ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Consolidated Financial Statements and Accompanying Information

June 30, 2014 and 2013

and

Combined Financial Statements
Administrative Offices of the Archdiocese of Atlanta and
Archdiocesan Parishes, Missions, and Parish Schools
for the years ended
June 30, 2014 and 2013

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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, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated 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, 2014 and 2013 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

Atlanta, Georgia
December 1, 2014

Administrative Offices of the Archdiocese of Atlanta

Consolidated Statements of Financial Position

June 30,	**2014**				2013			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets								
Cash and cash equivalents	**$ 35,663,780**	**$ -**	**$ -**	**$ 35,663,780**	$ 30,791,897	$ -	$ -	$ 30,791,897
Investments at fair value	**85,740,110**	**27,444,139**	**63,416,493**	**176,600,742**	53,806,685	24,892,126	64,891,652	143,590,463
Escrowed deposits	**208,240**	**-**	**-**	**208,240**	208,174	-	-	208,174
Accounts receivable	**7,069,191**	**-**	**-**	**7,069,191**	6,651,871	-	-	6,651,871
Promises to give	**5,657,377**	**-**	**-**	**5,657,377**	5,950,229	-	-	5,950,229
Loans receivable-parishes and agencies	**50,599,461**	**-**	**-**	**50,599,461**	61,748,542	-	-	61,748,542
Property and equipment, net	**149,903,114**	**-**	**-**	**149,903,114**	152,458,136	-	-	152,458,136
Other assets	**12,983,833**	**-**	**-**	**12,983,833**	10,081,126	-	-	10,081,126
Total assets	**$ 347,825,106**	**$ 27,444,139**	**$ 63,416,493**	**$ 438,685,738**	$ 321,696,660	$ 24,892,126	$ 64,891,652	$ 411,480,438
Liabilities and net assets								
Liabilities								
Accounts payable and accrued expenses	**$ 21,895,447**	**$ -**	**$ -**	**$ 21,895,447**	$ 20,964,980	$ -	$ -	$ 20,964,980
Custodial funds payable	**-**	**-**	**9,953,200**	**9,953,200**	-	-	14,645,621	14,645,621
Deposits payable	**80,417,126**	**-**	**-**	**80,417,126**	71,390,964	-	-	71,390,964
Interest rate swap liability	**8,124,064**	**-**	**-**	**8,124,064**	9,332,197	-	-	9,332,197
Deferred revenue	**51,922,252**	**-**	**-**	**51,922,252**	51,513,721	-	-	51,513,721
Notes payable	**-**	**-**	**-**	**-**	2,000,000	-	-	2,000,000
Bonds payable	**70,610,000**	**-**	**-**	**70,610,000**	73,765,000	-	-	73,765,000
Total liabilities	**232,968,889**	-	**9,953,200**	**242,922,089**	228,966,862	-	14,645,621	243,612,483
Net assets								
Investment funds	**24,914,264**	**-**	**-**	**24,914,264**	21,719,169	-	-	21,719,169
Insurance funds	**33,170,593**	**-**	**-**	**33,170,593**	26,380,825	-	-	26,380,825
Plant funds	**(12,199,356)**	**-**	**-**	**(12,199,356)**	(8,211,923)	-	-	(8,211,923)
Undesignated	**68,970,716**	**-**	**-**	**68,970,716**	52,841,727	-	-	52,841,727
Restricted	**-**	**27,444,139**	**53,463,293**	**80,907,432**	-	24,892,126	50,246,031	75,138,157
Total net assets	**114,856,217**	**27,444,139**	**53,463,293**	**195,763,649**	92,729,798	24,892,126	50,246,031	167,867,955
Total liabilities and net assets	**$ 347,825,106**	**$ 27,444,139**	**$ 63,416,493**	**$ 438,685,738**	$ 321,696,660	$ 24,892,126	$ 64,891,652	$ 411,480,438

The accompanying notes are an integral part of these statements.

