556	2,154,358	(95,802)
St. Mary Church, Savannah	640,832	707,068	(66,236)

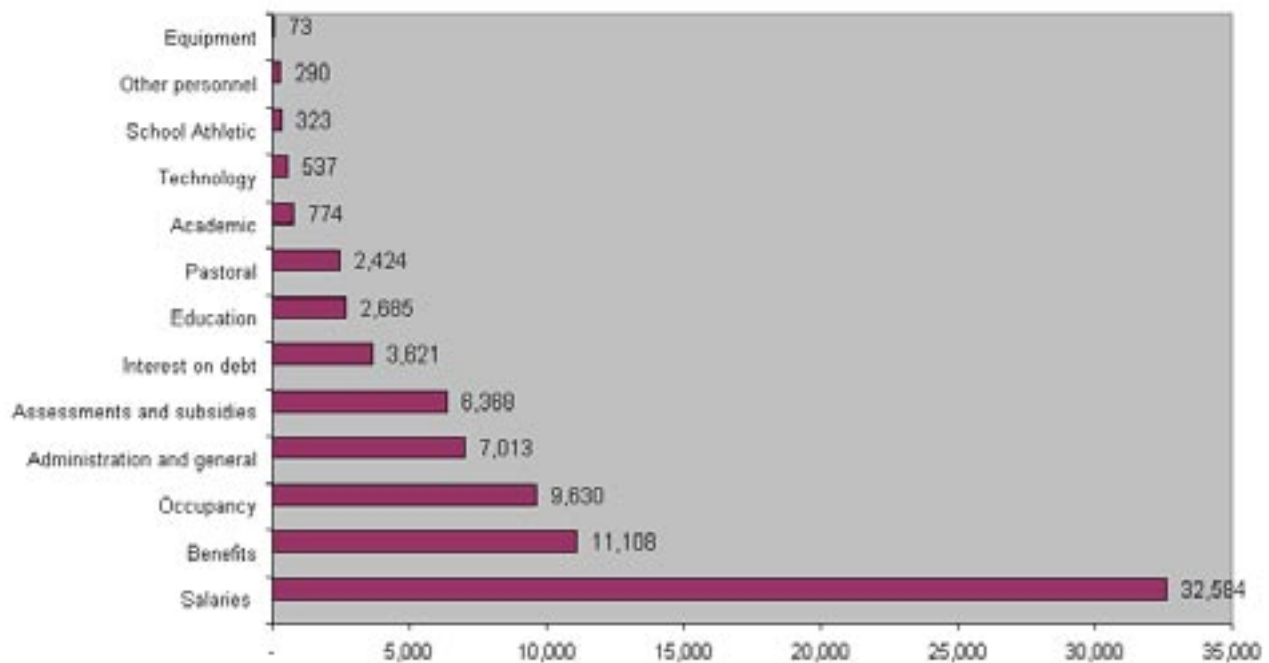
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Debt Obligations con't.

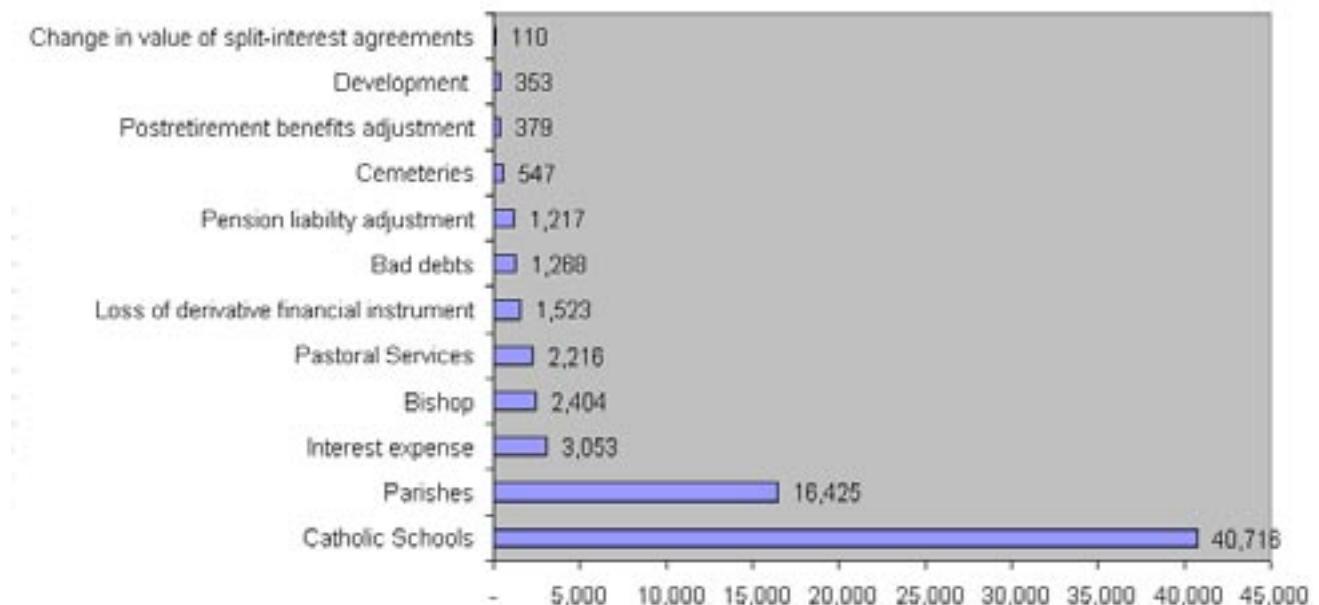
Bank Loans	2008	2007	VARIANCE
St. Michael Church	517,391	-	517,391
St. Michael School	957,500	116,069	841,431
St. Peter Villa	-	51,528	(51,528)
St. Therese Church	188,804	202,557	(13,753)
St. William Church, Millington	588,526	667,377	(78,851)
Total Bank Loans	35,034,087	32,587,006	2,447,081
Bonds Payable			
St. Benedict at Auburndale School	23,495,000	24,070,000	(575,000)
TOTAL DEBT OBLIGATIONS	\$58,633,719	\$56,919,787	\$1,713,932



Catholic Diocese of Memphis
Expense Allocation - For the Year Ending June 30, 2008
Dollars in Thousands



Catholic Diocese of Memphis
Expense Allocation - For the Year Ending June 30, 2008
Dollars in Thousands



Independent Auditor's Report



Most Rev. J. Terry Steib, S.V.D., D.D.
Bishop of Memphis
Diocese of Memphis
Memphis, Tennessee

We have audited the accompanying consolidated statements of financial position of the Diocese of Memphis (the "Diocese") as of June 30, 2008 and 2007, and the related consolidated statement of activities for the year ended June 30, 2008 and the consolidated statements of cash flows for the years ended June 30, 2008 and 2007. 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. The prior year summarized comparative information on page 4 has been derived from the Diocese of Memphis 2007 consolidated financial statements and in our report dated February 21, 2008, we expressed an unqualified opinion on those financial statements except for the matter discussed in the third paragraph.

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 audits 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.

The Diocese has elected not to provide for depreciation of exhaustible property and equipment as promulgated by Statement of Financial Accounting Standards (SFAS) No. 93, Recognition of Depreciation by Not-for-Profit Organizations. The Diocese has also not recorded the cost of certain land, as the cost of such land is not readily determinable. The effect of these omissions on the accompanying financial statements has not been determined.

In our opinion, except for the matters discussed in the third paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of the Diocese of Memphis as of June 30, 2008 and 2007, and the consolidated results of its activities for the year ended June 30, 2008 and its cash flows for the years ended June 30, 2008 and 2007, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 29 through 33 is presented for purposes of additional analysis and is 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 consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Memphis, Tennessee
January 7, 2009



CONSOLIDATED STATEMENT OF FINANCIAL POSITION JUNE 30, 2008 AND 2007

Assets	2008	2007
Current assets		
Cash	\$12,272,320	\$12,648,241
Restricted cash	10,000	10,000
Receivables, less allowances for uncollectible accounts		
Contributions	4,699,034	4,212,494
Other institutions	4,099,071	3,286,133
Notes and other	533,316	735,374
Prepaid expenses	92,282	85,464
Total current assets	21,706,023	20,977,706
Contributions receivable, less current portion	2,798,204	2,354,022
Investments	38,773,462	32,538,118
Prepaid pension costs	3,041,112	1,002,733
Property and equipment	219,021,410	213,115,459
Real estate	473,403	513,403
Derivative financial instruments	-	390,665
Bond issue costs, net	251,035	261,110
Other assets	111,806	104,915
Total assets	<u>\$286,176,455</u>	<u>\$271,258,131</u>
Liabilities and Net Assets		
Current liabilities		
Lines of credit	\$35,034,087	\$32,587,007
Current maturities of bonds payable	600,000	575,000
Checks written in excess of deposits	821,747	3,124,396
Accounts payable and accrued expenses	7,876,260	7,415,371
Due to annuitants	52,185	50,599
Due to beneficiaries	20,940	16,747
Collections held for transmittal	314,972	305,290
Due to other institutions	1,922,596	2,656,172
Due to master depository account	-	575,588
Deferred revenue	4,822,467	4,521,737
Total current liabilities	51,465,254	51,827,907
Bonds payable, less current maturities	22,895,000	23,495,000
Due to annuitants, less current maturities	497,255	489,543
Due to beneficiaries, less current maturities	117,445	125,539
Derivative financial instruments	1,132,081	-
Additional minimum pension liability	9,916,299	6,272,050
Additional post-retirement benefit obligation	2,930,238	2,967,787
Deferred revenue	10,929	15,520
Total liabilities	<u>88,964,501</u>	<u>85,193,346</u>
Commitments and contingencies		
Net assets		
Unrestricted	175,383,403	162,592,695
Temporarily restricted	14,671,067	16,364,629
Permanently restricted	7,157,484	7,107,461
Total net assets	<u>197,211,954</u>	<u>186,064,785</u>
Total liabilities and net assets	<u>\$286,176,455</u>	<u>\$271,258,131</u>



CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008
(with Comparative Totals for 2007)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2008	Total 2007
Support and revenue					
Contributions and grants					
General contributions	\$23,828,263	\$223,787	\$22,423	\$24,074,473	\$22,467,573
Bishop's Annual Appeal	-	2,261,866	-	2,261,866	2,353,184
Grants	9,422,454	-	-	9,422,454	5,575,808
Estate donations	1,096,557	-	27,600	1,124,157	419,097
Missions and societies	152,000	-	-	152,000	82,000
Education					
Tuition and fees	29,552,711	-	-	29,552,711	28,603,081
Other	4,491,262	610,957	-	5,102,219	4,720,593
Social and fund-raising	604,293	5,713,584	-	6,317,877	4,625,638
Auxiliary services	455,240	-	-	455,240	427,604
Cemeteries	343,755	-	-	343,755	359,402
Assessments and subsidies	369,702	-	-	369,702	391,543
Investment income	1,080,752	-	-	1,080,752	919,983
Net realized and unrealized gains (losses) from investments	(949,225)	-	-	(949,225)	2,858,978
Other income	2,050,319	-	-	2,050,319	1,444,216
Total support and revenue	72,498,083	8,810,194	50,023	81,358,300	75,248,700
Net assets released from restrictions	10,503,756	-10,503,756	-	-	-
	83,001,839	-1,693,562	50,023	81,358,300	75,248,700
Expenses and other costs					
Operations and administrative services					
Catholic Schools office	40,716,451	-	-	40,716,451	39,901,076
Office of Worship	16,424,538	-	-	16,424,538	16,340,416
Office of the Bishop	2,404,008	-	-	2,404,008	2,420,204
Office of Pastoral Services	2,215,924	-	-	2,215,924	2,161,452
Office of Development and Communication	353,219	-	-	353,219	600,278
Cemeteries	546,731	-	-	546,731	545,571
Total operations and administrative services	62,660,871	-	-	62,660,871	61,968,997
Provision for uncollectible accounts	1,267,856	-	-	1,267,856	1,967,732
Interest expense	3,053,269	-	-	3,053,269	2,642,345
Change in value of split-interest agreements	109,914	-	-	109,914	-120,341
Loss on derivative financial instrument	1,522,745	-	-	1,522,745	87,698
Effect of adoption of SFAS No.158	-	-	-	-	3,091,647
Minimum pension liability adjustment	1,217,381	-	-	1,217,381	(1,948,510)
Postretirement benefits adjustment	379,095	-	-	379,095	460,014
Loss on impairment of property held for sale	-	-	-	-	206,725
Total expenses and other costs	70,211,131	-	-	70,211,131	68,356,307
Increase in net assets	12,790,708	-1,693,562	50,023	11,147,169	6,892,393
Net assets at beginning of the year, as restated	162,592,695	16,364,629	7,107,461	186,064,785	179,172,392
Net assets at end of the year	\$175,383,403	\$14,671,067	\$7,157,484	\$197,211,954	\$186,064,785



CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
Cash flows from operating activities:		
Increase in net assets	\$11,147,169	\$6,892,393
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Amortization	10,075	10,075
Net realized and unrealized (gains) losses from investments	949,225	(2,858,978)
Provision for uncollectible accounts	1,267,856	1,967,732
Minimum pension liability adjustment	1,217,381	(1,948,510)
Effect of adoption of SFAS No.158	-	3,091,647
Postretirement benefits adjustment	379,095	460,014
Loss on derivative financial instruments	1,522,745	87,698
Change in value of split-interest agreements	109,914	(120,341)
Loss on impairment of property held for sale	-	206,725
Changes in operating assets and liabilities		
Current assets	(2,093,519)	(272,610)
Current liabilities	(2,681,568)	807,129
Other assets	(451,073)	511,508
Other liabilities	807	(103,704)
Net cash provided by operating activities	11,378,107	8,730,778
Cash flows from investing activities:		
Net (increase) decrease in investments	(7,184,569)	1,635,974
Expenditures for property and equipment	(5,905,951)	(10,351,217)
Proceeds from sale of real estate	40,000	-
Net cash used in investing activities	(13,050,520)	(8,715,243)
Cash flows from financing activities:		
Proceeds from borrowings on lines of credit	4,613,388	3,873,800
Principal payments on lines of credit	(2,166,308)	(2,099,903)
Principal payments on bonds	(575,000)	(560,000)
Retirement of due to Master Depository Account	(575,588)	-
Net cash provided by financing activities	1,296,492	1,213,897
Net increase (decrease) in cash	(375,921)	1,229,432
Cash at beginning of year	12,648,241	11,418,809
Cash at end of year	\$12,272,320	\$12,648,241
Supplemental cash flow information:		
Cash paid during the year for interest	\$1,990,181	\$2,002,275



NOTES TO CONSOLIDATED FINANCIAL STATEMENT JUNE 30, 2008 AND 2007

Note 1 - Summary of significant accounting policies

Organization and activities

The Diocese of Memphis (the "Diocese") is a non-profit religious organization consisting of parishes and missions, grade schools, jubilee grade schools, high schools, cemeteries and the Administrative Offices. Title to Diocesan property vests in the Bishop and his successors; similarly, Diocesan obligations are those of the Bishop and his successors.

Financial statement presentation

The accompanying consolidated financial statements are presented on the accrual basis and have been prepared in accordance with the AICPA Audit and Accounting Guide for Not-for-Profit Organizations.

The accompanying consolidated financial statements include the financial position, activities and cash flows of all parishes and missions, grade schools, jubilee grade schools, high schools, cemeteries and the Administrative Offices, which operate under Diocesan management and are fiscally responsible to the Bishop. All significant interorganizational balances and transactions have been eliminated to the extent the respective equity of those organizations is combined for purpose of presentation. Various religious orders, lay societies, and religious organizations which operate within the Diocese, but are not fiscally responsible to the Bishop, parishes and related institutions, have not been included in the accompanying consolidated financial statements. Diocesan financial administration costs are allocated to certain other

cost centers in the accompanying consolidated statement of activities. These other cost centers represent the major offices within the Diocese: Catholic Schools office, Office of Worship, Office of the Bishop, Office of Pastoral Services, Office of Development and Communication, and Cemeteries. The cost of Diocesan financial administration, which supports these offices and cemeteries, is allocated to the programs on the proportionate basis of accumulated costs.

The consolidated statement of activities includes certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Diocese's consolidated financial statements for the year ended June 30, 2007, from which the summarized information was derived.

Support and revenue

The Diocese receives support from a variety of sources including contributions from individuals, estates, missions and societies. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending upon the existence or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Support that is restricted by the donor and investment income limited to specific uses by donor-imposed

restrictions are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions derived from the Bishop's Annual Appeal are for the operations of the Administrative Offices, including subsidies for various funded agencies. These contributions are restricted for use during the subsequent fiscal year. Accordingly, all contributions for the subsequent fiscal year's Annual Appeal have been recognized as temporarily restricted contributions and will be released from restriction on July 1st of the following fiscal year in order to support operations for that year.

The advance tuition and fees received from students for the 2008/2009 school year are recorded as deferred revenue at June 30, 2008. The revenue will be recognized during the fiscal year ending June 30, 2009. The contributions derived from campaign pledge drives are recorded as temporarily restricted until the respective project is substantially complete, at which time the net assets will be reclassified to unrestricted net assets in the statement of activities.



NOTES TO CONSOLIDATED FINANCIAL STATEMENT JUNE 30, 2008 AND 2007

Cash equivalents

The Diocese classifies short-term, highly liquid investments that are readily convertible to known amounts of cash as investments rather than cash equivalents regardless of maturity date. Accordingly, cash for purposes of the consolidated statements of cash flows does not include cash equivalents, restricted cash or cash classified as temporarily or permanently restricted assets.

Receivables

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates, and amortization of the discounts is included in contribution revenue.

Receivables are stated at the amount management expects to collect from outstanding balances. Management monitors outstanding balances and provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based upon its assessments of the current status of individual accounts. Balances that are still outstanding after a reasonable period of time has elapsed are generally written off through a charge to the valuation allowance and a credit to the appropriate receivable.

Investments

Investments are stated at fair value as determined by quoted market prices for the respective investments. The consolidated statement of activities includes realized gains and losses and unrealized appreciation and depreciation. Investment

income is recorded net of custodial fees of \$35,752 and \$23,577 for the years ended June 30, 2008 and 2007, respectively.

Property and equipment

The land for thirty-two of the forty-eight parishes and missions, as well as six other properties owned by the Diocese, have been excluded from the accompanying consolidated financial statements. The cost of such land is not readily determinable, since most of it was developed more than thirty-five years ago. Current zoning regulations indicate that this land is restricted for a single purpose and, accordingly, has no determinable commercial resale value. Due to the absence of certain records, most of the buildings and equipment recorded upon the founding of the Diocese in 1971 are stated at insurance appraisal value. Other property and equipment are stated at cost if purchased or constructed, or the estimated fair value on the date received if donated.

Real estate

Real estate is valued at its fair value at the time of donation. Management periodically evaluates real estate holdings for impairment (see note 6).

Long-lived assets

The Diocese recognizes impairment losses on long-lived assets when events and circumstances indicate that the assets might be impaired. The Diocese recognized impairment loss on certain properties in the amount of \$206,725 during the year ended June 30, 2007 (see note 6). There was no such loss recognized for the year ended June 30, 2008.

