ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Consolidated Financial Statements

June 30, 2017 and 2016

Administrative Offices of the Archdiocese of Atlanta
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June 30, 2017 and 2016

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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, 2017 and 2016, 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 consolidated 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 consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Carr, Riggs & Ingram, L.L.C.

Atlanta, Georgia
December 14, 2017

Administrative Offices of the Archdiocese of Atlanta
Consolidated Statements of Financial Position

June 30,	2017				2016			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets								
Cash and cash equivalents	**$ 35,659,626**	**$ -**	**$ -**	**$ 35,659,626**	$ 22,561,546	$ -	$ -	$ 22,561,546
Investments at fair value	**143,580,900**	**31,876,150**	**75,017,662**	**250,474,712**	128,744,798	23,629,643	71,595,456	223,969,897
Escrowed deposits	**721,073**	**-**	**-**	**721,073**	1,492,156	-	-	1,492,156
Accounts receivable	**6,049,182**	**-**	**-**	**6,049,182**	7,181,796	-	-	7,181,796
Promises to give	**5,310,087**	**-**	**-**	**5,310,087**	4,891,122	-	-	4,891,122
Loans receivable-parishes and agencies	**38,076,128**	**-**	**-**	**38,076,128**	42,269,201	-	-	42,269,201
Property and equipment, net	**152,973,127**	**-**	**-**	**152,973,127**	151,433,133	-	-	151,433,133
Other assets	**7,109,554**	**-**	**-**	**7,109,554**	8,847,034	-	-	8,847,034
Total assets	**$ 389,479,677**	**$ 31,876,150**	**$ 75,017,662**	**$ 496,373,489**	$ 367,420,786	$ 23,629,643	$ 71,595,456	$ 462,645,885
Liabilities and net assets								
Liabilities								
Accounts payable and accrued expenses	**$ 22,884,910**	**$ -**	**$ -**	**$ 22,884,910**	$ 25,916,468	$ -	$ -	$ 25,916,468
Custodian funds payable	**-**	**-**	**7,380,656**	**7,380,656**	-	-	5,644,224	5,644,224
Beneficiary endowments	**-**	**-**	**6,976,162**	**6,976,162**	-	-	6,918,824	6,918,824
Deposits payable	**119,634,712**	**-**	**-**	**119,634,712**	105,755,630	-	-	105,755,630
Interest rate swap liability	**3,535,314**	**-**	**-**	**3,535,314**	5,945,812	-	-	5,945,812
Deferred revenue	**12,550,525**	**-**	**-**	**12,550,525**	11,481,264	-	-	11,481,264
Refundable entrance fees	**44,246,343**	**-**	**-**	**44,246,343**	42,261,202	-	-	42,261,202
Bonds payable	**59,907,856**	**-**	**-**	**59,907,856**	62,898,452	-	-	62,898,452
Total liabilities	**262,759,660**	**-**	**14,356,818**	**277,116,478**	254,258,828	-	12,563,048	266,821,876
Net assets								
Designated								
Investment funds	**24,246,684**	**-**	**-**	**24,246,684**	19,263,618	-	-	19,263,618
Insurance funds	**27,762,554**	**-**	**-**	**27,762,554**	30,073,782	-	-	30,073,782
Plant funds	**91,087,474**	**-**	**-**	**91,087,474**	25,777,713	-	-	25,777,713
Undesignated	**(16,376,695)**	**-**	**-**	**(16,376,695)**	38,046,845	-	-	38,046,845
Restricted	**-**	**31,876,150**	**60,660,844**	**92,536,994**	-	23,629,643	59,032,408	82,662,051
Total net assets	**126,720,017**	**31,876,150**	**60,660,844**	**219,257,011**	113,161,958	23,629,643	59,032,408	195,824,009
Total liabilities and net assets	**$ 389,479,677**	**$ 31,876,150**	**$ 75,017,662**	**$ 496,373,489**	$ 367,420,786	$ 23,629,643	$ 71,595,456	$ 462,645,885

The accompanying notes are an integral part of these statements .

Administrative Offices of the Archdiocese of Atlanta
Consolidated Statements of Activities

