ADMINISTRATIVE OFFICES
OF THE
ARCHDIOCESE OF ATLANTA

Consolidated Financial Statements
for the years ended
June 30, 2013 and 2012

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Contents

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INDEPENDENT AUDITORS' REPORT

His Excellency
The Most Reverend Wilton D. Gregory
Archbishop of Atlanta
Atlanta, Georgia

We have audited the accompanying consolidated financial statements of the Administrative Offices of the Archdiocese of Atlanta and subsidiaries (Administrative Offices), which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Administrative Offices preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Administrative Offices internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Administrative Offices as of June 30, 2013 and 2012 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Carr, Riggs & Ingram, LLC

Atlanta, Georgia
November 15, 2013

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Consolidated Statements of Financial Position

	June 30, 2013				June 30, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets								
Cash and cash equivalents	$ 30,791,897	$ -	$ -	$ 30,791,897	$ 3,362,018	$ -	$ -	$ 3,362,018
Investments at fair value	53,806,685	24,892,126	64,891,652	143,590,463	47,251,339	21,315,170	62,392,666	130,959,175
Escrowed deposits	208,174			208,174	208,091			208,091
Accounts receivable	6,651,871			6,651,871	9,580,119			9,580,119
Promises to give	5,950,229			5,950,229	6,519,773			6,519,773
Loans receivable-parishes and agencies	61,748,542			61,748,542	69,470,292			69,470,292
Property and equipment, net	152,458,136			152,458,136	156,910,375			156,910,375
Other assets	10,081,126	-	-	10,081,126	10,431,148	-	-	10,431,148
Total assets	$321,696,660	$24,892,126	$64,891,652	$411,480,438	$303,733,155	$21,315,170	$62,392,666	$387,440,991
Liabilities and Net Assets								
Accounts payable and accrued expenses	$ 20,964,980	$ -	$ -	$ 20,964,980	$ 23,232,492	$ -	$ -	$ 23,232,492
Custodial funds payable	-		14,645,621	14,645,621	-		14,437,763	14,437,763
Deposits payable	71,390,964			71,390,964	63,866,537			63,866,537
Interest rate swap liability	9,332,197			9,332,197	12,685,279			12,685,279
Deferred revenue	47,417,407			47,417,407	42,777,480			42,777,480
Notes payable	2,000,000			2,000,000	3,828,257			3,828,257
Bonds and notes payable	73,765,000	-	-	73,765,000	76,720,000	-	-	76,720,000
Total liabilities	224,870,548	-	14,645,621	239,516,169	223,110,045	-	14,437,763	237,547,808
Net assets								
Investment funds	21,719,169	-	-	21,719,169	19,650,199	-	-	19,650,199
Insurance funds	26,380,825			26,380,825	17,705,537			17,705,537
Plant funds	(8,211,923)			(8,211,923)	(4,686,448)			(4,686,448)
Undesignated	56,938,041			56,938,041	47,953,822			47,953,822
Restricted	-	24,892,126	50,246,031	75,138,157	-	21,315,170	47,954,903	69,270,073
Total net assets	96,826,112	24,892,126	50,246,031	171,964,269	80,623,110	21,315,170	47,954,903	149,893,183
Total liabilities and net assets	$321,696,660	$24,892,126	$64,891,652	$411,480,438	$303,733,155	$21,315,170	$62,392,666	$387,440,991

See notes to consolidated financial statements.

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA
Consolidated Statements of Activities

	Year Ended June 30, 2013				Year Ended June 30, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues								
Parishes and missions								
Contributions	$ 7,318,783	$ -	$ -	$ 7,318,783	$ 7,133,904	$ -	$ -	$ 7,133,904
Assessments	20,511,347			20,511,347	20,016,388			20,016,388
Continuing care	11,289,333			11,289,333	10,659,324			10,659,324
Education	37,314,848			37,314,848	36,440,440			36,440,440
Insurance premiums	19,139,161			19,139,161	19,042,570			19,042,570
Other contributions	4,097,054	567,042	1,430,988	6,095,084	21,457,836	4,175,680	639,040	26,272,556
Investment income	1,996,142	1,449,538	842	3,446,522	1,880,925	1,523,500	889	3,405,314
Other	1,126,248			1,126,248	1,192,043			1,192,043
Net assets released from restrictions	3,297,242	(3,297,242)	-	-	3,871,255	(3,871,255)	-	-
Total revenues	106,090,158	(1,280,662)	1,431,830	106,241,326	121,694,685	1,827,925	639,929	124,162,539
Expenses								
Administrative support	8,233,117	-	-	8,233,117	8,439,690	-	-	8,439,690
Pastoral	13,050,044			13,050,044	15,513,948			15,513,948
Education	45,714,451			45,714,451	45,475,501			45,475,501
Social services	837,919			837,919	2,369,455			2,369,455
Insurance services	13,886,243			13,886,243	19,431,181			19,431,181
Continuing care	9,935,400			9,935,400	9,555,347			9,555,347
Other	2,015,484			2,015,484	2,131,622			2,131,622
Depreciation and amortization	6,636,122	-	-	6,636,122	6,338,712	-	-	6,338,712
Total expenses	100,308,780	-	-	100,308,780	109,255,456	-	-	109,255,456
Excess of revenues over expenses before gains and (losses)	5,781,378	(1,280,662)	1,431,830	5,932,546	12,439,229	1,827,925	639,929	14,907,083
Gains and (losses)								
Investments - Realized and unrealized	4,675,938	4,857,618	549,298	10,082,854	120,666	(403,406)	(5,984)	(288,724)
Interest rate swap agreements	3,353,082			3,353,082	(3,631,595)			(3,631,595)
Disposal of property and equipment	29,501	-	-	29,501	(24,602)	-	-	(24,602)
Total gains and (losses)	8,058,521	4,857,618	549,298	13,465,437	(3,535,531)	(403,406)	(5,984)	(3,944,921)
Change in net assets	13,839,899	3,576,956	1,981,128	19,397,983	8,903,698	1,424,519	633,945	10,962,162
Other ASC 715 pension (charge) credit	2,673,103			2,673,103	(4,110,089)			(4,110,089)
Net assets transfers	(310,000)		310,000	-	(3,360,000)	75,000	3,285,000	-
Net assets at beginning of year	80,623,110	21,315,170	47,954,903	149,893,183	79,189,501	19,815,651	44,035,958	143,041,110
Net assets at end of year	$96,826,112	$24,892,126	$50,246,031	$171,964,269	$80,623,110	$21,315,170	$47,954,903	$149,893,183

See notes to consolidated financial statements.