Bond issue costs

Bond issue costs consist of financing fees and costs associated with the issuance of the bonds payable (see note 9). These costs are being amortized using the straight-line method over the term of bonds. Amortization expense related to these costs was \$10,075 for each of the years ended June 30, 2008 and 2007. Accumulated amortization was \$51,220 and \$41,145 at June 30, 2008 and 2007, respectively.

Income taxes

The Diocese is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is similarly exempt from Tennessee state income taxes under provisions of the Tennessee tax regulations. Accordingly, no provision for income taxes is included in the accompanying consolidated financial statements. The Diocese is not a private foundation.

Donated services and products

A substantial number of volunteers and contributors donated significant amounts of their time and/or products to the Diocese in promoting and assisting with various special fundraising events and other programs. No amounts have been included in the accompanying consolidated financial statements to reflect the value of such donated services and products since no objective basis is available to measure them.

Use of estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting prin-



NOTES TO CONSOLIDATED FINANCIAL STATEMENT JUNE 30, 2008 AND 2007

ciples. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the 2007 financial statements to conform to the 2008 presentation.

Note 2 - Contributions receivable

Contributions receivable at June 30, 2008 and 2007 are net of an allowance for uncollectible accounts of \$2,199,666 and \$2,336,579, respectively, and present value discounts of \$1,095,032 and \$929,724, respectively. At June 30, 2008 and 2007, contributions receivable consists of the following:

	2008 Current	2008 Long-term	2007 Current	2007 Long-term
Bequests	\$450,000	\$ -	\$ -	\$ -
Bishop's Annual Appeal	1,127,735	-	1,009,324	-
Capital Endowment Campaign	-	555,357	-	640,575
Cathedral of the Immaculate Conception	-	-	49,903	-
Church of the Incarnation	827,861	816,999	204,563	256,722
Church of the Nativity	58,486	12,978	58,575	53,723
Holy Rosary Church	292,719	191,993	290,367	415,861
Jubilee Capital Campaign	265,078	-	741,992	-
Our Lady of Perpetual Help Church	-	-	196,227	-
Our Lady of the Lake Church Pickwick	35,925	-	28,081	6,938
Resurrection School	507,007	-	-	-
Sacred Heart Church, Humboldt	941	-	481	-
St. Ann Church, Bartlett	481,348	99,529	449,849	628,891
St. Anne Church, Highland	\$22,791	\$39,604	\$56,677	\$111,242
St. Benedict High School	33,541	9,245	56,175	45,685
St. Brigid Church	-	-	39,146	-
St. Francis of Assisi Church	262,077	-	803,779	-
St. Mary Church, Jackson	195,446	914,890	-	-
St. Mary Church, Memphis	11,961	-	11,395	-
St. Mary Church, Savannah	37,226	38,360	109,309	-
St. Therese Church	30,962	12,791	44,506	23,058
St. William Church	57,930	106,458	62,145	171,327
	<u>\$4,699,034</u>	<u>\$2,798,204</u>	<u>\$4,212,494</u>	<u>\$2,354,022</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENT JUNE 30, 2008 AND 2007

Note 2 - Contributions receivable (continued)

At June 30, 2008 and 2007, expected collections of contributions receivable net of present value discounts are as follows:

	2008	2007
Within one year	\$4,699,034	\$4,212,494
One to five years	2,242,847	1,713,447
Over five years	555,357	640,575
	<hr/>	<hr/>
	\$7,497,238	\$6,566,516
	<hr/>	<hr/>

Note 3 - Receivables from other institutions

Receivables from other institutions represent amounts advanced to or borrowed on behalf of religious organizations which operate within the Diocese and are as follows at June 30, 2008 and 2007:

	2008	2007
Advances:		
Employee benefits	\$1,282,924	\$982,349
Miscellaneous receivables	451,495	471,441
Bank loans:		
Catholic Memphis Urban Schools, Inc.	1,513,715	1,500,000
Catholic Charities, Inc.	780,114	829,449
Employee Pension Plan	503,958	-
Diocese of Memphis Housing Corporation	23,103	25,461
St. Peter Villa	-	52,123
	<hr/>	<hr/>
	4,555,309	3,860,823
Less allowance for uncollectible accounts	<hr/>	<hr/>
	456,238	574,690
	<hr/>	<hr/>
	\$4,099,071	\$3,286,133
	<hr/>	<hr/>

NOTES TO CONSOLIDATED FINANCIAL STATEMENT JUNE 30, 2008 AND 2007

Note 4 - Notes receivable and other

At June 30, 2008 and 2007, notes and other receivables are as follows:

	2008	2007
Note receivable - St. Peter Manor, unsecured, bearing interest at 6.875%, due June, 2019	\$146,750	\$138,141
Note receivable - St. Patrick's Housing Corporation, unsecured, non-interest bearing, due upon demand	172,517	177,829
Note receivable - St. Mary Manor, unsecured, bearing interest at 7.625%, due August, 2021	48,276	45,184
Note receivable - Fr. Werkhoven, unsecured, bearing interest at 5.0%, due April, 2024	36,333	37,814
Note receivable - Dixon, unsecured, bearing interest at 6.25%, due January, 2015	29,026	32,483
Other notes receivable	44,112	104,134
Trade receivables	235,002	313,344
Tuition receivables	1,590,237	1,626,414
Other receivables	88,273	109,377
	<hr/>	<hr/>
	2,390,526	2,584,720
Less allowance for uncollectible accounts	1,857,210	1,849,346
	<hr/>	<hr/>
	\$533,316	\$735,374
	<hr/>	<hr/>

Note 5 - Investments

The fair value of investments at June 30, 2008 and 2007 is summarized as follows:

	2008	2007
Money market funds	\$16,221,274	\$9,949,173
Mutual funds - fixed income	6,611,672	6,922,578
Common stocks	6,487,222	8,237,326
Limited partnerships	4,455,565	3,744,745
Common/collective trust funds - equities	2,762,972	3,109,619
Mutual funds - equities	1,323,365	34,795
Certificates of deposit	881,885	205,000
U.S. Government obligations	27,507	25,341
Notes and mortgages	2,000	309,541
	<hr/>	<hr/>
	\$38,773,462	\$32,538,118
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NOTES TO CONSOLIDATED FINANCIAL STATEMENT JUNE 30, 2008 AND 2007

Note 6 - Real estate

At June 30, 2008 and 2007, real estate consists of the following properties in Shelby County:

	2008	2007
Summer Avenue - undeveloped land	\$310,261	\$310,261
Holmes Road - undeveloped land	-	40,000
Raleigh Millington Road - undeveloped land	50,000	50,000
North Second Street and Exchange Avenue - rental property	80,642	80,642
Dellwood Boulevard - rental property	32,500	32,500
	<hr/>	<hr/>
	\$473,403	\$513,403

During 2007, the Holmes Road and Raleigh-Millington properties were set to be sold at auction. Neither property received the minimum bid requirement of \$50,000 set by the Diocese, and were deemed to be impaired. The Holmes Road property was sold subsequent to June 30, 2007 for \$40,000. As a result, the value of the property was written down to \$40,000 as of June 30, 2007. The Raleigh-Millington Road property value was reduced to the minimum bid requirement of \$50,000.

Note 7 - Property and equipment

At June 30, 2008 and 2007, property and equipment consists of the following:

2008	Cost Land and Improvements	Cost Buildings and Equipment	1971 Appraisal	Total
Administrative offices	\$1,066,526	\$12,833,005	\$712,327	\$14,611,858
Parish churches and rectories	2,710,537	116,810,259	17,788,335	137,309,131
Parish and Diocesan schools	4,982,747	47,158,055	12,062,828	64,203,630
Cemeteries and other Diocesan institutions	-	2,148,318	748,473	2,896,791
	<hr/>	<hr/>	<hr/>	<hr/>
	\$8,759,810	\$178,949,637	\$31,311,963	\$219,021,410

2007	Cost Land and Improvements	Cost Buildings and Equipment	1971 Appraisal	Total
Administrative offices	\$1,066,526	\$12,754,951	\$712,327	\$14,533,804
Parish churches and rectories	2,710,537	113,628,554	17,742,335	134,081,426
Parish and Diocesan schools	4,982,747	44,530,183	12,108,828	61,621,758
Cemeteries and other Diocesan institutions	-	2,129,998	748,473	2,878,471
	<hr/>	<hr/>	<hr/>	<hr/>
	\$8,759,810	\$173,043,686	\$31,311,963	\$213,115,459

NOTES TO CONSOLIDATED FINANCIAL STATEMENT JUNE 30, 2008 AND 2007

Note 7 - Property and equipment con't.

Included in buildings and equipment, at cost, at June 30, 2008 and 2007 is \$1,064,440 of capitalized interest relating to the construction of Incarnation Sanctuary and Grade School, and St. William Family Life Center (2007), and St. Benedict High School (2006). Included in restricted cash at June 30, 2008 and 2007 are certificates of deposit with a total value of \$10,000. These deposits are to ensure that the proper curb and drainage work is performed on the St. Benedict High School property. Once the work is deemed adequate by the City of Memphis, the restrictions on this cash will be lifted.