Years ended June 30,	**2017**				2016			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues								
Parishes and missions								
Contributions	**$ 8,138,970**	**$ -**	**$ -**	**$ 8,138,970**	$ 7,943,414	$ -	$ -	$ 7,943,414
Assessments	**21,268,183**	**-**	**-**	**21,268,183**	21,576,475	-	-	21,576,475
Continuing care	**11,845,634**	**-**	**-**	**11,845,634**	11,296,279	-	-	11,296,279
Education	**40,269,682**	**-**	**-**	**40,269,682**	40,196,638	-	-	40,196,638
Insurance premiums	**22,860,114**	**-**	**-**	**22,860,114**	21,313,803	-	-	21,313,803
Other contributions	**5,419,077**	**1,200,172**	**171,323**	**6,790,572**	2,912,782	290,606	1,011,313	4,214,701
Investment return	**1,395,255**	**1,268,523**	**671**	**2,664,449**	1,145,165	1,315,610	539	2,461,314
Other	**2,681,247**	**-**	**-**	**2,681,247**	2,637,856	-	-	2,637,856
Net assets released from restrictions	**3,354,800**	**(3,354,800)**	**-**	**-**	2,246,869	(2,246,869)	-	-
Total revenues	**117,232,962**	**(886,105)**	**171,994**	**116,518,851**	111,269,281	(640,653)	1,011,852	111,640,480
Expenses								
Administrative support	**7,811,092**	**-**	**-**	**7,811,092**	8,074,612	-	-	8,074,612
Pastoral	**9,617,787**	**-**	**-**	**9,617,787**	10,937,928	-	-	10,937,928
Education	**50,108,057**	**-**	**-**	**50,108,057**	48,345,367	-	-	48,345,367
Insurance services	**18,097,496**	**-**	**-**	**18,097,496**	17,816,227	-	-	17,816,227
Continuing Care	**10,654,362**	**-**	**-**	**10,654,362**	10,291,991	-	-	10,291,991
Support Services	**3,847,766**	**-**	**-**	**3,847,766**	3,654,589	-	-	3,654,589
Depreciation and amortization	**6,690,294**	**-**	**-**	**6,690,294**	6,916,480	-	-	6,916,480
Total expenses	**106,826,854**	**-**	**-**	**106,826,854**	106,037,194	-	-	106,037,194
Excess of revenues over expenses before gains and (losses)	**10,406,108**	**(886,105)**	**171,994**	**9,691,997**	5,232,087	(640,653)	1,011,852	5,603,286
Gains and (losses)								
Investments - realized and unrealized	**11,186,270**	**6,940,964**	**784,770**	**18,912,004**	(1,544,715)	(1,570,530)	(242,141)	(3,357,386)
Interest rate swap agreements	**2,410,499**	**-**	**-**	**2,410,499**	(350,871)	-	-	(350,871)
Disposal of property and equipment	**(227,649)**	**-**	**-**	**(227,649)**	(21,912)	-	-	(21,912)
Change in value of charitable gift annuities	**(9,845)**	**-**	**(2,439)**	**(12,284)**	2,294	-	(21,480)	(19,186)
Total gains and (losses)	**13,359,275**	**6,940,964**	**782,331**	**21,082,570**	(1,915,204)	(1,570,530)	(263,621)	(3,749,355)
Change in net assets	**23,765,383**	**6,054,859**	**954,325**	**30,774,567**	3,316,883	(2,211,183)	748,231	1,853,931
Other ASC 715 pension charge	**(7,341,565)**	**-**	**-**	**(7,341,565)**	(7,400,288)	-	-	(7,400,288)
Net assets transfers	**(2,865,759)**	**2,191,648**	**674,111**	**-**	(246,000)	-	246,000	-
Net assets at beginning of year	**113,161,958**	**23,629,643**	**59,032,408**	**195,824,009**	117,491,363	25,840,826	58,038,177	201,370,366
Net assets at end of year	**$ 126,720,017**	**$ 31,876,150**	**$ 60,660,844**	**$ 219,257,011**	$ 113,161,958	$ 23,629,643	$ 59,032,408	$ 195,824,009

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,	2017	2016
Operating activities		
Change in net assets	**$ 30,774,567**	$ 1,853,931
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation and amortization	**6,690,294**	6,916,480
Interest expense representing change in deferred bond costs	**59,404**	77,463
Amortization of entrance fees	**(707,838)**	(624,299)
ASC 715 pension costs	**(7,341,565)**	(7,400,288)
Loss on disposal of property and equipment	**49,356**	21,912
Realized and unrealized (gain) loss on investments	**(18,943,247)**	3,361,498
(Gain) loss on interest rate swap agreements	**(2,410,498)**	350,871
Restricted contributions	**(1,167,615)**	(1,011,313)
Decrease in accounts receivable	**1,154,091**	206,731
Increase in promises to give	**(418,965)**	(61,393)
Decrease in other assets	**3,765,095**	104,969
Increase (decrease) in accounts payable and accrued expenses	**(3,031,558)**	5,510,201
Increase (decrease) in deferred revenue	**205,961**	(158,030)
Net cash provided by operating activities	**8,677,482**	9,148,733
Investing activities		
Proceeds from sale and maturity of investments	**42,483,940**	13,588,815
Purchase of investments	**(50,302,176)**	(28,632,283)
Net decrease (increase) in entrance fee escrow fund	**771,083**	(526,399)
Parish and mission loans	**(5,184,509)**	(2,048,723)
Parish and mission loan repayments	**9,377,582**	7,384,414
Beneficial interest in assets held by foundation	**(1,782,380)**	-
Proceeds from sale of property and equipment	**306,995**	36,501
Purchase of property and equipment	**(8,549,110)**	(6,032,173)
Net cash used in investing activities	**(12,878,575)**	(16,229,848)
Financing activities		
Payments on bonds and notes payable	**(3,050,000)**	(3,935,000)
Net proceeds from residents entrance fees	**3,534,802**	2,376,003
Restricted contributions received	**1,167,615**	1,011,313
Parish and mission deposits received	**36,559,070**	34,569,520
Parish and mission deposits paid	**(22,648,746)**	(19,974,029)
Increase in custodial funds payable	**1,736,432**	1,953,824
Net cash provided by financing activities	**17,299,173**	16,001,631
Net increase in cash and cash equivalents	**13,098,080**	8,920,516
Cash and cash equivalents, beginning of year	**22,561,546**	13,641,030
Cash and cash equivalents, end of year	**$ 35,659,626**	$ 22,561,546

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.
AoA Deposit and Loan Fund, LLC
Catholic Construction Services, Inc.
Catholic Continuing Care Retirement Communities, Inc. (CCCRC)
Catholic Education of North Georgia, Inc. (CENGI)
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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (continued)

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 consolidated 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 2017 and 2016.