Consolidated Statements of Activities

Years ended June 30,	2014				2013			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues								
Parishes and missions								
Contributions	**$ 7,530,958**	**$ -**	**$ -**	**$ 7,530,958**	$ 7,318,783	$ -	$ -	$ 7,318,783
Assessments	**20,757,120**	**-**	**-**	**20,757,120**	20,511,347	-	-	20,511,347
Continuing care	**11,239,255**	**-**	**-**	**11,239,255**	10,790,536	-	-	10,790,536
Education	**39,245,642**	**-**	**-**	**39,245,642**	37,314,848	-	-	37,314,848
Insurance premiums	**20,306,902**	**-**	**-**	**20,306,902**	19,139,161	-	-	19,139,161
Other contributions	**3,366,605**	**729,246**	**2,013,309**	**6,109,160**	4,097,054	567,042	1,430,988	6,095,084
Investment income	**1,087,278**	**1,056,003**	**797**	**2,144,078**	1,996,142	1,449,538	842	3,446,522
Other	**1,738,448**	**-**	**-**	**1,738,448**	1,126,248	-	-	1,126,248
Net assets released from restrictions	**6,742,613**	**(6,742,613)**	**-**	**-**	3,297,242	(3,297,242)	-	-
Total revenues	**112,014,821**	**(4,957,364)**	**2,014,106**	**109,071,563**	105,591,361	(1,280,662)	1,431,830	105,742,529
Expenses								
Administrative support	**8,380,753**	**-**	**-**	**8,380,753**	8,233,117	-	-	8,233,117
Pastoral	**8,415,290**	**-**	**-**	**8,415,290**	13,050,044	-	-	13,050,044
Education	**47,053,182**	**-**	**-**	**47,053,182**	45,714,451	-	-	45,714,451
Social services	**874,315**	**-**	**-**	**874,315**	837,919	-	-	837,919
Insurance services	**12,823,573**	**-**	**-**	**12,823,573**	13,886,243	-	-	13,886,243
Continuing Care	**10,317,516**	**-**	**-**	**10,317,516**	9,935,400	-	-	9,935,400
Other	**2,433,919**	**-**	**-**	**2,433,919**	2,015,484	-	-	2,015,484
Depreciation and amortization	**6,731,203**	**-**	**-**	**6,731,203**	6,636,122	-	-	6,636,122
Total expenses	**97,029,751**	**-**	**-**	**97,029,751**	100,308,780	-	-	100,308,780
Excess of revenues over expenses before gains and (losses)	**14,985,070**	**(4,957,364)**	**2,014,106**	**12,041,812**	5,282,581	(1,280,662)	1,431,830	5,433,749
Gains and (losses)								
Investments - realized and unrealized	**8,572,588**	**7,509,377**	**984,156**	**17,066,121**	4,675,938	4,857,618	549,298	10,082,854
Interest rate swap agreements	**1,208,133**	**-**	**-**	**1,208,133**	3,353,082	-	-	3,353,082
Disposal of property and equipment	**(672,350)**	**-**	**-**	**(672,350)**	29,501	-	-	29,501
Total gains and (losses)	**9,108,371**	**7,509,377**	**984,156**	**17,601,904**	8,058,521	4,857,618	549,298	13,465,437
Change in net assets	**24,093,441**	**2,552,013**	**2,998,262**	**29,643,716**	13,341,102	3,576,956	1,981,128	18,899,186
Other ASC 715 pension (charge) credit	**(1,748,022)**	**-**	**-**	**(1,748,022)**	2,673,103	-	-	2,673,103
Net assets transfers	**(219,000)**	**-**	**219,000**	**-**	(310,000)	-	310,000	-
Net assets at beginning of year, as originally reported	**92,729,798**	**24,892,126**	**50,246,031**	**167,867,955**	80,623,110	21,315,170	47,954,903	149,893,183
Cumulative effect of change in accounting principle	**-**	**-**	**-**	**-**	(3,597,517)	-	-	(3,597,517)
Net assets at beginning of year, as adjusted	**92,729,798**	**24,892,126**	**50,246,031**	**167,867,955**	77,025,593	21,315,170	47,954,903	146,295,666
Net assets at end of year	**$ 114,856,217**	**$ 27,444,139**	**$ 53,463,293**	**$ 195,763,649**	$ 92,729,798	$ 24,892,126	$ 50,246,031	$ 167,867,955

The accompanying notes are an integral part of these statements.