Note 8 - Lines of credit

The Diocese has lines of credit with various banks which are classified as current debt. Outstanding lines of credit at June 30, 2008 and 2007 are summarized as follows:

	2008	2007
Regions Bank, Tranche A - maximum aggregate line of credit - \$5,000,000 in 2008 and 2007, variable interest rate, 30 day LIBOR plus one hundred and forty basis points (3.86% at June 30, 2008), unsecured, matures April, 2010	\$ 5,000,000	\$ 5,000,000
Regions Bank, Tranche B - maximum aggregate line of credit - \$29,820,000 in 2008 and 2007, variable interest rate, bank prime rate less one hundred and fifty basis points (3.50% at June 30, 2008), unsecured, matures April, 2010	18,296,709	18,883,512
Allied Irish Bank, maximum aggregate line of credit - \$13,500,000 in 2008 and \$10,000,000 in 2007, variable interest rate, 30 day LIBOR plus one hundred and twenty-five basis points (3.71% at June 30, 2008), unsecured, matures June, 2009	11,737,378	8,703,495
	<hr/>	<hr/>
	\$ 35,034,08	\$ 32,587,007
	<hr/>	<hr/>

During fiscal 2008, Regions Bank agreed to extend the line of credit agreement for a two-year period, instead of a one-year renewal. Also during fiscal 2008, Allied Irish Bank, at the request of the Diocese of Memphis, increased the available line of credit from \$10,000,000 to \$13,500,000.



NOTES TO CONSOLIDATED FINANCIAL STATEMENT JUNE 30, 2008 AND 2007

Note 9 - Bonds payable

In May 2003, the Diocese was involved in the issuance of variable rate demand revenue bonds by the Health, Educational and Housing Facility Board of the County of Shelby, Tennessee of \$25,170,000 for the St. Benedict at Auburndale High School Project (the "Project"). Interest is due monthly at a variable rate determined by the remarketing agreement. In connection with the Project, the Diocese followed the policy of capitalizing interest as a component of the cost of property and equipment constructed for its own use.

Principal payments due May, 2009 through May, 2033 are as follows

Fiscal Year	Amount
2009	\$600,000
2010	620,000
2011	645,000
2012	665,000
2013	690,000
Thereafter	20,275,000
	<hr/>
	\$23,495,000
	<hr/>

The Diocese is required to maintain a letter of credit for the outstanding principal amount of the bonds. Pursuant to the reimbursement agreement with the letter of credit provider, the Diocese is subject to various restrictive provisions and a debt service coverage ratio. The letter of credit is collateralized by capital campaign pledges related to the Project.

Note 10 - Charitable gift annuities

The Administrative Offices is a party to charitable gift annuity arrangements under which donors make gifts to the Diocese and, in turn, receive income payments for the remainder of their lives. Under the agreements, annuity payments are made quarterly. The expected future cash flows to be paid to the annuitants are discounted to present values using the IRS discount rate. Related assets are recognized at fair value when received, with contributions of \$16,000 and \$5,000 received in fiscal 2008 and 2007, respectively. Over the term of the annuity, the discount is amortized, resulting in a change in value of \$55,703 and \$35,286 in fiscal 2008 and 2007, respectively. Changes in value due to the death of an annuitant totaled \$13,642 in fiscal 2008 and \$35,971 in fiscal 2007, respectively. Due to the significant decrease in discount rates during fiscal 2008, the Diocese revalued all annuities using the current IRS discount rate, 3.8%, resulting in a \$65,000 increase to the annuity liability. Amounts due to annuitants totaled \$549,440 and \$540,142 at June 30, 2008 and 2007, respectively.

Note 11 - Master Depository Account

The Diocese maintained a cash management program for all parishes, schools, and cafeterias located in Shelby County to maximize interest earned. A centralized bank account called the Master Depository Account was established in 1980 for the depositing of funds received by participating parishes, schools, and cafeterias.

Effective October 1, 2007, the Master Depository Account was discontinued. The balance due from Administrative Offices of \$575,588 was repaid, and positive balances were dispersed to the individual parishes and schools. Negative balances of approximately \$3,700,000 at September 30, 2007 had to be funded through additional borrowings by the Diocese.

NOTES TO CONSOLIDATED FINANCIAL STATEMENT JUNE 30, 2008 AND 2007

Note 12 - Derivative financial instruments

In July 2003, the Diocese entered into an interest rate swap contract under which the Diocese agreed to pay a fixed-rate of interest times a notional principal amount, and to receive in return an amount equal to a specified variable rate of interest times a notional principal amount. No other cash payments are made unless the contract is terminated prior to maturity, in which case the amount paid or received in settlement is established by an agreement at the time of termination, and usually represents the net present value, at current rates of interest, of the remaining obligations to exchange payments under the terms of the contract. During August and September, 2006, the Diocese entered into three additional interest rate swap contracts with terms similar to the 2003 contract. The interest rate swaps under which the Diocese has agreed to pay a fixed rate of interest are considered to be hedges against the change in the amount of future cash flows associated with the Diocese's bond and bank loan interest payments.

Outstanding interest rate swap contracts at June 30, 2008 and 2007 are summarized as follows:

Swap	Notional Principal	Fixed Rate	Variable Rate	Termination Date	2008 Asset (Liability)	2007 Asset (Liability)
2003	12,585,000	3.610	% of LIBOR	5/1/1933	\$(337,518)	\$428,239
Aug-06	5,000,000	5.405	% of 30 day LIBOR	8/15/2011	(249,934)	(18,832)
Sep-06 (a)	5,000,000	5.400	% of 30 day LIBOR	9/1/2011	(275,782)	(9,371)
Sep-06 (b)	5,000,000	5.450	% of 30 day LIBOR	9/1/2013	(275,782)	(9,371)
Nov-08	1,600,000	5.710	% of 30 day LIBOR	3/15/2018	6,735	-
					<u>\$(1,132,281)</u>	<u>\$390,665</u>

In the unlikely event that the counterparty fails to perform under the contracts, the Diocese bears the risk that payments due to the Diocese may not be collected. The swap contract which began in July, 2003 was guaranteed by Lehman Brothers Holding, Inc. The Lehman Brothers bankruptcy has created concern for the viability of the contract. The Diocese is working with certain parties to resolve contract viability.

The amounts recorded for all swap contracts have been combined as a net liability on the accompanying 2008 consolidated statement of financial position.



NOTES TO CONSOLIDATED FINANCIAL STATEMENT JUNE 30, 2008 AND 2007

Note 13 - Restricted net assets

A summary of temporarily restricted net assets as of June 30, 2008 and 2007 is as follows:

	2008	2007
Administrative offices:		
Bishop's Annual Appeal Pledges	\$2,261,866	\$2,353,184
Jubilee Schools Scholarship Trust	1,064,694	1,030,960
Jubilee Capital Campaign Pledges	1,007,259	1,007,259
DeMere Charitable Unitrust	429,263	429,263
Gadomski Scholarship Trust	378,457	190,000
Carey Scholarship Trust	165,335	165,335
Senior Priest Endowment	125,357	125,357
Msgr. Kleiser Faculty House Trust	112,180	112,180
Big Shoulders Trust Fund	37,500	37,500
Pidgeon/DeMere Family Fund	22,362	25,243
Teacher Incentive Fund	15,312	35,083
Jubilee Schools Education Fund	15,000	35,000
Sister Ruth Education Fund	15,000	15,000
Hispanic Leader Fund	14,327	19,014
Other	24,458	36,884
	<hr/> 5,688,370	<hr/> 5,617,262
Cemeteries' perpetual care accounts	753,795	753,795
Parish pledge drives:		
Holy Rosary Church	1,884,707	1,916,282
Church of Incarnation	1,650,433	-
Church of Holy Spirit	513,300	351,317
St. Mary Church, Camden	172,323	170,798
St. Augustine Church	165,112	175,337
St. Anne Church, Highland	152,482	425,495
St. Mary Church, Savannah	142,170	301,922
Holy Cross Church	116,905	77,917
Church of Resurrection	112,858	98,668
St. Michael Church	110,125	407,289
Our Lady of the Lake Church, Pickwick	81,578	-
Immaculate Conception, Union City	81,460	81,460
St. Mary Church, Memphis	73,254	136,677
Holy Family Mission	44,052	62,421
St. Alphonsus Church, Covington	28,831	17,905
St. Paul Church	26,425	17,825
St. James Church	24,482	11,956
St. Matthew Mission, Humboldt	4,454	-
Holy Angels Church	4,215	7,790
St. John Church, Brownsville	3,677	1,847
Church of Ascension, Memphis	2,371	369,677
Our Lady of Perpetual Help Church	-	1,838,346
Church of Nativity	-	647,445
St. Brigid Church	-	435,285
St. Louis Church	-	45,677
St. Francis of Assisi Church	-	36,674

NOTES TO CONSOLIDATED FINANCIAL STATEMENT JUNE 30, 2008 AND 2007

Note 13 - Restricted net assets con't.