Cash and Cash Equivalents

For purposes of the consolidated 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.

Investments

The Archdiocese carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the consolidated 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 consolidated 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 $5,587,000 and $5,370,000 at June 30, 2017 and 2016, respectively.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 consolidated statements of activities.

Depreciation is computed using the straight-line method. Property and equipment at June 30, 2017 and 2016, consisted of the following:

	Useful Lives (years)	**2017**	2016
Land		**$ 29,440,652**	$ 28,688,889
Land improvements	15	**12,268,167**	12,098,410
Buildings	40-50	**154,036,534**	152,874,019
Furniture and equipment	3-10	**31,563,861**	36,812,136
Automobiles	5-7	**1,787,348**	1,663,793
Construction in progress		**6,059,197**	3,279,851
		235,155,759	235,417,098
Less accumulated depreciation		**(82,182,632)**	(83,983,965)
Property and equipment, net		**$ 152,973,127**	$ 151,433,133

Depreciation expense for 2017 and 2016, was $6,655,294 and $6,881,480, respectively.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (continued)

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 of $1,162,089 have been capitalized as of June 30, 2017 and 2016, and are being amortized over the life of the bonds using the interest method. Unamortized deferred bond costs are netted with the associated bonds payable in accordance with the new standard (Note 14), ASU 2015-03, and are being amortized to interest expense over the term of the bonds. Amortization of bond issuance costs for the years ended June 30, 2017 and 2016, totaled $59,404 and $77,463 and accumulated amortization at June 30, 2017 and 2016, totaled $679,946 and $620,541, respectively.

Interest Rate Swap Agreements

The Archdiocese 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 interest payments on bonds payable. In hedging the transactions, the Archdiocese, in the normal course of business, holds interest rate swap agreements 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 $2,826,000 and $2,456,000 at June 30, 2017 and 2016, respectively.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Self-Insurance Program (continued)

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 were approximately $2,970,000 during the years ended June 30, 2017 and 2016.

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 or permanently restricted support. Temporarily restricted support is 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. 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.

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 $215,000 to $600,000. The entrance fee is generally 80% or 90% refundable depending on the level of life care. 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, 2017 and 2016, investments consisted of the following:

	2017		2016	
	Fair Value	**Cost**	Fair Value	Cost
Short-term investments	**$ 19,750,872**	**$ 19,136,565**	$ 23,644,822	$ 24,257,818
Corporate obligations	**8,173,432**	**8,774,713**	3,534,416	3,645,201
Equity securities	**51,568,279**	**45,354,019**	42,311,552	41,225,965
Equity mutual funds	**107,510,952**	**82,969,886**	88,654,452	84,107,044
Debt mutual funds	**32,924,811**	**35,156,579**	32,296,537	34,121,863
U.S. Government obligations	**17,518,157**	**18,812,496**	20,870,171	21,846,625
Alternative Funds	**6,469,483**	**6,046,992**	6,782,061	6,552,142
Fixed Income	**6,558,726**	**7,352,955**	5,875,886	5,679,607
	$ 250,474,712	**$ 223,604,205**	$ 223,969,897	$ 221,436,265

NOTE 3: PROMISES TO GIVE

Promises to give of $5,310,087 and $4,891,122 at June 30, 2017 and 2016, 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, 2017 and 2016, have been reduced by a valuation allowance of $490,000.

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 4.5%. Loans receivable have been reduced by an allowance for uncollectible loans of $1,245,000 and $472,000 as of June 30, 2017 and 2016, 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 1.75% (2.25% prior to October 1, 2016).

NOTE 5: BONDS AND NOTES PAYABLE

Bonds payable consist of the following at June 30, 2017 and 2016:

	2017	2016
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated February 1, 1999, and maturing April 1, 2024.	**$ 12,800,000**	$ 12,900,000
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated March 1, 1999, and maturing April 1, 2024.	**7,900,000**	8,000,000
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated December 19, 2002, and maturing April 1, 2028.	**17,350,000**	17,450,000
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated December 19, 2002, and maturing April 1, 2028.	**3,590,000**	6,240,000
Development Authority of Fulton County Tax-Exempt Variable Rate Revenue Bonds (CCCRC bonds) dated September 1, 2014, and maturing April 1, 2034.	**18,750,000**	18,850,000
	60,390,000	63,440,000
Unamortized bond issuance costs	**482,144**	541,548
	$ 59,907,856	**$ 62,898,452**

Maturities of bonds payable are as follows:

Year ending June 30,	
2018	$ 3,655,000
2019	3,845,000
2020	4,010,000
2021	4,140,000
2022	4,270,000
2023-2034	40,470,000
	$ 60,390,000

Effective January 26, 2012, the CENGI 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% was payable monthly.