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Consolidated Statements of Cash Flows

	Year Ended June 30, 2013	Year Ended June 30, 2012
Cash flows from operating activities		
Change in net assets	$19,397,983	$ 10,962,162
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation and amortization	6,636,122	6,338,712
Amortization of entrance fees	(1,011,699)	(979,114)
(Gain) loss on disposal of property and equipment	(29,501)	24,602
Realized and unrealized (gain) loss on investments	(10,082,854)	288,724
(Gain) loss on interest rate swap agreements	(3,353,082)	3,631,595
Restricted contributions	(1,430,988)	(639,040)
In-kind contributions	-	(850,000)
Decrease in accounts receivable	2,578,603	322,974
Decrease in promises to give	569,544	323,255
(Increase) decrease in other assets	155,961	(3,786,252)
Increase (decrease) in accounts payable and accrued expenses	405,591	(796,036)
Increase (decrease) in deferred revenue	2,290,182	(181,927)
Net cash provided by operating activities	16,125,862	14,659,655
Cash flows from investing activities		
Proceeds from sale and maturity of investments	136,826,536	88,579,077
Purchase of investments	(139,385,792)	(105,509,187)
Net increase in entrance fee escrow fund	(83)	(93)
Parish and mission loans	(6,158,697)	(4,128,762)
Parish and mission loan repayments	13,880,446	9,280,726
Proceeds from sale of property and equipment	2,754,858	-
Purchase of property and equipment	(4,680,179)	(5,468,690)
Net cash provided (used) by investing activities	3,237,089	(17,246,929)
Cash flows from financing activities		
Increase (decrease) in notes payable	(1,828,257)	3,828,257
Payments on bonds and notes payable	(2,955,000)	(13,688,333)
Proceeds from residents entrance fees	3,686,910	1,069,554
Restricted contributions received	1,430,988	639,040
Parish and mission deposits received	28,588,118	16,798,629
Parish and mission deposits paid	(21,063,689)	(15,912,950)
Increase in custodial funds payable	207,858	9,049,853
Net cash provided by financing activities	8,066,928	1,784,050
Net increase (decrease) in cash and cash equivalents	27,429,879	(803,224)
Cash and cash equivalents, beginning of the year	3,362,018	4,165,242
Cash and cash equivalents, end of the year	$30,791,897	$ 3,362,018

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Note 1 - Summary of significant accounting policies

Basis of reporting

The accompanying consolidated financial statements include the accounts and transactions of the Administrative Offices of the Archdiocese of Atlanta and the accounts and transactions of the following separate entities which are affiliated with or related to the Administrative Offices of the Archdiocese of Atlanta:

AoA Properties Holding, Inc.
Archdiocese Captive Insurance Cell
Catholic Construction Services, Inc.
Catholic Continuing Care Retirement Communities, Inc.
Catholic Education of North Georgia, Inc.
The Catholic Foundation of North Georgia, Inc.

All of the consolidated organizations are collectively referred to in this report as the Archdiocese. All significant intercompany transactions have been eliminated in consolidation.

Subsidies to auxiliary services and programs are included but detailed operations of such subsidized activities are not included in the accounts of the Administrative Offices and, accordingly, are not included in the accompanying consolidated financial statements. Moreover, this report does not include the financial statements of the parishes and missions of the Archdiocese of Atlanta.

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Actual results could differ from those estimates.

Subsequent events have been evaluated through November 15, 2013, which is the date that the financial statements were available to be issued.

A summary of the significant accounting principles the Archdiocese applied in the preparation of th accompanying financial statements follows.

Financial Statement Presentation

The Archdiocese is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted Net Assets

Unrestricted net assets are utilized to account for support from parishes and missions and other revenues that are unrestricted in nature. Donor-restricted contributions whose restrictions are met in the year of contribution are reported as unrestricted support.

Temporarily Restricted Net Assets

Temporarily restricted net assets are utilized to account for contributions that are donor-restricted for uses which have not yet been fulfilled either in time or by purpose.

Permanently Restricted Net Assets

Permanently restricted net assets are utilized to account for true endowments whereby the donor has permitted the Archdiocese to use the income for operations, but has prohibited the use of principal.

Income Taxes

The Archdiocese is a religious organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the financial statements. Income from certain activities not directly related to the tax-exempt purpose of nonprofit entities is subject to taxation as unrelated business income. The Archdiocese considers all of its activities to be directly related to its exempt purpose in 2013 and 2012. The Archdiocese believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Archdiocese considers all unrestricted highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments in marketable securities

The Archdiocese carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are recognized as changes in net assets in the periods they occur. Investment income and realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Accounts receivable

Accounts receivable are primarily due from Archdiocesan parishes, missions, and schools for insurance premiums and assessments owed to the Administrative Offices. The carrying amounts of receivables have been reduced by a valuation allowance of $4,900,000 and $2,560,000 at June 30, 2013 and 2012, respectively.

Promises to give

Promises to give that are scheduled to be received after the end of the reporting period are shown as increases in temporarily restricted net assets and reclassified to unrestricted net assets when the purpose or time restriction is met. Promises to give subject to donor-imposed restrictions that the corpus is maintained permanently are recognized as increases in permanently restricted net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted and carried at the present value of estimated future cash flows. Amortization of the discount is recorded as contribution revenue.