Administrative Offices of the Archdiocese of Atlanta

Consolidated Statements of Cash Flows

Years ended June 30,	2014	2013
Operating activities		
Change in net assets	**$ 29,643,716**	$ 18,899,186
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation and amortization	**6,731,203**	6,636,122
Amortization of entrance fees	**(681,371)**	(512,902)
(Gain) loss on disposal of property and equipment	**672,350**	(29,501)
Realized and unrealized gain on investments	**(17,066,121)**	(10,082,854)
Gain on interest rate swap agreements	**(1,208,133)**	(3,353,082)
Restricted contributions	**(2,013,309)**	(1,430,988)
(Increase) decrease in accounts receivable	**(381,687)**	2,578,603
Decrease in promises to give	**292,852**	569,544
(Increase) decrease in other assets	**(2,054,193)**	155,961
Increase in accounts payable and accrued expenses	**930,466**	405,591
Increase in deferred revenue	**(46,369)**	2,290,182
Net cash provided by operating activities	**14,819,404**	16,125,862
Investing activities		
Proceeds from sale and maturity of investments	**27,829,656**	136,826,536
Purchase of investments	**(44,659,750)**	(139,385,792)
Net increase in entrance fee escrow fund	**(66)**	(83)
Parish and mission loans	**(2,153,120)**	(6,158,697)
Parish and mission loan repayments	**13,302,201**	13,880,446
Proceeds from sale of property and equipment	**2,351,030**	2,754,858
Purchase of property and equipment	**(9,668,737)**	(4,680,179)
Net cash provided by (used in) investing activities	**(12,998,786)**	3,237,089
Financing activities		
Decrease in notes payable	**-**	(1,828,257)
Payments on bonds and notes payable	**(5,155,000)**	(2,955,000)
Proceeds from residents entrance fees	**1,100,638**	3,686,910
Restricted contributions received	**2,013,309**	1,430,988
Parish and mission deposits received	**56,948,856**	28,588,118
Parish and mission deposits paid	**(51,740,901)**	(21,063,689)
Increase (decrease) in custodial funds payable	**(115,637)**	207,858
Net cash provided by financing activities	**3,051,265**	8,066,928
Net increase in cash and cash equivalents	**4,871,883**	27,429,879
Cash and cash equivalents, beginning of year	**30,791,897**	3,362,018
Cash and cash equivalents, end of year	**$ 35,663,780**	$ 30,791,897

The accompanying notes are an integral part of these statements.

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 December 1, 2014, which is the date that the consolidated financial statements were available to be issued.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2014 and 2013. 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 statements 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 approximately $5,380,000 and $4,900,000 at June 30, 2014 and 2013, 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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (continued)

Depreciation is computed using the straight-line method. Property and equipment at June 30, 2014 and 2013, consisted of the following:

	Useful Lives (years)	2014	2013
Land		$ 25,460,326	$ 24,807,242
Land improvements	15	11,430,840	8,772,025
Buildings	40-50	148,663,079	149,693,527
Furniture and equipment	3-10	33,200,950	32,263,627
Automobiles	5-7	1,539,986	1,474,821
Construction in progress		764,382	1,351,170
		221,059,563	218,362,412
Less accumulated depreciation		(71,156,449)	(65,904,276)
Property and equipment, net		$ 149,903,114	$ 152,458,136

Depreciation expense for 2014 and 2013 was $6,660,232 and $6,407,061, 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.

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, 2014 and 2013, totaled $70,971 and $80,502, respectively, and accumulated amortization at June 30, 2014 and 2013, totaled $960,659 and $881,048, respectively. These balances are included in other assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 discussed 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 approximately $1,657,000 and $2,030,000 at June 30, 2014 and 2013, 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 years ended June 30, 2014 and 2013, were approximately $4,170,000 and $4,000,000, respectively.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 personal care units and skilled nursing beds. Additional revenue is also generated from ancillary services such as activity fees, additional housekeeping and dietary 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. Prior to the change in accounting principle, entrance fees that were refundable to the resident to the extent of subsequent re-occupancy proceeds were recorded as deferred revenue and were amortized into revenue using the straight-line method over the estimated remaining useful life of the facility.

Change in Accounting Principle – Catholic Continuing Care Retirement Communities, Inc.