NOTE 5: BONDS AND NOTES PAYABLE (CONTINUED)

On November 1, 2016, all of the CENGI bonds were acquired by a different bank and the interest rate was changed to 68% of LIBOR plus .78%. The interest rate at June 30, 2017, was 1.61%. All of the educational bonds require monthly interest payments and mature in varying annual amounts through April 1, 2028.

In September 2014, the proceeds of Series 2014 refunding bonds issued by the Development Authority of Fulton County (the Authority) were used to retire the 2004 series bonds. The Series 2014 Bonds include interest initially at 67% times the sum of 1-month LIBOR and 1.85% (2.04% at June 30, 2017) and annual principal payments, with final maturity in September 2034. The Authority loaned the proceeds of the 2014 Bonds to CCCRC under a Loan Agreement, and CCCRC is required to make loan payments equal to debt service on the 2014 Bonds. CCCRC has pledged virtually all assets as collateral for its repayment obligations. CCCRC also entered into a Credit Agreement with the holder of the 2014 Bonds, which includes certain financial covenants to be maintained by CCCRC. As of June 30, 2017, CCCRC is in compliance with the required financial covenants.

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, 2017, the Archdiocese had one unsecured bank line of credit totaling $5,000,000. 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, 2017 was 2.23%. There were no amounts due under the demand note at June 30, 2017 and 2016. The demand note has a maturity date of April 2, 2019.

Interest expense to the Archdiocese on bonds and interest rate swap agreements and interest paid on deposits from parishes and agencies (Note 4) totaled $4,973,968 and $5,112,378 for the years ended June 30, 2017 and 2016, respectively. Cash payments for interest totaled $4,991,280 and $5,123,027 for fiscal years 2017 and 2016, respectively.

Interest expense for the years ended June 30, 2017 and 2016, is reported in the consolidated statements of activities as follows:

	2017	2016
Interest included in school operations	**$ 2,179,346**	$ 2,242,445
Interest included in CCCRC operations	**327,148**	269,386
Interest charged against loan fund income (Note 4)	**2,467,474**	2,600,547
	$ 4,973,968	$ 5,112,378

NOTE 5: BONDS AND NOTES PAYABLE (CONTINUED)

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, 2017 and 2016.

NOTE 6: INTEREST RATE SWAP AGREEMENTS

In order to mitigate its exposure to interest rate fluctuations, the Archdiocese entered into interest rate swap agreements that provide for fixed rates of interest on the school 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 represents 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 consolidated statements of activities as a gain or loss on interest rate swap 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, 2017 and 2016 was $1,180,000 and $1,120,000, respectively.

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 tables below summarize the swap information reported in the consolidated financial statements as of June 30, 2017 and 2016.

Year ended June 30, 2017

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 swap agreements in Statement of Activities**
School Bonds	**1/26/2012**	**7/1/2020**	**$41,640,000**	**3.55%**	**0.83%**	**$ (2,775,156)**	**$2,071,294**
School Bonds	**7/1/2020**	**7/1/2025**	**16,065,000**	**2.90%**	**0.83%**	**(760,158)**	**339,205**
			$ 57,705,000			**$ (3,535,314)**	**$ 2,410,499**

Year ended June 30, 2016

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 swap agreements in Statement of Activities
School Bonds	1/26/2012	7/1/2020	$ 44,590,000	3.55%	0.29%	$ (4,846,450)	$ 278,018
School Bonds	7/1/2020	7/1/2025	16,065,000	2.90%	0.29%	(1,099,362)	(628,889)
			$ 60,655,000			$ (5,945,812)	$ (350,871)

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.

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, 2017:

June 30, 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds				
Campus ministry	$ -	$ 59,805	$ 169,485	$ 229,290
Cemeteries	-	1,082,041	279,531	1,361,572
Community Service	-	1,502,078	3,288,117	4,790,195
Dependent children	-	657,121	387,207	1,044,328
Education	-	16,842,538	39,651,822	56,494,360
Elderly	-	529,161	1,213,060	1,742,221
Operations	-	3,707,309	7,652,944	11,360,253
Parishes	(1,665)	1,428,463	4,360,628	5,787,426
Seminary	-	3,697,649	3,658,050	7,355,699
	(1,665)	29,506,165	60,660,844	90,165,344
Board-designated endowment funds				
Charitable gift annuities	560,771	-	-	560,771
Clergy welfare	194,519	-	-	194,519
Donor-advised fund	4,080,053	-	-	4,080,053
Education	2,894,734	-	-	2,894,734
Operations	1,658,463	-	-	1,658,463
Parishes	12,057,559	-	-	12,057,559
Retired priests	393,819	-	-	393,819
Seminary	2,406,766	-	-	2,406,766
	24,246,684	-	-	24,246,684
	$ 24,245,019	$ 29,506,165	$ 60,660,844	$ 114,412,028

NOTE 8: ENDOWMENT AND DESIGNATED INVESTMENT FUNDS (CONTINUED)

Endowment net assets composition by type of fund as of June 30, 2016:

June 30, 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds				
Campus ministry	$ -	$ 41,741	$ 168,345	$ 210,086
Cemeteries	-	374,426	50,000	424,426
Community Service	(24,918)	743,873	3,691,573	4,410,528
Dependent children	-	866,482	387,207	1,253,689
Education	(4,793)	13,912,312	38,049,352	51,956,871
Elderly	-	391,350	1,211,810	1,603,160
Operations	(73,671)	886,285	7,539,097	8,351,711
Parishes	(7,059)	890,129	4,276,974	5,160,044
Seminary	-	3,134,616	3,658,050	6,792,666
	(110,441)	21,241,214	59,032,408	80,163,181
Board-designated endowment funds				
Charitable gift annuities	585,633	-	-	585,633
Clergy welfare	174,326	-	-	174,326
Donor-advised fund	2,254,478	-	-	2,254,478
Education	2,593,075	-	-	2,593,075
Operations	1,515,239	-	-	1,515,239
Parishes	8,327,767	-	-	8,327,767
Retired priests	351,469	-	-	351,469
Seminary	3,461,631	-	-	3,461,631
	19,263,618	-	-	19,263,618
	$ 19,153,177	$ 21,241,214	$ 59,032,408	$ 99,426,799

NOTE 8: ENDOWMENT AND DESIGNATED INVESTMENT FUNDS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2017:

Year ended June 30, 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	**$ 19,153,177**	**$ 21,241,214**	**$ 59,032,408**	**$ 99,426,799**
Contributions	**-**	**1,064,481**	**171,323**	**1,235,804**
Transfers to increase board designated funds	**5,114,947**	**-**	**-**	**5,114,947**
Net assets transfer	**-**	**2,191,648**	**674,111**	**2,865,759**
Investment return				
Investment income	**206,409**	**1,268,523**	**671**	**1,475,603**
Net realized and unrealized appreciation	**1,382,357**	**6,940,964**	**784,770**	**9,108,091**
Change in value of charitable gift annuities	**-**	**-**	**(2,439)**	**(2,439)**
Appropriation of endowment net assets for expenditure	**(1,720,647)**	**(3,091,889)**	**-**	**(4,812,536)**
Reclassification of recoveries in donor-restricted endowment funds	**108,776**	**(108,776)**	**-**	**-**
Endowment net assets, end of year	**$ 24,245,019**	**$ 29,506,165**	**$ 60,660,844**	**$ 114,412,028**

NOTE 8: ENDOWMENT AND DESIGNATED INVESTMENT FUNDS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2016:

Year ended June 30, 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 20,222,586	$ 23,424,848	$ 58,038,177	$ 101,685,611
Contributions	-	103,557	1,011,313	1,114,870
Transfers to increase board designated funds	57,790	-	-	57,790
Net assets transfer	-	-	246,000	246,000
Investment return				
Investment income	333,291	1,315,610	539	1,649,440
Net realized and unrealized depreciation	(380,303)	(1,570,530)	(242,141)	(2,192,974)
Change in value of charitable gift annuities	-	-	(21,480)	(21,480)
Appropriation of endowment net assets for expenditure	(980,685)	(2,131,773)	-	(3,112,458)
Restoration of deficiencies in donor-restricted endowment funds	(99,502)	99,502	-	-
Endowment net assets, end of year	$ 19,153,177	$ 21,241,214	$ 59,032,408	$ 99,426,799

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, 2017:

June 30, 2017	Temporarily Restricted	Permanently Restricted	Total
Campus ministry	$ 59,805	$ 169,485	$ 229,290
Cemeteries	1,082,041	279,531	1,361,572
Community service	1,502,078	3,288,117	4,790,195
Dependent children	657,121	387,207	1,044,328
Education	16,842,538	39,651,822	56,494,360
Elderly	529,161	1,213,060	1,742,221
Operations	3,707,309	7,652,944	11,360,253
Parishes	1,428,463	4,360,628	5,789,091
Religious purposes	2,012,299	-	2,012,299
School operations	357,686	-	357,686
Seminary	3,697,649	3,658,050	7,355,699
	$ 31,876,150	$ 60,660,844	$ 92,536,994

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, 2016:

June 30, 2016	Temporarily Restricted	Permanently Restricted	Total
Campus ministry	$ 41,741	$ 168,345	$ 210,086
Cemeteries	374,426	50,000	424,426
Community service	743,873	3,691,573	4,435,446
Dependent children	866,482	387,207	1,253,689
Education	13,912,312	38,049,352	51,961,664
Elderly	391,350	1,211,810	1,603,160
Operations	886,285	7,539,097	8,425,382
Parishes	890,129	4,276,974	5,167,103
Religious purposes	2,012,299	-	2,012,299
School operations	376,130	-	376,130
Seminary	3,134,616	3,658,050	6,792,666
	$ 23,629,643	$ 59,032,408	$ 82,662,051

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.

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 11: FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be measured at fair value on a recurring basis. 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 promises to give.

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

Certain investments are valued at the net asset value practical expedient based on the fair value of the underlying investments.