The Archdiocese uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting periods. Actual results could differ from the estimates.

Property and equipment

Property and equipment are recorded at cost if acquired by purchase and at fair market value at the date of receipt if acquired by gift. Maintenance and repairs are charged to operations and major improvements are capitalized. Upon retirement, sale or other disposition, the cost and accumulated depreciation are eliminated from the accounts and any gain or loss is included in the statements of activities. Property and equipment at June 30, 2013 and 2012, consisted of the following:

Notes to Consolidated Financial Statements
June 30, 2013 and 2012

	2013	2012
Land	$ 24,807,242	$ 27,247,929
Land improvements	7,159,857	7,079,947
Buildings	151,434,689	150,534,659
Furniture and equipment	32,152,633	30,579,430
Automobiles	1,456,821	1,429,050
Construction in progress	1,351,170	96,091
	218,362,412	216,967,106
Less accumulated depreciation	(65,904,276)	(60,056,731)
Property and equipment, net	$152,458,136	$156,910,375

Depreciation is computed using the straight-line method over the following estimated useful lives:

Land improvements	15 years
Buildings	40-50 years
Furniture and equipment	3-10 years
Automobiles	5-7 years

Depreciation expense for 2013 and 2012 was $6,407,061 and $6,130,933, respectively.

Land, buildings and equipment are pledged in part to secure bonds payable (Note 5).

Construction in progress consists of costs incurred on construction projects that have not been completed and placed in service as of year-end. At June 30,2013, construction in progress primarily consisted of the construction of a new residence for the Archbishop. This project is expected to be completed during fiscal year 2014.

Deferred charges

Costs incurred for issuance of bonds to finance schools and a life care facility are included in other assets in the consolidated statements of financial position. Bond issuance costs, totaling $1,896,540, have been capitalized and are being amortized over the life of the bonds using the interest method. Amortization of bond issuance costs for the years ended June 30, 2013 and 2012, totaled $80,502 and $81,339, respectively, and accumulated amortization at June 30, 2013 and 2012, totaled $881,048 and $800,546, respectively. These balances are included in other assets.

Interest rate swaps

The Organization holds derivative financial instruments for the purpose of hedging the risk of certain identifiable and anticipated transactions. In general, the types of risks hedged are those relating to the variability of LIBOR-based variable payments on bonds payable. In hedging the transactions, the Archdiocese, in the normal course of business, holds interest rate swaps whose purpose is to fix interest payments. Interest rate swaps are further disclosed in Note 6.

Self insurance program

The Archdiocese self-insures for certain levels of property, liability, workers' compensation and employee medical coverage. The self-insurance program is operated by the Administrative Offices and covers substantially all of the parishes and agencies within the Archdiocese. The Archdiocese collects premiums from the parishes and agencies to fund the program and limits its losses through the use of stop-loss policies through reinsurers. Self-insurance costs are accrued based on claims reported as well as an estimated liability for claims incurred but not reported. The total accrued liability for self-insurance costs was $2,030,000 and $2,225,000 at June 30, 2013 and 2012, respectively.

In order to help manage self-insurance risks related to property and liability the Archdiocese participates in a protected captive insurance cell within the Catholic Relief Insurance Company of America II (CRIC II). The Administrative office obtains insurance coverage from the protected cell and bears a risk of loss from claims in excess of premiums paid to the cell. Based on the control of the protected cell and the structure of CRIC II, the assets and liabilities of the captive cell have been consolidated within the Administrative offices. Insurance premium payments to the protected cell during the year ended June 30, 2013, were $4,000,000. The cell was not active and no premiums were incurred during the year ended June 30, 2012.

Contributions

Contribution revenues are recorded as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions that are not fulfilled in the accounting period. Contributions subject to donor-imposed restrictions are recorded as temporarily restricted support and are reclassified to unrestricted support when the donor-imposed restriction has been fulfilled or the stipulated time period has elapsed.

Revenue recognition - Catholic Continuing Care Retirement Communities, Inc.

Revenues for Catholic Continuing Care Retirement Communities, Inc. (CCCRC) are primarily generated from monthly fees for the independent living units, amortization of entrance fees, and monthly fees and per diem charges for assisted living units and skilled nursing beds. Additional revenue is also generated from ancillary services such as activity fees, additional housekeeping, guest meals, and beauty services.

Entrance fees that are expected to be non-refundable to the resident are recorded as deferred revenue and are amortized into revenue using the straight-line method over the estimated remaining life expectancy of the resident, as determined by actuarial life expectancy tables. The remaining life expectancy is re-evaluated annually and amortization periods adjusted accordingly. Entrance fees that are refundable to the resident to the extent of subsequent re-occupancy proceeds are recorded as deferred revenue and are amortized into revenue using the straight-line method over the estimated remaining useful life of the facility.

Notes to Consolidated Financial Statements
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Residency agreements

All residents at Catholic Continuing Care Retirement Communities are required to sign a residency agreement that defines the terms of their residency at the Community. The residency agreement requires an entrance fee ranging from approximately $190,000 to $500,000. The entrance fee is 80%, 90%, or 95% refundable at the time the resident no longer lives at the Community. Except under special circumstances stipulated in the agreement, residents receive their refund after receipt of sufficient proceeds to fully refund the obligation from the next remarketing and occupancy of a similar residence.

Note 2 - Investments

At June 30, 2013 and 2012, investments consisted of the following:

	2013		2012	
	Fair Value	Cost	Fair Value	Cost
Short-term investments	$ 4,909,689	$ 4,909,689	$ 5,939,147	$ 5,939,147
Corporate obligations	8,623,194	8,693,658	7,448,159	7,065,028
Equity securities	41,708,442	35,319,665	34,693,542	31,691,751
Equity funds	35,984,483	32,562,394	32,168,560	33,216,340
Debt mutual funds	34,680,456	35,656,946	30,472,535	30,111,205
U.S. Government obligations	17,684,199	17,680,643	20,237,232	19,819,027
	$143,590,463	$134,822,995	$130,959,175	$127,842,498

Note 3 - Promises to give

Promises to give of $5,950,229 and $6,519,773 at June 30, 2013 and 2012, respectively, represent unconditional promises to give. Substantially all of the promises to give are due in less than one year. Promises to give at June 30, 2013 and 2012, have been reduced by a valuation allowance of $710,000 and $750,000, respectively.