On July 1, 2013, CCCRC adopted the provisions of Accounting Standards Update No. 2012-01, Health Care Entities (Topic 954): Continuing Care Retirement Communities – Refundable Advance Fees (ASU No. 2012-01). ASU No. 2012-01 provides continuing care retirement communities with clarification that the Community should classify an advance fee as deferred revenue when a continuing care retirement community has a resident contract that provides for payment of the refundable advance fee upon reoccupancy by a subsequent resident, which is limited to the proceeds of reoccupancy. Refundable advance fees that are contingent upon reoccupancy by a subsequent resident but are not limited to the proceeds of reoccupancy should be accounted for and reported as a liability. CCCRC's adoption of ASU No. 2012-01 has resulted in the establishment of a liability for advance fees for amounts which were previously presented as deferred revenue and amortized into revenue over the life of the facility. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 250, *Accounting Changes and Error Corrections* (ASC 250), these financial statements present the adoption of ASU No. 2012-01 as a change in accounting principle, and accordingly, the 2013 financial statements presented herein have been adjusted to apply the new accounting method retrospectively.

The retroactive effect of the change in our accounting for refundable advance fees resulted in the increase in the liability for refundable advance fees of $3,597,517 at July 1, 2012, and a corresponding reduction in unrestricted net assets as of July 1, 2012. The impact of the change in accounting principle also resulted in a reduction of previously reported revenue for deferred revenue amortization of $498,797 for the year ended June 30, 2013.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $550,000. 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, 2014 and 2013, investments consisted of the following:

	2014		2013	
	Fair Value	**Cost**	Fair Value	Cost
Short-term investments	**$ 25,071,658**	**$ 25,061,843**	$ 4,909,689	$ 4,909,689
Corporate obligations	**9,819,886**	**9,749,183**	8,623,194	8,693,658
Equity securities	**45,373,024**	**36,960,101**	41,708,442	35,319,665
Equity funds	**48,310,416**	**38,580,826**	35,984,483	32,562,394
Debt mutual funds	**36,985,821**	**37,178,745**	34,680,456	35,656,946
U.S. Government obligations	**11,039,937**	**11,016,051**	17,684,199	17,680,643
	$176,600,742	**$158,546,749**	$ 143,590,463	$134,822,995

NOTE 3: PROMISES TO GIVE

Promises to give of $5,657,377 and $5,950,229 at June 30, 2014 and 2013, 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, 2014 and 2013, have been reduced by a valuation allowance of $670,000 and $710,000, respectively.

NOTE 4: LOANS RECEIVABLE AND DEPOSITS PAYABLE

The amounts due from parishes relate primarily to interest-bearing loans made to parishes and agencies by the Administrative Offices. Interest rates ranged from 0% to 5.5% between July 1, 2012 and January 31, 2013, from 0% to 5.0% between February 1, 2013 and November 30, 2013, and from 0% to 4.5% between December 1, 2013 and June 30, 2014. Loans receivable at June 30, 2014 and 2013, have been reduced by an allowance for uncollectible loans of $472,000 and $275,000, respectively.

The Archdiocese administers a deposit and loan fund 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, 2012 and January 31, 2013, 2.75% between February 1, 2013 and November 30, 2013, and 2.25% between December 1, 2013 and June 30, 2014.

NOTE 5: BONDS PAYABLE

Bonds payable consist of the following at June 30, 2014 and 2013:

	2014	2013
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated February 1, 1999, and maturing April 1, 2024.	**$15,600,000**	$16,900,000
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated March 1, 1999, and maturing April 1, 2024.	**10,000,000**	11,000,000
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated December 19, 2002, and maturing April 1, 2028.	**18,120,000**	18,375,000
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated December 19, 2002, and maturing April 1, 2028.	**6,440,000**	6,540,000
Development Authority of Fulton County Tax-Exempt Variable Rate Revenue Bonds (CCCRC bonds) dated April 1, 2004, and maturing April 1, 2034.	**20,450,000**	20,950,000
	$70,610,000	$73,765,000

NOTE 5: BONDS PAYABLE (CONTINUED)

Maturities of bonds payable are as follows:

Year ending June 30,	
2015	$ 3,235,000
2016	3,435,000
2017	3,550,000
2018	3,655,000
2019	3,845,000
2020-2034	52,890,000
	$ 70,610,000

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. (CENGI). The total carrying amount of these properties was approximately $71,000,000 at June 30, 2014 and 2013. All of the educational bonds require monthly interest payments and mature in varying annual amounts through April 1, 2028. The rate at June 30, 2014, was 1.35%.

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, 2014, was 1.42%. Annual principal payments are the same as bond maturities. 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 $58,300,000 and $57,700,000 at June 30, 2014 and 2013, 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.