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, 2017:

June 30, 2017	Level 1	Level 2	Level 3	Total
Investments				
Short-term investments	$ 4,098,330	$ 15,652,542	$ -	$ 19,750,872
Corporate obligations - domestic bonds	-	8,173,432	-	8,173,432
Equity securities - domestic	47,759,319	-	-	47,759,319
Equity securities - international	1,774,809	-	-	1,774,809
Equity funds - domestic	4,222,019	18,398,828	-	22,620,847
Equity funds - international	70,527,060	-	-	70,527,060
Debt funds - domestic and international	32,924,811	-	-	32,924,811
U. S. agency funds	-	11,672,685	-	11,672,685
U. S. treasury notes	5,845,472	-	-	5,845,472
Equity Securities - REIT	2,034,151	-	-	2,034,151
Total Investment at FV	$ 169,185,971	$ 53,897,487	$ -	223,083,458
Investments measured at net asset value				
Other investments measured at net asset value				20,921,771
Investments in limited partnership				6,469,483
				$ 250,474,712
Promises to give	$ -	$ -	$ 5,310,087	$ 5,310,087
Interest rate swap liability	$ -	$ -	$ (3,535,314)	$ (3,535,314)
Post retirement obligations	$ -	$ -	$ (7,091,364)	$ (7,091,364)

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, 2016:

June 30, 2016	Level 1	Level 2	Level 3	Total
Investments				
Short-term investments	$ -	$23,644,822	$ -	$ 23,644,822
Corporate obligations - domestic bonds	-	3,534,416	-	3,534,416
Equity securities - domestic	40,220,268	-	-	40,220,268
Equity securities - international	770,462	-	-	770,462
Equity funds - domestic	3,464,724	17,290,980	-	20,755,704
Equity funds - international	57,094,420	-	-	57,094,420
Debt funds - domestic and international	32,296,541	-	-	32,296,541
U. S. agency funds	-	9,804,574	-	9,804,574
U. S. agency securities	6,686,786	-	-	6,686,786
U. S. treasury notes	4,378,811	-	-	4,378,811
Equity Securities - REIT	1,320,818	-	-	1,320,818
Total Investment at FMV	$ 146,232,830	$ 54,274,792	$ -	200,507,622
Investments measured at net asset value				
Other investments measured at net asset value				16,680,214
Investments in limited partnership				6,782,061
				$ 223,969,897
Promises to give	$ -	$ -	$ 4,891,122	$ 4,891,122
Interest rate swap liability	$ -	$ -	$ (5,945,812)	$ (5,945,812)
Post retirement obligations	$ -	$ -	$ (9,998,787)	$ (9,998,787)

NOTE 11: FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a reconciliation of the change in fair value for the years ended June 30, 2017 and 2016, for Level 3:

Years ended June 30,	**2017**	2016
Interest rate swap liability		
Liability at beginning of year	**$ 5,945,812**	$ 5,594,941
Change in value	**(2,410,499)**	350,871
Liability at end of year	**$ 3,535,313**	$ 5,945,812
Promises to give		
Receivables at beginning of year	**$ 4,891,122**	$ 4,829,729
New pledges received	**6,457,033**	6,673,679
Payments on pledges	**(6,033,439)**	(6,628,418)
Change in value of pledges	**(4,629)**	16,132
Receivable at end of year	**$ 5,310,087**	$ 4,891,122
Post retirement obligation		
Balance at beginning of year	**$ 9,998,787**	$ 5,787,517
Increase in accumulated postretirement benefit obligation	**10,928,284**	7,330,264
Increase in fair value of assets	**(13,835,707)**	(3,118,994)
Post retirement obligation at end of year	**$ 7,091,364**	$ 9,998,787

The change in value of the interest rate swap agreements in 2017 and 2016, 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, 2017 and 2016.

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

Priests' 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 $942,000 to the Plan during the fiscal year ending June 30, 2018.

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

Years ended June 30,	**2017**	2016
Obligation and funded status		
Projected benefit obligation	**$ (28,208,409)**	$ (29,081,946)
Plan assets at fair value	**23,336,965**	20,371,455
Funded status	**$ (4,871,444)**	$ (8,710,491)
Accumulated benefit obligation	**$ 28,208,409**	$ 29,081,946
Employer contribution	**1,482,410**	4,000,000
Benefits paid	**1,188,220**	1,050,230
Amounts recognized in the consolidated statements of financial position		
Noncurrent liabilities	**4,871,444**	8,710,491
Amounts recognized in the consolidated statements of activities		
Service cost	**1,270,948**	949,468
Interest cost	**1,014,089**	998,438
Expected return on plan assets	**(1,334,823)**	(1,191,886)
Amortization of prior service cost and net loss	**878,061**	571,424
Net periodic pension cost	**$ 1,828,275**	$ 1,327,444
Other changes in net assets		
Actuarial gain (loss)	**$ 3,306,851**	$ (5,992,814)
Amortization of prior service cost	**878,061**	571,424
	$ 4,184,912	$ (5,421,390)

The estimated net loss and prior service cost that will be amortized from changes in unrestricted net assets into net periodic benefit cost in 2018 are $640,200 and $0, respectively.

NOTE 12: POST RETIREMENT BENEFITS (CONTINUED)

Priests' Retirement Plan (continued)

The following assumptions were used in accounting for the plan:

Weighted-average assumptions used to determine benefit obligations:	**2017**	2016
Discount rate	**3.8%**	3.6%
Expected return on plan assets	**6.8%**	7.0%
Future cost of living adjustments	**2.5%**	2.5%

Weighted-average assumptions used to determine net periodic benefit cost	**2017**	2016
Discount rate	**3.6%**	4.3%
Expected return on plan assets	**6.8%**	7.0%
Future cost of living adjustments	**2.5%**	2.5%

Retirement Age: Age based on retirement rates are given below

Age	Probability of Retirement
65	100.00%

Mortality Rates (per 1,000 lives)- IRS Static Mortality Table for Males for the applicable year:

Age	**2017**	2016
20	**0.19**	0.19
35	**0.66**	0.66
50	**1.30**	1.32
60	**4.41**	4.48

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.