Note 4 - Loans receivable and deposits payable

The amounts due from parishes relate primarily to interest-bearing loans made to the parishes and agencies by the Administrative Offices. Interest rates ranged from 0% to 5.5% between July 1, 2011 and January 31, 2013 and from 0% to 5.0% between February 1, 2013 and June 30, 2013. Loans receivable have been reduced by a $275,000 allowance for uncollectible loans at June 30, 2013 and 2012.
The Archdiocese administers a deposit and loan plan for the parishes. Parishes may deposit any excess funds with the Administrative Office. The Administrative Office uses the funds on deposit to loan to other parishes. Interest on these deposits is credited at the rate of 3.25% between July 1, 2011 and January 31, 2013 and 2.75% between February 1, 2013 and June 30, 2013.

Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Note 5 - Bonds and notes payable

Bonds and notes payable consist of the following at June 30, 2013 and 2012:

	2013	2012
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated February 1, 1999, and maturing April 1, 2024	$16,900,000	$18,200,000
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated March 1, 1999, and maturing April 1, 2024.	11,000,000	11,900,000
Tax-Exempt Variable Rate Educational Facilities Revenue Bonds dated December 19, 2002, and maturing April 1, 2028.	18,375,000	18,630,000
Tax-Exempt Variable Rate Educational Facilities Revenue Bonds dated December 19, 2002, and maturing April 1, 2028.	6,540,000	6,640,000
Development Authority of Fulton County Tax-Exempt Variable Rate Revenue Bonds (CCCRC bonds) dated April 1, 2004, and maturing April 1, 2034.	20,950,000	21,350,000
	$73,765,000	$76,720,000

Maturities of bonds and notes payable are as follows:

Year Ending June 30,	Amount
2014	$ 3,155,000
2015	3,235,000
2016	3,435,000
2017	3,550,000
2018	3,655,000
2019-2034	56,735,000
	$73,765,000

Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Effective January 26, 2012, the educational bond debt was modified whereby the bank that originally issued a letter of credit securing the bonds, purchased the outstanding bonds. As part of the restructuring, the variable interest rate on the bonds was modified and the letter of credit was cancelled. Interest at 67% of LIBOR plus 1.25% is payable monthly. The bonds are secured by various school properties owned by Catholic Education of North Georgia, Inc. The total carrying amount of these properties was approximately $71,000,000 and $72,000,000 at June 30, 2013 and 2012, respectively. All of the educational bonds require monthly interest payments and mature in varying annual amounts through April 1, 2028. The rate at June 30, 2013, was 1.38%.

Effective November 1, 2011, the CCCRC bond debt agreements were amended and restated. Included in the restructuring, the bank that originally issued a letter of credit securing the bonds purchased all of the outstanding bonds, cancelled the letter of credit, and replaced it with a continuing covenant agreement whereby CCCRC is required to meet certain operating covenants. In lieu of CCCRC paying the bond principal and interest and letter of credit fees, CCCRC is obligated to pay a note dated November 1, 2011, and maturing October 1, 2014, with an original principal amount equal to the outstanding bonds of $21,750,000. Interest at 67% of LIBOR plus 1.32% is payable monthly. The rate at June 30, 2013, was 1.45%. Annual principal payments are the same as bond maturities. Unless the bank otherwise agrees, CCCRC is required to purchase the bonds from the bank at the bank note maturity on October 1, 2014. The CCCRC bonds are secured by substantially all of the CCCRC assets and a Keep Well agreement. The total carrying amount of these assets was approximately $57,700,000 and $55,300,000 at June 30, 2013 and 2012, respectively. Under the Keep Well agreement, the Archdiocese has committed to fund any operating deficits, as defined in the agreement, of CCCRC up to $3,000,000.

As discussed in Note 6, the Archdiocese has entered into various interest rate swap agreements that provide for fixed rates of interest on the bonds.

At June 30, 2013, the Archdiocese had one unsecured bank line of credit totaling $15,000,000. This line of credit is payable on demand and bears an interest rate of monthly LIBOR plus 1%. The applicable interest rate at June 30, 2013 was 1.20%. The line of credit also bears an annualized fee of 0.25% on the unused portion. The total outstanding under the demand note at June 30, 2013 and 2012, was $0 and $828,257, respectively. As of June 30, 2013 and 2012, there were outstanding letters of credit of approximately $383,000 associated with the line of credit. These letters of credit secure collateral requirements required by casualty insurance programs and a construction project.

In 2012, the Archdiocese received an interest free loan from a private foundation. The balance of this loan was $2,000,000 and $3,000,000 at June 30, 2013 and 2012, respectively. The loan requires annual principal payments of $600,000.

Interest expense to the Archdiocese on bonds and notes payable and interest paid on deposits from parishes and agencies (Note 4) totaled $7,139,589 and $7,981,270 for the years ended June 30, 2013 and 2012, respectively. Cash payments for interest totaled $7,186,195 and $8,321,327 for fiscal years 2013 and 2012, respectively.

Interest expense for the years ended June 30, 2013 and 2012, is reported in the statements of activities as follows:

	2013	2012
Interest included in school operations	$2,666,292	$2,978,508
Interest included in CCCRC operations	1,127,213	1,239,519
Interest charged against loan fund income (Note 4)	3,346,084	3,763,243
	$7,139,589	$7,981,270

Under the debt and swap agreements, the Archdiocese is required to maintain certain financial covenants, including ratios of unrestricted cash and marketable securities to consolidated funded debt and unrestricted net assets to consolidated funded debt. The Archdiocese is in compliance with these requirements as of June 30, 2013 and 2012.