	2008	2007
St. Mary Jackson - convent	2,262,703	507,018
St. William Church - debt reduction	227,625	312,099
Cathedral of the Immaculate Conception - organ	37,746	37,746
St. Therese - debt reduction	29,798	-
St. Ann Church, Bartlett - debt reduction	-	1,169,258
	<u>2,557,872</u>	<u>2,026,121</u>
High schools:		
St. Benedict High School	184,415	171,441
Memphis Catholic High School	24,401	10,000
	<u>208,816</u>	<u>181,441</u>
Jubilee schools:		
Holy Names School	22,546	-
Anonymous Grant	20,317	150,000
Little Flower School	8,424	-
St. John School	5,203	-
St. Augustine School	5,000	-
De La Salle School	4,690	-
St. Patrick School	570	-
Resurrection School	250	-
	<u>67,000</u>	<u>150,000</u>
Temporarily restricted net assets	<u>\$14,671,067</u>	<u>\$16,364,629</u>

A summary of permanently restricted net assets as of June 30, 2008 and 2007 is as follows:

	2008	2007
Administrative offices:		
Jubilee School Scholarship Trust	\$2,560,416	\$2,560,416
Forsdick Scholarship Trust	2,036,190	2,036,190
Seminarian Education Trust	796,117	796,117
Walsh Trust	663,919	663,919
Canale Scholarship Trust	433,979	433,979
Todd Education Trust	125,897	125,897
Hearst Scholarship Trust	100,000	100,000
Sister Graeber Memorial Endowment	30,000	30,000
Dr. Sullivan Memorial Endowment	10,000	10,000
	<u>6,756,518</u>	<u>6,756,518</u>
Parishes:		
St. Louis Church	227,308	199,708
Grade schools:		
Our Lady of Perpetual Help Elementary School	123,828	123,828
Immaculate Conception Elementary School	27,407	27,407
St. Francis School	22,423	-
	<u>173,658</u>	<u>151,235</u>
Permanently restricted net assets	<u>\$7,157,484</u>	<u>\$7,107,461</u>

The following is a summary of the assets released from restrictions for fiscal 2008 and 2007:

	2008	2007
Expenses incurred satisfying the restricted purposes	\$8,150,572	\$4,117,568
Bishop's Annual Appeal - occurrence of time period specified by the donors	2,353,184	2,032,212
	<u>\$10,503,756</u>	<u>\$6,149,780</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENT JUNE 30, 2008 AND 2007

Note 14 - Retirement Plans

In September, 2006, the FASB issued SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - An Amendment of FASB Statements No. 87, 88, 106 and 132(R). This statement requires not-for-profit organizations to recognize a net liability or asset and an offsetting charge to unrestricted net assets to report the funded status of defined benefit pension and other postretirement benefit plans with the measure of funded status being the difference between fair value of plan assets and the projected benefit obligation. The statement requires prospective application. The recognition and disclosure requirements are effective for entities with fiscal years ending after June 15, 2007. Additionally, SFAS No. 158 requires organizations to measure plan assets and obligations at their year-end balance sheet date. This requirement is effective for fiscal years ending after December 15, 2008. The effects of implementation for the year ended June 30, 2008 and 2007 are as shown in the tables below.

On July 1, 1973, the Diocese adopted Diocese of Memphis Priests' Retirement Plan ("Priest Plan"). The Priest Plan is a non-contributory defined benefit plan covering all eligible priests assigned to the Diocese. Benefits are paid to retired priests based on years of service. Contributions are based upon actuarial computations. The Administrative Offices act as the receiving agent for parish and institutional contributions, which are forwarded to the trustee. Prior service costs are being funded over a thirty (30) year period, after giving effect to actuarial gains or losses.

The following table presents a summary of plan assets, projected benefit obligation, funded status and benefit activity of the priests' plan as of June 30, 2008 and 2007:

	2008	2007
Fair value of plan assets	\$4,482,021	\$4,892,170
Projected benefit obligation	(3,304,365)	(3,889,437)
Funded status	1,177,656	1,002,733
Unrecognized prior service cost	91,529	103,766
Unrecognized transition asset	(82,794)	(94,246)
Unrecognized actuarial gain	(8,735)	(331,865)
Effect of adoption of SFAS No. 158	-	322,345
Prepaid pension cost recognized in the accompanying statements of financial position	\$1,177,656	\$1,002,733

Actuarial assumptions used to calculate the projected benefit obligation were as follows for the years ended June 30, 2008 and 2007:

	2008	2007
Weighted-average assumptions as of June 30:		
Discount rate	6.5%	7.0%
Rate of compensation increase	N/A	N/A
Additional required disclosures for the priests' plan:		
Benefits paid	\$162,116	\$225,710
Accumulated benefit obligation	\$3,304,365	\$3,889,437

NOTES TO CONSOLIDATED FINANCIAL STATEMENT JUNE 30, 2008 AND 2007

Note 14 - Retirement plans con't.

The components of the net periodic benefit cost for the years ended June 30, 2008 and 2007 are as follows:

	2008	2007
Service cost	\$55,020	\$48,203
Interest cost	206,072	262,402
Expected return on plan assets	(307,122)	(278,947)
Net amortizations:		
Amortization of initial net asset	(11,452)	(11,452)
Amortization of prior service cost	12,237	12,237
Amortization of net (gain)/loss	(422)	-
Net periodic benefit cost	<u>\$(45,667)</u>	<u>\$32,443</u>

Actuarial assumptions used to calculate the net periodic benefit cost were as follows for the years ended June 30, 2008 and 2007:

	2008	2007
Weighted-average assumptions as of July 1:		
Discount rate	7.00%	7.00%
Expected return on plan assets	7.50%	7.50%
Rate of compensation increase	N/A	N/A

Prepaid pension costs as of June 30, 2008 and 2007 are as follows:

	2008	2007
Balance at beginning of year	\$1,002,733	\$467,166
Net periodic pension cost	(45,667)	(32,443)
Employer contributions	220,590	245,665
Effect of adoption of SFAS No. 158	-	322,345
Balance at end of year	<u>\$1,177,656</u>	<u>\$1,002,733</u>

Expected future benefit payments for the next ten years are as follows:

2009	\$195,075
2010	192,647
2011	199,132
2012	224,795
2013	228,765
2014-2018	1,197,252



NOTES TO CONSOLIDATED FINANCIAL STATEMENT JUNE 30, 2008 AND 2007

Note 14 - Retirement plans con't.

The fair value of plan assets as of June 30, 2008 is as follows:

Common stocks	\$1,831,249
Mutual funds - fixed income	808,801
Common/collective trust fund	788,527
Alternative investments	717,533
Cash and cash equivalents	335,911
	<hr/>
	\$4,482,021
	<hr/>

On July 1, 1974, the Diocese adopted Diocese of Memphis Employees' Retirement Plan (the "Employee Plan"). The Employee Plan is a non-contributory defined benefit plan covering all full time lay employees of the Diocese and related organizations included in this report as well as those related entities not included in these financial statements. Prior service costs are being funded over a thirty (30) year period, after giving effect to actuarial gains or losses. Benefits paid to retirees is based upon years of credited service, employment status, and compensation. Contributions by the Diocese are based upon actuarial computations. The Diocese executed an agreement to freeze accumulated benefits as of August 31, 2007. Accordingly, no new participants have been admitted to the Plan after that date and years of credited service were frozen on that date.

The following table presents a summary of plan assets, projected benefit obligation, funded status and benefit activity of the lay employees' plan as of June 30, 2008 and 2007:

	2008	2007
Fair value of plan assets	\$40,373,098	\$40,276,003
Projected benefit obligation	48,371,310	47,038,276
	<hr/>	<hr/>
Funded status	(7,998,212)	(6,762,273)
Unrecognized prior service cost	(2,833,791)	(3,224,659)
Unrecognized transition obligation	1,766,210	2,613,907
Unrecognized actuarial loss	10,929,249	6,882,802
	<hr/>	<hr/>
Prepaid (accrued) pension cost recognized in the accompanying consolidated statements of financial position resulting from normal amortization of unrecognized pension costs	\$1,863,456	\$(490,223)
	<hr/>	<hr/>

NOTES TO CONSOLIDATED FINANCIAL STATEMENT JUNE 30, 2008 AND 2007

Note 14 - Retirement Plans con't.

Actuarial assumptions used to calculate the projected benefit obligation were as follows for the years ended June 30, 2008 and 2007:

	2008	2007
Weighted-average assumptions as of June 30:		
Discount rate	6.5%	7.0%
Rate of compensation increases	4.0%	4.0%

Additional required disclosures for the employees' plan:

Benefits paid	\$1,751,038	\$1,467,387
Accumulated benefit obligation	\$48,371,310	\$43,624,284

The components of the net periodic pension benefit for the years ended June 30, 2008 and 2007 are as follows:

	2008	2007
Service cost	\$98,717	\$489,205
Interest cost	3,050,248	2,927,632
Expected return on plan assets	(2,979,439)	(2,681,596)
Amortization of initial obligation	207,103	261,391
Amortization of prior service cost	(390,868)	(390,868)
Amortization of net loss	476,354	-
Net periodic benefit cost	\$462,115	\$605,764

Actuarial assumptions used to calculate the net periodic pension benefit were as follows for the years ended June 30, 2008 and 2007:

	2008	2007
Weighted-average assumptions as of July 1, 2007:		
Discount rate	7.00%	7.00%
Expected return on plan assets	7.50%	7.50%
Rate of compensation increase	4.00%	4.00%

Prepaid (accrued) pension benefit costs as of June 30, 2008 and 2007 are as follows:

	2008	2007
Balances at beginning of year	\$(490,223)	\$(1,825,642)
Net periodic pension cost	(462,115)	(605,767)
Employer contributions	2,815,794	1,941,186
Balances at end of year	\$1,863,456	\$(490,223)



NOTES TO CONSOLIDATED FINANCIAL STATEMENT JUNE 30, 2008 AND 2007

Note 14 - Retirement Plans con't.

The projected benefit obligation exceeds the fair value of the plan assets requiring recognition of an additional minimum pension liability as of June 30, 2008 and 2007. This additional liability is summarized as follows:

	2008	2007
Fair value of plan assets	\$40,373,098	\$40,276,003
Projected benefit obligation	(48,371,310)	(47,038,276)
Excess of projected benefit obligation over fair value of plan assets	(7,998,212)	(6,762,273)
Prepaid (accrued) pension costs previously recognized	1,863,456	(490,223)
Additional minimum pension liability recognized in the consolidated statements of financial position	\$(9,861,668)	\$(6,272,050)

The minimum pension liability as reflected on the fiscal 2008 and 2007 statements of activities has been reduced by additional minimum pension liabilities owed by related Diocesan organizations and non-Diocesan entities and adjustments to the prepaid benefit costs recognized for the separate defined benefit plan covering the priests.