NOTE 12: POST RETIREMENT BENEFITS (CONTINUED)

Priests' Retirement Plan (continued)

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, 2018.

The following benefits are expected to be paid:

Year ending June 30,	
2018	$ 941,918
2019	957,115
2020	1,002,005
2021	1,039,313
2022	1,071,000
2023-2027	6,443,551
	$ 11,454,902

Billings to the parishes and agencies for priests' retirement are reported in insurance revenues and totaled $832,410 and $838,490 for the years ended June 30, 2017 and 2016, respectively.

Years ended June 30,	**2017**	2016
Pension and administrative expenses	**$ 1,841,982**	$ 1,434,170
Billings to parishes and agencies	**(832,410)**	(838,490)
	$ 1,009,572	$ 595,680

NOTE 12: POST RETIREMENT BENEFITS (CONTINUED)

Priests' Retirement Plan (continued)

The fair values of the Archdiocese's priests' retirement plan assets at June 30, 2017 and 2016, by asset category are as follows:

June 30, 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments				
Short-term investments	**$ 772,144**	**$ -**	**$ -**	**$ 772,144**
U.S. Treasury obligations	**1,906,486**	**590,964**	**-**	**2,497,450**
Marketable debt securities	**-**	**971,940**	**-**	**971,940**
Marketable equity securities	**6,922,706**	**-**	**-**	**6,922,706**
Equity mutual funds	**11,372,323**	**-**	**-**	**11,372,323**
	$ 20,973,659	**$ 1,562,904**	**$ -**	**22,536,563**
Investments measured at net asset value				
Alternative Funds				**800,402**
				$ 23,336,965

June 30, 2016	Level 1	Level 2	Level 3	Total
Investments				
Short-term investments	$ 1,411,257	$ -	$ -	$ 1,411,257
U.S. Treasury obligations	1,476,939	1,411,729	-	2,888,668
Marketable debt securities	-	466,486	-	466,486
Marketable equity securities	5,981,419	-	-	5,981,419
Equity mutual funds	8,758,753	-	-	8,758,753
	$ 17,628,368	$ 1,878,215	$ -	19,506,583
Investments measured at net asset value				
Alternative Funds				864,872
				$ 20,371,455

Priests' 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 priests' retirement plan. There are no minimum age or service requirements to qualify for benefits under the plan.

NOTE 12: POST RETIREMENT BENEFITS (CONTINUED)

Priests' long-term care plan (continued)

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

Years ended June 30,	**2017**	2016
Obligation and funded status		
Projected benefit obligation	**$ (6,111,264)**	$ (7,027,057)
Plan assets at fair value	**6,608,958**	5,738,761
Funded status	**$ 497,694**	$ (1,288,296)
Accumulated benefit obligation	**$ 6,111,264**	$ 7,027,057
Employer contribution	**648,124**	470,400
Benefits paid	**204,914**	184,815
Amounts recognized in the consolidated statements of financial position:		
Noncurrent asset(liability)	**497,694**	(1,288,296)
Amounts recognized in the consolidated statements of activities:		
Service cost	**175,670**	125,296
Interest cost	**246,504**	224,537
Expected return on plan assets	**(368,903)**	(395,895)
Net periodic pension cost (income)	**$ 53,271**	$ (46,062)
Other changes in net assets:		
Actuarial gain (loss)	**$ 1,191,137**	$ (2,048,898)

NOTE 12: POST RETIREMENT BENEFITS (CONTINUED)

Priests' long-term care plan (continued)

The following assumptions were used in accounting for the plan:

Weighted-average assumptions used to determine benefit obligations:	**2017**	2016
Discount rate	**3.9%**	3.7%
Expected return on plan assets	**6.8%**	7.0%
Future cost of living adjustments	**2.5%**	2.5%

Weighted-average assumptions used to determine net periodic benefit cost:	**2017**	2016
Discount rate	**3.7%**	4.5%
Expected return on plan assets	**6.8%**	7.0%
Future cost of living adjustments	**2.5%**	2.5%

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	0.187	N/A
35	0.658	N/A
50	1.196	76.12
60	2.911	150.42

No plan assets are expected to be returned to the Archdiocese during the fiscal year ending June 30, 2018.

NOTE 12: POST RETIREMENT BENEFITS (CONTINUED)

Priests' long-term care plan (continued)

The following benefits are expected to be paid:

Year ending June 30,	
2018	$ 152,864
2019	150,728
2020	151,749
2021	156,880
2022	165,880
2023-2027	1,008,042
	$ 1,786,143

Billings to parishes and agencies for priests' long-term care are reported in insurance revenues and totaled $198,120 and $219,400 for the years ended June 30, 2017 and 2016, respectively.