In September 2014, the CCCRC debt was refinanced with the proceeds from a non-bank qualified loan. The new debt allows for interest at 67% times the sum of 1-month LIBOR plus 1.85% and matures in September 2034. The refinancing terminated the Keep Well agreement and the interest rate swap (Note 6) agreement and has certain operating covenant requirements.

NOTE 5: BONDS AND NOTES PAYABLE (CONTINUED)

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, 2014, the Archdiocese had one unsecured bank line of credit totaling $10,000,000. 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, 2014 was 1.15%. The line of credit also bears an annualized fee of 0.25% on the unused portion. There were no amounts due under the demand note at June 30, 2014 and 2013. There were outstanding letters of credit of approximately $707,000 and $383,000, associated with the line of credit as of June 30, 2014 and 2013, respectively. 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 at June 30, 2013. During the year, $1,000,000 was repaid and $1,000,000 was forgiven.

Interest expense to the Archdiocese on bonds and notes payable and interest paid on deposits from parishes and agencies (Note 4) totaled $6,645,608 and $7,139,589 for the years ended June 30, 2014 and 2013, respectively. Cash payments for interest totaled $6,654,312 and $7,186,195 for fiscal years 2014 and 2013, respectively.

Interest expense for the years ended June 30, 2014 and 2013, is reported in the statements of activities as follows:

	2014	2013
Interest included in school operations	**$2,591,348**	$2,666,292
Interest included in CCCRC operations	**1,102,215**	1,127,213
Interest charged against loan fund income (Note 4)	**2,943,451**	3,346,084
	$6,645,608	$7,139,589

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, 2014 and 2013.

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 and CCCRC bonds. 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.

In 2014, CENGI entered into a forward swap with an effective date of July 1, 2020. The notional amount is for exactly half the expected bond payable amount on that date. Collateral cash for this swap at June 30, 2014, was $220,000.

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.

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.

NOTE 6: INTEREST RATE SWAP AGREEMENTS (CONTINUED)

The table below summarizes the swap information reported in the financial statements as of June 30, 2014.

Year ended June 30, 2014

Issue	Effective Date	Expiration Date	Notional Amount	Fixed Interest Rate	Variable Interest Rate	Fair Value of Liability in Statement of Financial Position	Gain (loss) on interest rate in Swap Agreements in Statement of Activities
CCCRC Bonds	5/15/2007	5/1/2017	$ 20,450,000	3.90%	0.15%	$(1,880,138)	$ 523,628
School Bonds	1/26/2012	7/1/2020	50,160,000	3.55%	0.11%	(6,005,299)	923,132
School Bonds	7/1/2020	7/1/2025	16,065,000	2.90%	0.11%	(238,627)	(238,627)
			$ 86,675,000			$(8,124,064)	$ 1,208,133

NOTE 6: INTEREST RATE SWAP AGREEMENTS (CONTINUED)

The table below summarizes the swap information reported in the financial statements as of June 30, 2013.

Year ended June 30, 2013

Issue	Effective Date	Expiration Date	Notional Amount	Fixed Interest Rate	Variable Interest Rate	Fair Value of Liability in Statement of Financial Position	Gain on interest rate in Swap Agreements in Statement of Activities
CCCRC Bonds	5/15/2007	5/1/2017	$ 20,950,000	3.90%	0.13%	$(2,403,766)	$ 684,952
School Bonds	1/26/2012	7/1/2020	52,815,000	3.55%	0.13%	(6,928,431)	2,668,130
			$ 73,765,000			$(9,332,197)	$ 3,353,082

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.

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

NOTE 8: ENDOWMENT AND DESIGNATED INVESTMENT FUNDS (CONTINUED)

Endowment net assets composition by type of fund as of June 30, 2014:

June 30, 2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds				
Campus ministry	$ -	$ 28,184	$ 105,445	$ 133,629
Cemeteries	-	247,057	-	247,057
Community Service	-	1,198,723	4,487,237	5,685,960
Dependent children	-	971,718	387,207	1,358,925
Education	-	15,868,364	36,287,728	52,156,092
Elderly	-	522,093	1,205,159	1,727,252
Operations	-	1,439,382	5,236,565	6,675,947
Parishes	-	689,420	2,095,902	2,785,322
Seminary	-	3,744,809	3,658,050	7,402,859
	-	24,709,750	53,463,293	78,173,043
Board-designated endowment funds				
Charitable gift annuity	584,688	-	-	584,688
Clergy welfare	170,697	-	-	170,697
Dependent children	65,256	-	-	65,256
Donor-advised fund	2,606,951	-	-	2,606,951
Education	2,089,865	-	-	2,089,865
Operations	1,670,782	-	-	1,670,782
Parishes	11,350,569	-	-	11,350,569
Retired priests	1,590,371	-	-	1,590,371
Seminary	4,785,085	-	-	4,785,085
	24,914,264	-	-	24,914,264
	$ 24,914,264	$ 24,709,750	$ 53,463,293	$ 103,087,307

NOTE 8: ENDOWMENT AND DESIGNATED INVESTMENT FUNDS (CONTINUED)

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

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
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
	$ 21,707,034	$ 20,725,002	$ 50,246,031	$ 92,678,067

NOTE 8: ENDOWMENT AND DESIGNATED INVESTMENT FUNDS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2014:

Year ended June 30, 2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 21,707,034	$ 20,725,002	$ 50,246,031	$ 92,678,067
Contributions	-	71,541	2,013,309	2,084,850
Transfers to increase board designated funds	293,421	-	-	293,421
Net assets transfer	-	-	219,000	219,000
Investment return				
Investment income	305,843	1,056,003	797	1,362,643
Net realized and unrealized appreciation	2,957,394	7,509,377	984,156	11,450,927
Appropriation of endowment net assets for expenditure	(361,563)	(4,640,038)	-	(5,001,601)
Recovery of deficiencies in donor-restricted endowment funds	12,135	(12,135)	-	-
Endowment net assets, end of year	$ 24,914,264	$ 24,709,750	$ 53,463,293	$ 103,087,307

NOTE 8: ENDOWMENT AND DESIGNATED INVESTMENT FUNDS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2013:

Year ended 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

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.

NOTE 8: ENDOWMENT AND DESIGNATED INVESTMENT FUNDS (CONTINUED)

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, 2014:

June 30, 2014	Temporarily Restricted	Permanently Restricted	Total
Campus ministry	$ 28,184	$ 105,445	$ 133,629
Cemeteries	247,057	-	247,057
Community service	1,198,723	4,487,237	5,685,960
Dependent children	971,718	387,207	1,358,925
Education	15,868,364	36,287,728	52,156,092
Elderly	522,093	1,205,159	1,727,252
Operations	1,439,382	5,236,565	6,675,947
Parishes	689,420	2,095,902	2,785,322
Religious purposes	2,012,299	-	2,012,299
School operations	722,090	-	722,090
Seminary	3,744,809	3,658,050	7,402,859
	$ 27,444,139	$ 53,463,293	$ 80,907,432

NOTE 9: RESTRICTIONS ON NET ASSETS (CONTINUED)

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

June 30, 2013	Temporarily Restricted	Permanently Restricted	Total
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	14,500,560	34,487,995	48,988,555
Elderly	342,154	1,196,364	1,538,518
Operations	768,184	5,192,650	5,960,834
Parishes	336,127	2,032,369	2,368,496
Religious purposes	2,012,299	-	2,012,299
School operations	2,154,825	-	2,154,825
Seminary	2,928,688	3,658,050	6,586,738
	$ 24,892,126	$ 50,246,031	$ 75,138,157

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 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, promises to give 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 5.0%. Change in value includes changes in discount and adjustments to the allowance for uncollectible pledges.

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

NOTE 11: FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2014:

June 30, 2014	Total	Level 1	Level 2	Level 3
Investments				
Short-term investments	$ 25,071,658	$ 11,147,830	$ 13,923,828	$ -
Corporate obligations domestic bonds	7,532,380	-	7,532,380	-
Corporate obligations international bonds	898,791	898,791	-	-
Corporate obligations asset backed securities	1,388,715	1,388,715	-	-
Equity securities - domestic	44,998,765	44,998,765	-	-
Equity securities - international	374,259	374,259	-	-
Equity funds - domestic	27,940,665	11,641,992	16,298,673	-
Equity securities - international	20,369,751	20,369,751	-	-
Debt funds - domestic and international	36,985,821	36,985,821	-	-
U. S. agency funds	3,993,334		3,993,334	-
U. S. agency securities	1,677,149	1,677,149	-	-
U. S. treasury notes	5,369,454	5,369,454	-	-
	$ 176,600,742	$ 134,852,527	$ 41,748,215	$
Promises to give	$ 5,657,377	$ -	$ -	$ 5,657,377
Interest rate swap liability	$ 8,124,064	$ -	$ -	$ 8,124,064