Note 6 - Interest rate swap agreements

In order to mitigate its exposure to interest rate fluctuations, the Archdiocese entered into various interest rate swap agreements that provide for fixed rates of interest on the school bonds, CCCRC bonds and note payable (Note 5). The purpose of entering into these swaps is to eliminate long-term interest rate variability by converting LIBOR-based variable-rate payments to fixed-rate payments. The Archdiocese's interest rate swap agreements have been designed and qualify as cash flow hedging instruments. The fair value of the liabilities represent the discounted amount the Archdiocese would have to pay the bank to terminate the agreements at the respective balance sheet dates. The change in fair value of the interest rate swap agreements is recorded in the statements of activities as a gain or loss on interest rate swap agreements. The Archdiocese has no plans to terminate the interest rate swap agreements prior to the expiration date of the agreements.

By using a derivative financial instrument to hedge its exposure to changes in interest rates, the Archdiocese exposes itself to credit and market risk. Credit risk is the failure of the counter party to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counter party owes the Archdiocese, which creates credit risk for the Archdiocese. When the fair value of a derivative contract is negative the Archdiocese owes the counter party and, therefore, it does not possess credit risk. The Archdiocese minimized the credit risk in derivative instruments by entering into transactions with high-quality counter parties.

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Market risk is an adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate contracts is managed by establishing the monitoring parameters that limit the types and degree of market risk may be undertaken.

The table below summarizes the swap information reported in the financial statements as of June 30, 2013 and 2012, and for the years then ended.

Issue	Effective Date	Expiration Date	Notional Amount		Fixed Interest Rate	Variable Interest Rate as of		Fair Value of Asset (Liability) in Statement of Financial Position		Gain (loss) on interest rate Swap Agreements in Statement of Activities	
			June 30,			June 30,		June 30,		June 30,	
			2013	2012		2013	2012	2013	2012	2013	2012
CCCRC Bonds	5/15/2007	5/1/2017	$20,950,000	$21,305,000	3.90%	0.13%	0.16%	$(2,403,766)	$ (3,088,718)	$ 684,952	$ (682,734)
Note payable	4/06/2009	6/30/2012	-	-	0.00%	-	-	-	-	-	113,682
School Bonds	Various	Various	-	-	Various	-	-	-	-	-	6,534,018
School Bonds	1/26/2012	7/1/2020	52,815,000	55,370,000	3.55%	0.13%	0.16%	(6,928,431)	(9,596,561)	2,668,130	(9,596,561)
			$73,765,000	$76,675,000				$(9,332,197)	$(12,685,279)	$3,353,082	$(3,631,595)

Note 7 - Contingencies

The Archdiocese has been named defendant in various civil lawsuits. The Archdiocese considers all of these suits to be without basis and plans to vigorously contest the claims. The likely outcome of the various lawsuits cannot be determined.

The Archdiocese has cash deposits and investment accounts with financial institutions, which fluctuate from time to time in excess of the insured limitation of the Federal Deposit Insurance Corporation. If these financial institutions were not to honor their contractual liability, the Archdiocese could incur losses. Management is of the opinion that there is no risk of loss because of the financial strength of these financial institutions.

Note 8 - Endowment and designated investment funds

Permanently restricted net assets include donor-restricted endowment funds. Unrestricted net assets include funds that have been designated by the Archbishop (board-designated) to function as endowments. The donor-restricted endowment funds and the board designated funds are collectively referred to as endowment funds. The endowment funds are restricted or designated for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Notes to Consolidated Financial Statements
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The Archdiocese has interpreted Georgia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Archdiocese classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Archdiocese in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Archdiocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment net assets composition by type of fund as of June 30, 2013 and 2012:

June 30, 2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds				
Campus ministry	$ -	$ 63,572	$ 137,500	$ 201,072
Cemeteries		215,759		215,759
Community service		684,633	3,153,896	3,838,529
Dependent children		885,325	387,207	1,272,532
Education	(11,611)	14,500,560	34,487,995	48,976,944
Elderly		342,154	1,196,364	1,538,518
Operations		768,184	5,192,650	5,960,834
Parishes	(524)	336,127	2,032,369	2,367,972
Seminary	-	2,928,688	3,658,050	6,586,738
	(12,135)	20,725,002	50,246,031	70,958,898

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	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds				
Charitable gift annuity	609,327	-	-	609,327
Clergy welfare	149,132			149,132
Dependent children	55,990			55,990
Donor-advised fund	2,138,857			2,138,857
Education	1,864,676			1,864,676
Operations	1,398,593			1,398,593
Parishes	9,889,671			9,889,671
Retired priests	1,384,685			1,384,685
Seminary	4,228,238	-	-	4,228,238
	21,719,169	-	-	21,719,169
Total	$21,707,034	$20,725,002	$50,246,031	$92,678,067
June 30, 2012				
Donor-restricted endowment funds				
Campus ministry	$ -	$ 49,133	$ 135,000	$ 184,133
Cemeteries		187,416	-	187,416
Community service		411,996	3,153,896	3,565,892
Dependent children		946,886	387,207	1,334,093
Education	(23,326)	12,232,395	33,171,241	45,380,310
Elderly	(37)	266,703	441,468	708,134
Operations		333,594	5,160,834	5,494,428
Parishes		101,449	1,847,257	1,948,706
Seminary	-	2,445,698	3,658,000	6,103,698
	(23,363)	16,975,270	47,954,903	64,906,810
Board-designated endowment funds				
Charitable gift annuity	444,108	-	-	444,108
Clergy welfare	134,128			134,128
Dependent children	49,823			49,823
Donor-advised fund	1,826,082			1,826,082
Education	1,717,362			1,717,362
Operations	1,438,384			1,438,384
Parishes	8,912,376			8,912,376
Retired priests	1,246,007			1,246,007
Seminary	3,881,929	-	-	3,881,929
	19,650,199	-	-	19,650,199
Total	$19,626,836	$16,975,270	$47,954,903	$84,557,009

Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Changes in endowment net assets for the years ended June 30, 2013 and 2012:

June 30, 2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$19,626,836	$16,975,270	$47,954,903	$84,557,009
Contributions		7,000	1,430,988	1,437,988
Transfers to increase board designated funds	431,249			431,249
Net assets transfer			310,000	310,000
Investment return				
Investment income	410,062	1,449,585	842	1,860,489
Net realized and unrealized appreciation	1,850,325	4,857,618	549,298	7,257,241
Appropriation of endowment net assets for expenditure	(622,666)	(2,553,243)		(3,175,909)
Recovery of deficiencies in donor-restricted endowment funds	11,228	(11,228)	-	-
Endowment net assets, end of year	$21,707,034	$20,725,002	$50,246,031	$92,678,067

June 30, 2012	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$20,380,499	$18,776,164	$44,035,958	$83,192,621
Contributions			639,040	639,040
Transfers to increase board designated funds	88,020			88,020
Net asset transfers	(275,000)	75,000	3,285,000	3,085,000
Investment return				
Investment income	430,356	1,523,500	889	1,954,745
Net realized and unrealized depreciation	(126,041)	(403,406)	(5,984)	(535,431)
Appropriation of endowment net assets for expenditure	(867,856)	(2,999,130)		(3,866,986)
Restoration of deficiencies in donor-restricted endowment funds	(3,142)	3,142	-	-
Endowment net assets, end of year	$19,626,836	$ 16,975,270	$47,954,903	$84,557,009

Notes to Consolidated Financial Statements
June 30, 2013 and 2012

The Archdiocese has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Archdiocese must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy the endowment assets are invested in a manner that is intended to produce a reasonable rate of return under current market conditions with minimal risk.

The Archdiocese's spending policy reflects the fundamental objective of preserving and enhancing the resources of the Archdiocese, both at present and in the future. Current spending and the long term objectives of preserving and enhancing the assets are balanced by considerations given to reasonable expectations of investment returns, contributions, operating expenses, and inflation. The Archdiocese has a policy of appropriating for distribution each year amounts that are required to be distributed under the terms of donor-restricted endowment agreements and amounts needed to fund and subsidize Archdiocesan programs and agencies. In establishing this policy, the Archdiocese considered the long-term expected return on its endowment. Accordingly, over the long term, the Archdiocese expects the current spending policy to allow its endowment to grow at a rate that will maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Note 9 - Restrictions on net assets

Temporarily restricted net assets and permanently restricted net assets, including donor-restricted endowment funds, are available for the following purposes at June 30, 2013 and 2012:

	June 30, 2013			June 30, 2012		
	Temporarily Restricted	Permanently Restricted	Total	Temporarily Restricted	Permanently Restricted	Total
Campus ministry	$ 63,572	$ 137,500	$ 201,072	$ 49,133	$ 135,000	$ 184,133
Cemeteries	215,759	-	215,759	187,416	-	187,416
Community service	684,633	3,153,896	3,838,529	411,996	3,153,896	3,565,892
Dependent children	885,325	387,207	1,272,532	946,886	387,207	1,334,093
Education	14,500,560	34,487,995	48,988,555	12,232,395	33,171,241	45,403,636
Elderly	342,154	1,196,364	1,538,518	266,703	441,468	708,171
Operations	768,184	5,192,650	5,960,834	333,594	5,160,834	5,494,428
Parishes	336,127	2,032,369	2,368,496	101,449	1,847,257	1,948,706
Religious purposes	2,012,299	-	2,012,299	2,012,299	-	2,012,299
School operations	2,154,825	-	2,154,825	2,327,601	-	2,327,601
Seminary	2,928,688	3,658,050	6,586,738	2,445,698	3,658,000	6,103,698
	$24,892,126	$50,246,031	$75,138,157	$21,315,170	$47,954,903	$69,270,073

Note 10 - Financial Instruments

The Financial Accounting Standards Board (FASB) requires disclosure about financial instruments and related off-balance sheet risk and concentrations of credit risk. The activity of the Administrative Offices of the Archdiocese of Atlanta and its subsidiaries is primarily with the parishes and missions within the Archdiocese, which covers approximately fifty percent of the State of Georgia. The accounts receivable, promises to give, and loans receivable from parishes and bonds, notes and mortgages payable are all associated with the parishes or other Archdiocesan activities. Any off-balance sheet risk or credit risk is dependent on the financial support of the parishioners to their local parish and the parishes subsequent support of the Archdiocese.

Note 11 - Fair value measurements

Generally accepted accounting principles require that certain assets and liabilities be measured at fair value on a recurring basis. For the Archdiocese, the assets and liabilities that are adjusted to fair value on a recurring basis are investments in marketable securities, pledges and bequests receivable, charitable gift annuities payable and interest rate swap agreements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 - Valuations based on unadjusted quoted prices for identical instruments in active markets that are available as of the measurement date.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Cash and cash equivalents, accounts receivable, loans receivable, accounts payable, and deposits payable - carrying amounts approximate fair value based upon the nature of the instrument.

Promises to give are valued at estimated net realizable value discounted to present value at 2.75% to 3.25%. Change in value includes changes in discount and adjustments to the allowance for uncollectible pledges.

Notes to Consolidated Financial Statements
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Interest rate swap - fair value determined using a discounted cash flow method based on forward interest rates and expected cash flows.