The fair values of the Archdiocese's long-term care plan assets at June 30, 2017 and 2016, by asset category are as follows:

June 30, 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Short-term investments	**$ 1,174,846**	**$ -**	**$ -**	**$ 1,174,846**
Marketable equity securities	**5,434,112**	**-**	**-**	**5,434,112**
	$ 6,608,958	**$ -**	**$ -**	**$ 6,608,958**

June 30, 2016	Level 1	Level 2	Level 3	Total
Short-term investments	$ 232,531	$ -	$ -	$ 232,531
Marketable equity securities	5,506,230	-	-	5,506,230
	$ 5,738,761	$ -	$ -	$ 5,738,761

Senior Priest Welfare Plan

On June 21, 2017, the Archdiocese adopted a welfare plan which covers all priests eligible for Medicare incardinated in the Archdiocese of Atlanta. There are no minimum service requirements. Medical benefits are provided to retirees in the form of a $6,000 annual payment applied toward premiums set to increase annually according to the Social Security Index. Future benefits are funded through a Grantor Trust currently managed by SunTrust Bank. The Archdiocese contributed $10,000,000 to the Plan during the fiscal year ending June 30, 2017.

NOTE 12: POST RETIREMENT BENEFITS (CONTINUED)

Senior Priest Welfare Plan (continued)

The following table provides further information about the senior priest welfare plan:

Year ended June 30, 2017	
Obligation and funded status	
Projected benefit obligation	$ (12,717,614)
Plan assets at fair value	10,000,000
Funded status	$ (2,717,614)
Accumulated benefit obligation	$ 12,717,614
Employer contribution	10,000,000
Benefits paid	-
Amounts recognized in the consolidated statements of financial position	
Current liabilities	306,000
Noncurrent liabilities	2,411,614
Amounts recognized in the consolidated statements of activities	
Special accounting entry for establishing plan	12,159,969
Service cost	380,165
Interest cost	460,813
Expected return on plan assets	-
Amortization of prior service cost and net (gain)/loss	-
Net periodic pension cost	$ 13,000,947
Other changes in net assets	
Gain due to Actual experience	$ 283,333
Amortization of prior service cost	-
	$ 283,333

NOTE 12: POST RETIREMENT BENEFITS (CONTINUED)

Senior Priest Welfare Plan (continued)

The following assumptions were used in accounting for the plan:

Weighted-average assumptions used to determine benefit obligations:	
Discount rate	3.9%
Expected return on plan assets	6.8%
Future cost of living adjustments	2.5%

Weighted-average assumptions used to determine net periodic benefit cost	
Discount rate	3.9%
Expected return on plan assets	6.8%
Future cost of living adjustments	2.5%

Retirement Age: Age based on retirement rates are given below

Age	Probability of Retirement
65	100.00%

Mortality Rates (per 1,000 lives)- IRS Static Mortality Table for Males for the applicable year:

Age	
20	0.187
35	0.658
50	1.20
60	2.91

Disability: Rates varying by age and service:

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

No plan assets are expected to be returned to the Archdiocese during the fiscal year ending June 30, 2017.

NOTE 12: POST RETIREMENT BENEFITS (CONTINUED)

Senior Priest Welfare Plan (continued)

The following benefits are expected to be paid:

Year ending June 30,	
2018	$ 306,000
2019	313,358
2020	326,754
2021	346,449
2022	366,400
2023-2027	2,203,392
	$ 3,862,353

The fair values of the Archdiocese's Senior Priest Welfare plan assets at June 30, 2017, by asset category, are as follows:

June 30, 2017	Level 1	Level 2	Level 3	Total
Short-term investments	$ 10,000,000	$ -	$ -	$ 10,000,000
	$ 10,000,000	$ -	$ -	$ 10,000,000

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:

Years ended June 30,	**2017**	2016
Pension and administrative expenses	**$ 3,310,380**	$ 3,915,688
Billings to parishes and agencies	**(4,198,047)**	(3,821,833)
	$ (887,667)	$ 93,855

NOTE 13: DEVELOPMENT AND FUNDRAISING COST

The Archdiocese incurred fund raising costs related to the annual appeal campaign of $530,105 and $625,815 for the years ended June 30, 2017 and 2016, respectively. Catholic Education of North Georgia incurred development and fundraising costs totaling $885,025 and $963,541 for the years ended June 30, 2017 and 2016.

NOTE 14: CHANGE IN ACCOUNTING PRINCIPLE

In April 2015, the Financial Accounting Standards Board (FASB) released a new standard, ASU 2015-03, for simplifying the presentation of deferred bond costs. During the year ended June 30, 2017, the Archdiocese adopted the new standard, which resulted in a change in accounting principle. The new standard was written to reduce complexity while improving the usefulness of the information provided to users of the financial statements.

Previously, deferred bond costs were capitalized as an asset and were amortized over the life of the loan and amortization expense was reported separately on the statements of activity. Under the provisions of the new standard, unamortized deferred bond costs are presented as a reduction of the carrying amount of the associated bonds rather than as an asset. Additionally, amortization of deferred bond costs is included as a component of interest expense on the statement of activities.

The Archdiocese's adoption of the new standard has been retroactively applied to prior periods resulting in a decrease in both assets and liabilities of $541,548 as of June 30, 2016. The adoption had no effect on net income for the year ended June 30, 2016, however interest expense increased by $77,463 with a corresponding decrease in depreciation and amortization expense in the same amount.

NOTE 15: SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 14, 2017, which is the date that the consolidated financial statements were available to be issued.