NOTE 11: FAIR VALUE MEASUREMENTS (CONTINUED)

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:

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 securities - 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	-	-
U. S. 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

NOTE 11: FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a reconciliation of the change in fair value for the years ended June 30, 2014 and 2013 for Level 3:

Years ended June 30,	**2014**	2013
Interest rate swap liability		
Liability at beginning of year	**$ 9,332,197**	$ 12,685,279
Change in value	**(1,208,133)**	(3,353,082)
Liability at end of year	**$ 8,124,064**	$ 9,332,197
Promises to give		
Receivables at beginning of year	**$ 5,950,229**	$ 6,519,773
New pledges received	**6,467,427**	10,131,625
Payments on pledges	**(6,776,180)**	(10,544,908)
Change in value of pledges	**15,901**	(156,261)
Receivable at end of year	**$ 5,657,377**	$ 5,950,229

The change in value of the interest rate swap agreements in 2014 and 2013, 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, 2014 and 2013.

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 incardinated in the Archdiocese of Atlanta. 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 $915,000 to the Plan during the fiscal year ending June 30, 2015.

NOTE 12: POST RETIREMENT BENEFITS (CONTINUED)

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

Years ended June 30,	**2014**	2013
Obligation and funded status		
Projected benefit obligation	**$(21,094,695)**	$(17,710,486)
Plan assets at fair value	**13,885,038**	10,709,340
Funded status	**$ (7,209,657)**	$ (7,001,146)
Accumulated benefit obligation	**$ 21,094,695**	$ 17,710,486
Employer contribution	**2,287,077**	842,352
Benefits paid	**910,811**	844,733
Amounts recognized in the consoldiated statements of financial position		
Noncurrent liabilities	**7,209,657**	7,001,146
Amounts recognized in the consoldiated statements of activities		
Service cost	**579,092**	648,627
Interest cost	**798,770**	713,823
Expected return on plan assets	**(770,218)**	(682,711)
Amortization of prior service cost and net (gain)/loss	**335,229**	425,547
Net periodic pension cost	**$ 942,873**	$ 1,105,286
Other changes in net assets		
Actuarial gain (loss)	**$ (1,887,944)**	$ 1,578,995
Amortization of prior service cost	**335,229**	425,547
	$ (1,552,715)	$ 2,004,542

The estimated net loss and prior service cost that will be amortized from changes in unrestricted net assets into net periodic benefit cost in 2015 are $390,718 and $0, respectively.

NOTE 12: POST RETIREMENT BENEFITS (CONTINUED)

The following assumptions were used in accounting for the plan:

Weighted-average assumptions used to determine benefit obligations:	**2014**	2013
Discount rate	**4.2%**	4.6%
Expected return on plan assets	**7.5%**	7.5%
Future cost of living adjustments	**3.0%**	3.0%

Weighted-average assumptions used to determine net periodic benefit cost	**2014**	2013
Discount rate	**4.6%**	4.0%
Expected return on plan assets	**7.5%**	7.5%
Future cost of living adjustments	**3.0%**	3.0%

Retirement Age: Age based on 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 rate table (projected to 2014):

Age	**2014**	2013
20	**0.26**	0.35
35	**0.72**	0.77
50	**1.66**	2.14
60	**5.38**	6.75

Disability: Rates varying by age and service:

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

NOTE 12: POST RETIREMENT BENEFITS (CONTINUED)

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, 2015.