Expected future benefit payments for the next ten years are as follows:

2009	\$1,878,396
2010	1,978,502
2011	2,131,114
2012	2,296,037
2013	2,501,927
2014-2018	15,787,991

The fair value of plan assets as of June 30, 2008 consists of the following:

Common stocks	\$15,419,285
Alternative investments	7,689,601
Common/collective trust fund	7,531,966
Mutual funds - fixed income	6,741,083
Cash and cash equivalents	2,991,163
	<u>\$40,373,098</u>

On September 1, 2007, the Diocese adopted Diocese of Memphis Lay Employees' Retirement Plan (the "Lay Plan"). The Lay Plan is a non-contributory defined benefit plan covering all full time lay employees of the Diocese and related organizations included in this report as well as those related entities not included in these financial statements. Prior service costs are being funded over a thirty (30) year period, after giving effect to actuarial gains or losses. Benefits are paid to retirees based upon years of service, employment status, and compensation. Contributions by the Diocese are based upon actuarial computations.

The following table presents a summary of plan assets, projected benefit obligation, funded status and benefit activity of the lay employees' plan as of June 30, 2008:

NOTES TO CONSOLIDATED FINANCIAL STATEMENT JUNE 30, 2008 AND 2007

Note 14 - Retirement Plans con't.

Fair value of plan assets	\$51,823
Projected benefit obligation	503,469
Funded status	<u>(451,646)</u>
Unrecognized prior service cost	-
Unrecognized transition asset	-
Unrecognized actuarial loss	54,631
Accrued current pension costs recognized in the accompanying consolidated statement of financial position	<u><u>\$(397,015)</u></u>

Actuarial assumptions used to calculate the projected benefit obligation were as follows for the year ended June 30, 2008:

Weighted-average assumptions as of December 31:

Discount rate	6.50%
Rate of compensation increases	4.00%

Additional disclosures:

Benefits paid	<u>\$198</u>
Accumulated benefit obligation	<u><u>\$398,777</u></u>

The components of the net periodic benefit costs for the year ended June 30, 2008 is as follows:

Service cost	\$456,890
Interest cost	-
Expected return on plan assets	(1,875)
Amortization of initial obligation	-
Amortization of prior service cost	-
Loss	<u>-</u>
Net periodic benefit cost	<u><u>\$455,015</u></u>

Actuarial assumptions used to calculate the net periodic pension cost were as follows for the year ended June 30, 2008:

Weighted-average assumptions as of June 30, 2008:

Discount rate	7.0%
Expected return on plan assets	7.5%
Rate of compensation increases	4.0%



NOTES TO CONSOLIDATED FINANCIAL STATEMENT JUNE 30, 2008 AND 2007

Note 14 - Retirement Plans con't.

Accrued pension costs as of June 30, 2008 are as follows:

Balance at beginning of year	\$ -
Net periodic pension cost	(455,015)
Employer contributions	58,000
Balance at end of year	<u><u>\$(397,015)</u></u>

The projected benefit obligation exceeds the fair value of the plan assets requiring recognition of an additional minimum pension liability as of June 30, 2008. This additional liability is summarized as follows:

Fair value of plan assets	\$51,823
Projected benefit obligation	<u>(503,469)</u>
Excess of projected benefit obligation over fair value of plan assets	(451,646)
Accrued pension liability previously recognized	<u>(397,015)</u>
Additional minimum pension liability recognized in the consolidated statements of financial position	<u><u>\$(54,631)</u></u>

The minimum pension liability as reflected on the fiscal 2008 statement of activities has been reduced by additional minimum pension liabilities owed by related Diocesan organizations and non-Diocesan entities and adjustments to the prepaid pension costs recognized for the separate defined benefit plan covering the priests.

Expected future benefit payments for the next ten years are as follows:

2009	\$9,615
2010	15,887
2011	31,294
2012	52,012
2013	74,375
2014-2018	941,410

The fair value of plan assets as of June 30, 2008 is as follows:

Cash and equivalents	<u>\$ 51,823</u>
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For all plans, the rate used for the expected return on plan assets is within an acceptable range of typical long-term expected return on plan asset assumptions used by actuaries and is based upon the expected return on each asset class together with consideration of the long-term asset strategy on the plan sponsor.

NOTES TO CONSOLIDATED FINANCIAL STATEMENT JUNE 30, 2008 AND 2007

Note 15 - Postretirement benefit obligation

The Diocese pays all healthcare costs incurred for its retired priests. Historically, this obligation has been unfunded, and costs have been paid and recorded as incurred. For the year ended June 30, 2007, the Diocese adopted SFAS No. 106, Accounting for Postretirement Benefits Other than Pensions (see note 20).

The following table presents a summary of plan assets, accumulated benefit obligation, funded status and benefit activity of the retired priests' plan as of June 30, 2008 and 2007:

	2008	2007
Fair value of plan assets	\$ -	\$ -
Accumulated benefit obligation	4,218,030	3,838,935
Funded status	(4,218,030)	(3,838,935)
Unrecognized prior service cost	3,008,059	3,226,192
Unrecognized actuarial gain	(77,821)	(258,405)
Accrued current postretirement benefit obligation recognized in the accompanying consolidated statements of financial position	<u>\$(1,287,792)</u>	<u>\$(871,148)</u>
Benefits paid	<u>\$174,756</u>	<u>\$123,321</u>

The components of the net periodic postretirement benefit cost for the years ended June 30, 2008 and 2007 is as follows:

	2008	2007
Service cost	\$116,645	\$93,811
Interest cost	256,622	248,563
Net amortizations:		
Prior service cost	218,133	218,133
Recognized gains	-	(10,918)
Net periodic postretirement benefit cost	<u>\$591,400</u>	<u>\$549,589</u>

Actuarial assumptions used to calculate the accumulated benefit obligation and net periodic benefit cost were as follows for the years ended June 30, 2008 and 2007:

	2008	2007
Weighted-average assumptions as of June 30:		
Discount rate	6.5%	7.0%

For fiscal years 2008 and 2007, the health care cost trend rate is 10% in the current year and graded to 5% in year six and beyond.



NOTES TO CONSOLIDATED FINANCIAL STATEMENT JUNE 30, 2008 AND 2007

Note 15 - Postretirement benefit obligation con't.

Accrued postretirement benefit costs as of June 30, 2008 and 2007 are as follows:

	2008	2007
Balances at beginning of year	\$(871,148)	\$(444,880)
Net periodic postretirement pension cost	(591,400)	(549,589)
Employer contributions	174,756	123,321
Balances at end of year	<u>\$(1,287,792)</u>	<u>\$(871,148)</u>

As this obligation is unfunded, the accumulated benefit obligation exceeds the fair value of the plan assets requiring recognition of an additional postretirement liability as of June 30, 2008 and 2007. This additional liability is summarized as follows:

	2008	2007
Fair value of plan assets	\$ -	\$ -
Accumulated benefit obligation	4,218,030	3,838,935
Excess of accumulated benefit obligation over fair value of plan assets	(4,218,030)	(3,838,935)
Accrued postretirement benefit liability previously recognized and reflected as a current liability	1,287,792	871,148
Additional minimum liability recognized in the consolidated statements of financial position	<u>\$(2,930,238)</u>	<u>\$(2,967,787)</u>

Expected future benefit payments for the next ten years are as follows:

2009	\$141,188
2010	149,143
2011	160,197
2012	186,937
2013	199,026
2014-2018	1,158,325

NOTES TO CONSOLIDATED FINANCIAL STATEMENT JUNE 30, 2008 AND 2007

Note 16 - Other employee benefit plans

It is Diocesan policy to self-insure for health and medical benefits for its employees. The Diocese accrues its estimated liability for these self-insured benefits, including an estimate for incurred but not reported claims, and maintains stop-loss insurance for those individual claims exceeding \$150,000 for 2008 and 2007. Amounts accrued totaled \$1,058,177 and \$1,591,374 at June 30, 2008 and 2007, respectively.

The Diocese maintains an Employee Flexible Benefits Plan (Cafeteria Plan) for full time employees. The plan is qualified under Section 125 of the Internal Revenue Code, Cafeteria Compensation Plans. The plan includes various medical and life insurance coverages, childcare reimbursement accounts, medical care reimbursement accounts, and other qualified pretax benefits. The plan is funded by both employer and employee contributions dependent upon the benefits selected. The Diocese serves as the receiving agent in the administration of the funding for this plan.

Note 17 - Legal matters

As of June 30, 2008, the Diocese is involved in various legal matters. Management has consulted with legal counsel regarding the status and potential outcome of these matters. Based upon these consultations, management has concluded that the amount of potential financial exposure cannot be reasonably estimated as of June 30, 2008. Insurance coverage has been exhausted on one claim and any settlement costs or litigation awards for this claim will be paid from the operations of the Diocese.

Note 18 - Concentration of risk

The Diocese has concentrated its credit risk for cash by maintaining deposits in financial institutions which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation. The Diocese has not experienced any losses in such accounts and management believes the Company is not exposed to significant credit risk to cash.

Note 19 - Prior period adjustment

During the year ended June 30, 2008, an error was discovered in previously reported net assets. Permanently restricted contributions totaling \$199,708 were incorrectly recorded as unrestricted contributions for the year ended June 30, 2007. As a result, unrestricted net assets were overstated by \$199,708 and permanently restricted net assets were understated by \$199,708 as of June 30, 2007. The unrestricted and permanently restricted net assets as of June 30, 2007 have been restated in the accompanying financial statements to properly reflect the nature of the contributions.

Note 20 - Subsequent events

The Diocese invests in various investment securities. Subsequent to June 30, 2008, the fair value of the Diocese's investments has declined significantly due to the ongoing financial market crisis. The fair value of the Diocese's investments has decreased approximately 21% as of November, 2008.