The following table presents the Archdiocese's fair value hierarchy for the financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2013 and 2012:

June 30, 2013	Total	Level 1	Level 2	Level 3
Investments				
Short-term investments	$ 4,909,689	$ 1,609,236	$ 3,300,453	$ -
Corporate obligations - domestic bonds	7,805,016	-	7,805,016	-
Corporate obligations - international bonds	818,178	818,178	-	-
Equity securities - domestic	41,051,636	41,051,636	-	-
Equity securities - international	656,806	656,806	-	-
Equity funds - domestic	23,753,187	8,873,482	14,879,705	-
Equity funds - international	12,231,296	12,231,296	-	-
Debt funds - domestic and international	34,680,456	20,448,376	14,232,080	-
U.S. agency funds	4,367,985	-	4,367,985	-
U.S. agency securities	1,873,925	1,873,925	-	-
U.S. treasury notes	2,751,571	2,751,571	-	-
US Government bond funds	8,690,718	8,690,718	-	-
	$143,590,463	$ 99,005,224	$44,585,239	$ -
Promises to give	$ 5,950,229	$ -	$ -	$ 5,950,229
Interest rate swap liability	$ 9,332,197	$ -	$ -	$ 9,332,197

June 30, 2012	Total	Level 1	Level 2	Level 3
Investments				
Short-term investments	$ 5,939,147	$ -	$ 5,939,147	$ -
Corporate obligations - domestic bonds	6,518,413	-	6,518,413	-
Corporate obligations - international bonds	929,746	929,746	-	-
Equity securities - domestic	25,911,364	25,911,364	-	-
Equity securities - exchange traded funds	7,893,073	7,893,073	-	-
Equity securities - international	889,105	889,105	-	-
Equity funds - domestic	22,307,080	22,307,080	-	-
Equity funds - international	9,861,480	9,861,480	-	-
Debt funds - domestic and international	30,472,535	30,472,535	-	-
U.S. agency funds	4,347,569	-	4,347,569	-
U.S. agency securities	1,717,827	1,717,827	-	-
U.S. treasury notes	3,336,408	3,336,408	-	-
U.S. government bond funds	10,835,428	10,835,428	-	-
	$ 130,959,175	$114,154,046	$16,805,129	$ -
Promises to give	$ 6,519,773	$ -	$ -	$ 6,519,773
Interest rate swap liability	$ 12,685,279	$ -	$ -	$12,685,279

Notes to Consolidated Financial Statements
June 30, 2013 and 2012

The following is a reconciliation of the change in fair value for the years ended June 30, 2013 and 2012 for Level 3:

	Year Ended June 30,	
	2013	2012
Interest rate swap liability		
Liability at beginning of year	$12,685,279	$ 9,053,684
Change in value	(3,353,082)	3,631,595
Liability at end of year	$ 9,332,197	$12,685,279
Promises to give		
Receivable at beginning of year	$ 6,519,773	$ 6,843,028
New pledges received	10,131,625	10,684,080
Payments on pledges	(10,544,908)	(10,455,033)
Change in value of pledges	(156,261)	(552,302)
Receivable at end of year	$ 5,950,229	$ 6,519,773

The change in value of the interest rate swap agreements in 2013 and 2012, is attributable to the revaluation of the interest rate swap agreements based on the current market conditions and is included in the change in net assets for the years ended June 30, 2013 and 2012.

Considerable judgment is required in interpreting market data to develop the estimates of fair value and, accordingly, the estimates are not necessarily indicative of the amount that the Archdiocese could realize in a current market exchange.

Note 12 - Post retirement benefits

Clergy retirement plan

On July 1, 1969, the Archdiocese adopted a retirement plan which covers all priests within the Archdiocese. The Archdiocese's funding policy is to make contributions to the plan at such times and in such amounts required to keep the plan actuarially sound. Benefits are based on years of service. Contributions are intended to provide not only for benefits attributed to service to-date, but also for those expected to be earned in the future. The Archdiocese expects to contribute approximately $880,000 to the Plan during the fiscal year ending June 30, 2014.

The annual measurement date is June 30, for the pension benefits. The following table provides further information about the Archdiocese's clergy retirement plan:

	2013	2012
Obligation and Funded Status		
Projected benefit obligation	$(17,710,486)	$(18,259,987)
Plan assets at fair value	10,709,340	9,517,233
Funded status	$ (7,001,146)	$ (8,742,754)

Notes to Consolidated Financial Statements
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	2013	2012
Accumulated benefit obligation	$ 17,710,486	$ 18,259,987
Employer contributions	842,352	1,878,764
Benefits paid	844,733	861,817

Amounts recognized in the consolidated statements of financial position:

Noncurrent liabilities	$ 7,001,146	$ 8,742,754

Amounts recognized in the consolidated statements of activities:

	2013	2012
Service cost	$ 648,627	$ 440,449
Interest cost	713,823	760,498
Expected return on plan assets	(682,711)	(601,337)
Amortization of prior service cost and net (gain)/loss	425,547	239,655
Net periodic pension cost	$ 1,105,286	$ 839,265
Other changes in net assets:		
Actuarial gain (loss)	1,578,995	(4,212,485)
Amortization of prior service cost	425,547	239,655
	$ 2,004,542	$(3,972,830)

The estimated net loss and prior service cost that will be amortized from changes in unrestricted net assets into net periodic benefit cost in 2013 are $335,229 and $0, respectively.

The following assumptions were used in accounting for the plan:

	2013	2012
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	4.6%	4.0%
Expected return on plan assets	7.5%	7.5%
Future cost of living adjustments	3.0%	3.0%

Weighted-average assumptions used to determine the net periodic benefit cost:

Discount rate	4.0%	5.5%
Expected return on plan assets	7.5%	7.5%
Future cost of living adjustments	3.0%	3.0%

Notes to Consolidated Financial Statements
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Retirement age: Age based retirement rates are given below:

Age	Probability of Retirement
65	33.33%
66-74	15.00%
75+	100.00%

Mortality rates (per 1,000 lives): RP-2000 combined mortality table

Age	Male	Female
20	0.35	0.19
35	0.77	0.48
50	2.14	1.68
60	6.75	5.06

Disability: Rates varying by age and service:

Age	Male	Female
N/A	N/A	N/A

The Archdiocese's overall investment strategy is to achieve a mix of investments for long-term growth and near-term benefit payments with a diversification of asset types, fund strategies, and fund managers. The target allocation for plan assets is 65% equity securities and 35% corporate bonds and U.S. Treasury securities.