The following benefits are expected to be paid:

Year ending June 30,	Amount
2015	$ 915,477
2016	921,246
2017	924,565
2018	932,719
2019	937,296
2020-2024	4,933,009
	$ 9,564,312

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

Years ended June 30,	**2014**	2013
Pension and administrative expenses	**$ 2,330,451**	$ 1,105,525
Billings to parishes and agencies	**(847,913)**	(817,352)
	$ 1,482,538	$ 288,173

NOTE 12: POST RETIREMENT BENEFITS (CONTINUED)

The fair values of the Archdiocese's pension plan assets at June 30, 2014 and 2013, by asset category are as follows:

June 30, 2014	**Total**	**Level 1**	**Level 2**	**Level 3**
Short-term investments	**$ 946,690**	**$ 946,690**	**$ -**	**$ -**
U.S. Treasury obligations	**802,445**	**411,041**	**391,404**	**-**
Marketable debt securities	**855,904**	**-**	**855,904**	**-**
Marketable equity securities	**6,558,258**	**6,558,258**	**-**	**-**
Equity mutual funds	**4,721,741**	**4,721,741**	**-**	**-**
	$ 13,885,038	**$12,637,730**	**$ 1,247,308**	**$ -**

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	$ -

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.

NOTE 12: POST RETIREMENT BENEFITS (CONTINUED)

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

Years ended June 30,	**2014**	2013
Obligation and funded status		
Projected benefit obligation	**$ (5,056,574)**	$ (4,377,139)
Plan assets at fair value	**5,453,259**	4,699,977
Funded status	**$ 396,685**	$ 322,838
Accumulated benefit obligation	**$ 5,056,574**	$ 4,377,139
Employer contrbution	**210,500**	205,800
Benefits paid	**129,290**	79,579
Amounts recognized in the consoldiated statements of financial position:		
Noncurrent liabilities	**396,685**	322,838
Amounts recognized in the consoldiated statements of activities:		
Service cost	**80,104**	95,597
Interest cost	**206,385**	195,866
Expected return on plan assets	**(342,706)**	(303,387)
Net periodic pension cost (income)	**$ (56,217)**	$ (11,924)
Other changes in net assets:		
Actuarial gain (loss)	**$ (195,307)**	$ 668,561

The following assumptions were used in accounting for the plan:

Weighted-average assumptions used to determine benefit obligations:	**2014**	2013
Discount rate	**4.38%**	4.86%
Expected return on plan assets	**7.50%**	7.50%
Future cost of living adjustments	**2.60%**	2.70%

NOTE 12: POST RETIREMENT BENEFITS (CONTINUED)

Weighted-average assumptions used to determine net periodic benefit cost:	**2014**	2013
Discount rate	**4.86%**	4.25%
Expected return on plan assets	**7.50%**	7.50%
Future cost of living adjustments	**2.60%**	2.75%

Long-term care incidence rates:

Age	Probability of
60-64	0.49%
65-69	0.62%
70-74	1.01%
75-79	2.09%
80-84	4.60%
85-89	8.00%
90-99	11.55%
100+	100.00%

Mortality Rates (per 1,000 lives):

Age	Not on long term care	On long-term care
20	0.26	N/A
35	0.72	N/A
50	1.66	76.12
60	5.38	150.42

No plan assets are expected to be returned to the Archdiocese during the fiscal year ending June 30, 2015.

NOTE 12: POST RETIREMENT BENEFITS (CONTINUED)

The following benefits are expected to be paid:

Year ending June 30,	Amount
2015	$ 200,438
2016	183,351
2017	168,967
2018	164,457
2019	163,814
2020-2024	889,073
	$ 1,770,100

Years ended June 30,	**2014**	2013
Pension and administrative expenses	**$ (1,411,510)**	$ (2,305)
Billings to parishes and agencies	**(210,500)**	(205,800)
	$ (1,622,010)	$ (208,105)

The fair values of the Archdiocese's long-term care plan assets at June 30, 2014 and 2013, by asset category are as follows:

June 30, 2014	**Total**	**Level 1**	**Level 2**	**Level 3**
Short-term investments	**$ 315,839**	**$ 315,839**	**$ -**	**$ -**
Marketable equity securities	**5,137,420**	**5,137,420**	**-**	**-**
	$ 5,453,259	**$ 5,453,259**	**$ -**	**$ -**

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	$ -	$ -

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.

NOTE 12: POST RETIREMENT BENEFITS (CONTINUED)

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:

Years ended June 30,	**2014**	2013
Pension and administrative expenses	**$ 3,520,882**	$ 3,296,617
Billings to parishes and agencies	**(3,730,163)**	(3,735,781)
	$ (209,281)	$ (439,164)

NOTE 13: FUNDRAISING COST

The Archdiocese incurred fund raising costs related to the annual appeal campaign of $526,371 and $703,868 for the years ended June 30, 2014 and 2013, respectively.