DIOCESE OF MEMPHIS

Consolidating Statement of Financial Position June 30, 2008 and 2007

	Diocesan Administrative Offices	Diocesan Activities					Combined Total	Eliminations	2008 Consolidated Total	2007 Consolidated Total
		Parishes		Jubilee Schools	High Schools	Cemeteries				
		Churches	Schools							
Assets										
Current assets										
Cash	\$ 2,026,428	\$ 7,622,019	\$ 1,964,543	\$ 108,603	\$ 550,252	\$ 475	\$ 12,272,320	\$ -	\$ 12,272,320	\$ 12,648,241
Restricted cash	-	-	-	-	10,000	-	10,000	-	10,000	10,000
Receivables, net										
Contributions	1,842,813	2,315,673	-	507,007	33,541	-	4,699,034	-	4,699,034	4,212,494
Other institutions	64,575,278	8,159,658	4,487,141	-	1,187,316	95,338	78,504,731	(74,405,660)	4,099,071	3,286,133
Notes and other	151,101	268,183	7,859	53,263	1,545	51,365	533,316	-	533,316	735,374
Prepaid expenses	75,706	-	-	16,576	-	-	92,282	-	92,282	85,464
Total current assets	68,671,326	18,365,533	6,459,543	685,449	1,782,654	147,178	96,111,683	(74,405,660)	21,706,023	20,977,706
Contributions receivable	555,357	2,233,602	-	-	9,245	-	2,798,204	-	2,798,204	2,354,022
Investments	37,649,699	2,684,594	1,643,427	31,043	686,128	1,708,429	44,403,320	(5,629,858)	38,773,462	32,538,118
Prepaid pension costs	3,041,112	-	-	-	-	-	3,041,112	-	3,041,112	1,002,733
Property and equipment	14,611,859	137,263,131	14,838,440	10,272,235	39,138,954	2,896,791	219,021,410	-	219,021,410	213,115,459
Real estate	473,403	-	-	-	-	-	473,403	-	473,403	513,403
Derivative financial instruments	-	-	-	-	-	-	-	-	-	390,665
Bond issue costs, net	251,035	-	-	-	-	-	251,035	-	251,035	261,110
Other assets	-	87,933	18,454	5,419	-	-	111,806	-	111,806	104,915
Total Assets	\$ 125,253,791	\$160,634,793	\$ 22,959,864	\$ 10,994,146	\$ 41,616,981	\$ 4,752,398	\$ 366,211,973	\$ (80,035,518)	\$ 286,176,455	\$ 271,258,131
Liabilities and Net Assets										
Current liabilities										
Lines of credit	\$ 35,034,087	\$ 23,739,518	\$ 4,807,140	\$ -	\$ 2,139,317	\$ -	\$ 65,720,062	\$ (30,685,975)	\$ 35,034,087	\$ 32,587,007
Current maturities of bonds payable	600,000	-	-	-	-	-	600,000	-	600,000	575,000
Checks written in excess of deposits	-	5,875	16,553	79,317	720,002	-	821,747	-	821,747	3,124,396
Accounts payable and accrued expenses	3,140,391	1,698,965	1,881,857	446,610	696,151	12,286	7,876,260	-	7,876,260	7,415,371
Due to annuitants	52,185	-	-	-	-	-	52,185	-	52,185	50,599
Due to beneficiaries	20,940	-	-	-	-	-	20,940	-	20,940	16,747
Collections held for transmittal	17,103	-	29,830	-	268,039	-	314,972	-	314,972	305,290
Due to other institutions	20,274,200	3,149,307	2,764,222	445,129	24,217,986	421,295	51,272,139	(49,349,543)	1,922,596	2,656,172
Due to master depository account	-	-	-	-	-	-	-	-	-	575,588
Deferred revenue	11,354	-	2,561,891	56,413	2,192,809	-	4,822,467	-	4,822,467	4,521,737
Total current liabilities	59,150,260	28,593,665	12,061,493	1,027,469	30,234,304	433,581	131,500,772	(80,035,518)	51,465,254	51,827,907
Bonds payable, less current maturities	22,895,000	-	-	-	-	-	22,895,000	-	22,895,000	23,495,000
Due to annuitants, less current maturities	497,255	-	-	-	-	-	497,255	-	497,255	489,543
Due to beneficiaries, less current maturities	117,445	-	-	-	-	-	117,445	-	117,445	125,539
Derivative financial instruments	1,138,816	(6,735)	-	-	-	-	1,132,081	-	1,132,081	-
Additional minimum pension liability	9,916,299	-	-	-	-	-	9,916,299	-	9,916,299	6,272,050
Accrued post-retirement benefit obligation	2,930,238	-	-	-	-	-	2,930,238	-	2,930,238	2,967,787
Deferred revenue	-	-	-	-	-	10,929	10,929	-	10,929	15,520
Total liabilities	96,645,313	28,586,930	12,061,493	1,027,469	30,234,304	444,510	169,000,019	(80,035,518)	88,964,501	85,193,346
Net assets										
Unrestricted	16,163,590	123,867,469	10,724,713	9,899,677	11,173,861	3,554,093	175,383,403	-	175,383,403	162,592,695
Temporarily restricted	5,688,370	7,953,086	-	67,000	208,816	753,795	14,671,067	-	14,671,067	16,364,629
Permanently restricted	6,756,518	227,308	173,658	-	-	-	7,157,484	-	7,157,484	7,107,461
Total net assets	28,608,478	132,047,863	10,898,371	9,966,677	11,382,677	4,307,888	197,211,954	-	197,211,954	186,064,785
Total liabilities and net assets	\$ 125,253,791	\$160,634,793	\$ 22,959,864	\$ 10,994,146	\$ 41,616,981	\$ 4,752,398	\$ 366,211,973	\$ (80,035,518)	\$ 286,176,455	\$ 271,258,131

DIOCESE OF MEMPHIS
Consolidating Statement of Activities of Unrestricted Net Assets
For the Year Ended June 30, 2008
With Summarized Financial Information for the Year Ended June 30, 2007

	2008										2007 Consolidated Total (Memorandum Only)	
	Diocesan Administrative Offices	Parishes Churches	Schools	Jubilee Schools	High Schools	Cemeteries	Combined Total	Eliminations	Consolidated Total	Allocations	Consolidated Total	
Support and revenue												
Contributions and grants												
General	\$ 3,161,093	\$ 21,184,276	\$ 206,490	\$ 22,235	\$ 612,492	\$ -	\$ 25,186,586	\$ (1,358,323)	\$ 23,828,263	\$ -	\$ 23,828,263	\$ 22,189,038
Grants	20,000	10,299	705,350	7,710,902	975,903	-	9,422,454	-	9,422,454	-	9,422,454	5,425,808
Estate donations	102,591	993,966	-	-	-	-	1,096,557	-	1,096,557	-	1,096,557	419,097
Missions and societies	152,000	-	-	-	-	-	152,000	-	152,000	-	152,000	82,000
Education												
Tuition and fees	-	-	20,199,443	987,238	8,483,530	-	29,670,211	(117,500)	29,552,711	-	29,552,711	28,603,081
Other	-	-	4,087,264	124,546	349,597	-	4,561,407	(70,145)	4,491,262	-	4,491,262	3,350,551
Social and fund-raising		223,966	253,121	67,444	26,620	33,142	604,293	-	604,293	-	604,293	720,168
Auxiliary services	578,939	-	-	-	-	-	578,939	(123,699)	455,240	-	455,240	427,604
Cemeteries	-	-	-	-	-	343,755	343,755	-	343,755	-	343,755	359,402
Assessments and subsidies	3,182,284	501,683	324,956	456,859	1,048,688	-	5,514,470	(5,144,768)	369,702	-	369,702	391,543
Investment income	825,282	539,392	135,947	5,980	39,348	32,220	1,578,169	(497,417)	1,080,752	-	1,080,752	919,983
Net realized and unrealized gains (losses) from investments	(781,200)	(93,338)	(21,904)	5,412	-	(58,195)	(949,225)	-	(949,225)	-	(949,225)	2,858,978
Other income	1,054,064	751,447	21,035	-	680,389	4,842	2,511,777	(461,458)	2,050,319	-	2,050,319	1,444,216
Total support and revenue	8,295,053	24,111,691	25,911,702	9,380,616	12,216,567	355,764	80,271,393	(7,773,310)	72,498,083	-	72,498,083	67,191,469
Net assets released from restrictions	2,414,545	7,422,629	59,821	216,701	390,060	-	10,503,756	-	10,503,756	-	10,503,756	6,149,780
	10,709,598	31,534,320	25,971,523	9,597,317	12,606,627	355,764	90,775,149	7,773,310	83,001,839	-	83,001,839	73,341,249
Expenses and other costs												
Operations and administrative services												
Catholic Schools office	1,024,831	-	24,020,753	6,529,452	9,513,420	-	41,088,456	(1,429,741)	39,658,715	1,057,736	40,716,451	39,901,076
Office of Worship	572,797	15,842,725	-	-	-	-	16,415,522	(417,662)	15,997,860	426,678	16,424,538	16,340,416
Office of the Bishop	2,493,485	-	-	-	-	-	2,493,485	(151,929)	2,341,556	62,452	2,404,008	2,420,204
Office of Pastoral Services	741,908	1,435,601	-	-	-	-	2,177,509	(19,150)	2,158,359	57,565	2,215,924	2,161,452
Office of Development & Communication	353,375	-	-	-	-	-	353,375	(9,332)	344,043	9,176	353,219	600,278
Cemeteries	-	-	-	-	-	545,078	545,078	(12,550)	532,528	14,203	546,731	545,571
Financial administration	1,651,580	-	-	-	-	-	1,651,580	(23,770)	1,627,810	(1,627,810)	-	-
Total operations and administrative services	6,837,976	17,278,326	24,020,753	6,529,452	9,513,420	545,078	64,725,005	(2,064,134)	62,660,871	-	62,660,871	61,968,997
Subsidies - Diocesan entities	639,085	3,302,134	385,519	137,076	677,800	-	5,141,614	(5,141,614)	-	-	-	-
Provision for uncollectible accounts	24,205	418,381	454,530	169,714	167,937	33,089	1,267,856	-	1,267,856	-	1,267,856	1,967,732
Interest expense	738,820	1,378,663	378,056	-	1,124,674	618	3,620,831	(567,562)	3,053,269	-	3,053,269	2,642,345
Change in value of split-interest agreements	109,914	-	-	-	-	-	109,914	-	109,914	-	109,914	(120,341)
Loss (gain) on derivative financial instrument	1,529,480	(6,735)	-	-	-	-	1,522,745	-	1,522,745	-	1,522,745	87,698
Effect of adopting SFAS No.158	-	-	-	-	-	-	-	-	-	-	-	3,091,647
Minimum pension liability adjustment	97,549	275,111	570,449	92,988	169,984	11,300	1,217,381	-	1,217,381	-	1,217,381	(1,948,510)
Post-retirement benefits adjustment	379,095	-	-	-	-	-	379,095	-	379,095	-	379,095	460,014
Loss on impairment of property held for sale	-	-	-	-	-	-	-	-	-	-	-	206,725
Total expenses and other costs	10,356,124	22,645,880	25,809,307	6,929,230	11,653,815	590,085	77,984,441	(7,773,310)	70,211,131	-	70,211,131	68,356,307
Increase (decrease) in net assets	353,474	8,888,440	162,216	2,668,087	952,812	(234,321)	12,790,708	-	12,790,708	-	12,790,708	4,984,942
Net assets at beginning of year, as restated	15,810,116	112,847,019	12,924,486	4,970,496	12,252,164	3,788,414	162,592,695	-	162,592,695	-	162,592,695	157,607,753
Transfer of net assets	-	2,132,010	(2,361,989)	2,261,094	(2,031,115)	-	-	-	-	-	-	-
Net assets at end of year	\$ 16,163,590	\$ 123,867,469	\$ 10,724,713	\$ 9,899,677	\$ 11,173,861	\$ 3,554,093	\$ 175,383,403	\$ -	\$ 175,383,403	\$ -	\$ 175,383,403	\$ 162,592,695