The Archdiocese's expected rate of return on plan assets is determined by the plan assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

No plan assets are expected to be returned to the Archdiocese during the fiscal year ending June 30, 2014.

The following benefits are expected to be paid:

Year Ending June 30,	Amount
2014	$ 879,551
2015	881,377
2016	885,761
2017	886,002
2018	889,745
2019-2023	4,481,841
	$8,904,277

Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Billings to the parishes and agencies and related pension and administrative expenses for clergy retirement are reported in insurance revenues and expenses as follows:

	Year Ended June 30, 2013	Year Ended June 30, 2012
Pension and administrative expenses	$1,105,525	$ 853,948
Billings to parishes and agencies	(817,352)	(879,918)
	$ 288,173	$ (25,970)

The fair values of the Archdiocese's pension plan assets at June 30, 2013 and 2012, by asset category are as follows:

June 30, 2013	Total	Level 1	Level 2	Level 3
Short-term investments	$ 711,864	$ 711,864	$ -	$ -
U.S. Treasury obligations	654,672	352,863	301,809	-
Marketable debt securities	699,792	-	699,792	-
Marketable equity securities	5,827,417	5,827,417	-	-
Equity mutual funds	2,815,595	2,815,595	-	-
	$10,709,340	$9,707,739	$1,001,601	$ -
June 30, 2012				
Short-term investments	$ 1,184,307	$1,184,307	$ -	$ -
U.S. Treasury obligations	735,341	428,749	306,592	-
Marketable debt securities	585,710	-	585,710	-
Marketable equity securities	4,470,405	4,470,405	-	-
Equity mutual funds	2,541,470	2,541,470	-	-
	$ 9,517,233	$8,624,931	$ 892,302	$ -

Clergy long-term care plan

On January 1, 2012, the Archdiocese adopted a long-term care plan covering priests within the Archdiocese. To be eligible for the plan, a priest must be incardinated within the Archdiocese and must be an active participant in the clergy retirement plan. There are no minimum age or service requirements to qualify for benefits under the plan.

The following table provides further information about the clergy long-term care plan:

	2013	2012
Obligation and Funded Status		
Projected benefit obligation	$(4,377,139)	$(4,713,816)
Plan assets at fair value	4,699,977	4,150,369
Funded status	$ 322,838	$ (563,447)

Notes to Consolidated Financial Statements
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	2013	2012
Accumulated benefit obligation	$ 4,377,139	$ 4,713,816
Employer contributions	205,800	4,100,000
Benefits paid	79,579	42,600

Amounts recognized in the consolidated statements of financial position:

Noncurrent (assets) liabilities	$ (322,838)	$ 563,447

Amounts recognized in the consolidated statements of activities:

	2013	2012
Service cost	$95,597	$ 42,901
Interest cost	195,866	94,504
Expected return on plan assets	(303,387)	-
Immediate recognition of prior service cost	-	4,388,783
Net periodic pension cost (income)	$ (11,924)	$4,526,188

Other changes in net assets:		
Actuarial gain (loss)	$ 668,561	$ (137,259)

The following assumptions were used in accounting for the plan:

	2013	2012
Weighted-average assumptions used to determine the net periodic benefit obligations:		
For the year end disclosure		
Discount rate	4.86%	4.25%
Expected return on plan assets	7.50%	7.50%
Future cost of living adjustments	2.70%	2.75%

	2013	2012
Weighted-average assumptions used to determine the net periodic benefit cost:		
Discount rate	4.25%	4.25%
Expected return on plan assets	7.50%	7.50%
Future cost of living adjustments	2.75%	2.75%

Notes to Consolidated Financial Statements
June 30, 2013 and 2012

Mortality rates (per 1,000 lives):

Age	Not on long term care	On long term care
20	0.27	N/A
35	0.73	N/A
50	1.72	76.12
60	5.56	150.42

Long-term care incidence rates:

Age	Probability of Retirement
60-64	0.485%
65-69	0.621%
70-74	1.007%
75-79	2.092%
80-84	4.595%
85-89	7.997%
90-99	11.545%
100+	100.000%

No plan assets are expected to be returned to the Archdiocese during the fiscal year ending June 30, 2014.

The following benefits are expected to be paid:

Year Ending June 30,	Amount
2014	$ 128,813
2015	129,775
2016	129,605
2017	135,619
2018	138,118
2019-2023	856,637
	$1,518,567

	Year Ended June 30, 2013	2012
Plan and administrative expenses	$ (2,305)	$4,560,568
Billings to parishes and agencies	(205,800)	(83,286)
	$(208,105)	$4,477,282

Notes to Consolidated Financial Statements
June 30, 2013 and 2012

The fair values of the Archdiocese's long-term care plan assets at June 30, 2013 and 2012, by asset category are as follows:

June 30, 2013	Total	Level 1	Level 2	Level 3
Short-term investments	$ 338,276	$ 338,276	$ -	$ -
Marketable equity securities	4,361,701	4,361,701	-	-
	$4,699,977	$4,699,977	$ -	$ -
June 30, 2012				
Short-term investments	$ 196,799	$ 196,799	$ -	$ -
Marketable equity securities	3,953,570	3,953,570	-	-
	$4,150,369	$4,150,369	$ -	$ -

Lay employee retirement plan

The Archdiocese sponsors a defined contribution retirement plan that covers substantially all lay employees within the Archdiocese. Contributions to the plan are predetermined amounts based on compensation paid to each lay employee. Benefits under the plan are computed based on the pension fund assets.

The parishes and agencies were billed for their respective share of pension and administrative costs which are included in insurance revenue and expenses as follows:

	Year Ended June 30,	
	2013	2012
Pension and administrative expenses	$3,296,617	$ 3,234,465
Billings to parishes and agencies	(3,735,781)	(3,596,750)
	$ (439,164)	$ (362,285)

Note 13 - Fund raising cost

The Archdiocese incurred fund raising costs related to the annual appeal campaign of $703,868 and $706,242 for the years ended June 30, 2013 and 2012, respectively.