DIOCESE OF MEMPHIS
Consolidating Statement of Activities of Temporarily Restricted Net Assets
For the Year Ended June 30, 2008
With Summarized Financial Information for the Year Ended June 30, 2007

	2008						2007
	Diocesan Administrative Offices	Parishes Churches	Schools	Jubilee Schools	High Schools	Cemeteries	Consolidated Total (Memorandum Only)
Support and revenue							
Contributions and grants							
General	\$ 223,787	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,827
Bishop's Annual Appeal	2,261,866	-	-	-	-	-	2,353,184
Jubilee 2000 Capital Campaign	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	150,000
Estate donations	-	-	-	-	-	-	-
Missions and societies	-	-	-	-	-	-	-
Education							
Tuition and fees	-	-	-	-	-	-	-
Other	-	-	59,821	133,701	417,435	-	1,370,042
Social and fund-raising	-	5,713,584	-	-	-	-	3,905,470
Auxiliary services	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-
Assessments and subsidies	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-
Net realized and unrealized gains (losses) from investments	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-
Total support and revenue	2,485,653	5,713,584	59,821	133,701	417,435	-	7,857,523
Net assets released from restrictions	(2,414,545)	(7,422,629)	(59,821)	(216,701)	(390,060)	-	(6,149,780)
	71,108	(1,709,045)	-	(83,000)	27,375	-	1,707,743
Expenses and other costs							
Operations and administrative services							
Catholic Schools office	-	-	-	-	-	-	-
Office of Worship	-	-	-	-	-	-	-
Office of the Bishop	-	-	-	-	-	-	-
Office of Pastoral Services	-	-	-	-	-	-	-
Office of Development & Communication	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-
Financial administration	-	-	-	-	-	-	-
Total operations and administrative services	-	-	-	-	-	-	-
Change in value of split-interest agreements	-	-	-	-	-	-	-
Total expenses and other costs	-	-	-	-	-	-	-
Increase (decrease) in net assets	71,108	(1,709,045)	-	(83,000)	27,375	-	1,707,743
Net assets at beginning of year	5,617,262	9,662,131	-	150,000	181,441	753,795	14,656,886
Net assets at end of year	\$ 5,688,370	\$ 7,953,086	\$ -	\$ 67,000	\$ 208,816	\$ 753,795	\$ 16,364,629

DIOCESE OF MEMPHIS

For the Year Ended June 30, 2008

With Summarized Financial Information for the Year Ended June 30, 2007

				2008				2007
	Diocesan	Parishes		Jubilee	High		Consolidated	Consolidated
	Administrative	Churches	Schools	Schools	Schools	Cemeteries	Total	Total
	Offices							(Memorandum Only)
Support and revenue								
Contributions and grants								
General	\$ -	\$ -	\$ 22,423	\$ -	\$ -	\$ -	\$ 22,423	\$ 199,708
Bishop's Annual Appeal	-	-	-	-	-	-	-	-
Jubilee 2000 Capital Campaign	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-
Estate donations	-	27,600	-	-	-	-	27,600	-
Missions and societies	-	-	-	-	-	-	-	-
Education								
Tuition and fees	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Social and fund-raising	-	-	-	-	-	-	-	-
Auxiliary services	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-
Assessments and subsidies	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-
Net realized and unrealized gains								
(losses) from investments	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-
Total support and revenue	-	27,600	22,423	-	-	-	50,023	199,708
Net assets released from restrictions	-	-	-	-	-	-	-	-
	-	27,600	22,423	-	-	-	50,023	199,708
Expenses and other costs								
Operations and administrative services								
Catholic schools office	-	-	-	-	-	-	-	-
Office of Worship	-	-	-	-	-	-	-	-
Office of the Bishop	-	-	-	-	-	-	-	-
Office of Pastoral Services	-	-	-	-	-	-	-	-
Office of Development &								
Communication	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-
Financial Administration	-	-	-	-	-	-	-	-
Total operations and administrative	-	-	-	-	-	-	-	-
services	-	-	-	-	-	-	-	-
Increase (decrease) in net assets	-	27,600	22,423	-	-	-	50,023	199,708
Net assets at beginning of year, as restated	6,756,518	199,708	151,235	-	-	-	7,107,461	6,907,753
Net assets at end of year	\$ 6,756,518	\$ 227,308	\$ 173,658	\$ -	\$ -	\$ -	\$ 7,157,484	\$ 7,107,461

DIOCESE OF MEMPHIS

Consolidated Schedules of Lines of Credit June 30, 2008 and 2007

	2008	2007
Regions Bank		
Bishop Byrne High School	\$ 10,826	\$ 28,029
Catholic Center	1,242,205	1,261,883
Church of the Ascension	-	8,498
Church of the Incarnation	7,603,258	7,805,408
Church of the Nativity	1,359,855	1,490,350
Diocese of Memphis Future Cash Overdrafts	52,616	-
Diocese of Memphis Housing Corporation	23,103	25,461
Diocese of Memphis Pension Plan	503,958	-
Holy Names Church	22,384	-
Holy Rosary Church	50,949	55,919
Our Lady of Perpetual Help Church	-	399,943
Our Lady of Sorrows School	35,000	-
St. Ann Church, Bartlett	5,245,034	5,318,720
St. Benedict at Auburndale School	2,128,491	2,198,302
St. Francis of Assisi Church	4,390,504	4,538,621
St. Jude Church, Selmer	-	33,473
St. Michael School	40,000	-
St. Peter Villa Nursing Home	-	51,528
St. William Church	588,526	667,377
	<u>23,296,709</u>	<u>23,883,512</u>
Allied Irish Bank		
Calvary Cemetery, Memphis	-	4,042
Catholic Center	474,088	-
Catholic Charities, Inc.	780,114	829,449
Cathedral Schools	406,620	-
Church of the Incarnation	374,549	398,842
Catholic Memphis Urban Schools	1,513,715	1,500,000
Holy Names Church	56,101	-
Our Lady of the Lake Church	79,373	131,804
Our Lady of Sorrows Church	85,526	-
Our Lady of Sorrows School	146,004	-
St. Ann Church, Bartlett	83,929	112,328
St. Anne Church	255,869	284,682
St. Anne School	1,021,564	-
St. Brigid Church	2,136,843	2,262,296
St. Mary Church, Memphis	2,058,556	2,154,358
St. Mary Church, Savannah	640,832	707,068
St. Michael Church	517,391	-
St. Michael School	917,500	116,069
St. Therese Church	188,804	202,557
	<u>11,737,378</u>	<u>8,703,495</u>
Total lines of credit	<u>\$ 35,034,087</u>	<u>\$ 32,587,007</u>



OUR LADY QUEEN OF PEACE RETREAT CENTER

Catholic Diocese of Memphis

Diocesan Crest

The colors of the diocesan arms, a red field with white and blue accents, are taken from the State Flag of Tennessee; in heraldry, however, white is always shown as metallic silver. The principal charge, a silver pyramid crowned with the Christian cross, recalls the ancient city of Memphis, the capital of Egypt in the pharaonic age. The cross, the sign of faith, is indicative of the Christianity of modern Memphis. The blue wavy bars on the upper division of the shield symbolize the two rivers that constitute the boundaries of the diocese, the Tennessee and the Mississippi. The small mountains – “montini” in Italian – are a play on the family name of Pope Paul VI, who established the diocese in 1971. They are also reminiscent of the mountains of Tennessee.



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