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His Excellency  
The Most Reverend  
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We have examined the balance sheet of the Administrative Offices of the Archdiocese of Atlanta at June 30, 1985 and June 30, 1984, and the related statements of support and revenue, expenses, capital additions, and changes in fund balances and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Administrative Offices of the Archdiocese of Atlanta at June 30, 1985 and June 30, 1984, and the support and revenue, expenses, capital additions, and changes in fund balances and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*Pannell Kerr Forster*

September 5, 1985

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA  
Atlanta, Georgia

Balance Sheet - Fund Basis

	June 30, 1985				June 30, 1984	
	Expendable Funds		Endowment Funds	Plant Funds	Custodian Funds	Total
	Operating Funds	Deposit and Loan Funds				
<b>Assets</b>						
Cash	\$ 756,641	\$ 60,829	\$ 817,470	\$ 63,636	\$ 1,100	\$ 882,206
Certificates of deposit and marketable securities (market value \$9,826,435 June 30, 1985 and \$10,223,317 June 30, 1984) (note 1)	223,489	375,000	1,336,260	\$1,032,887	147,096	8,574,464
Accounts and accrued interest receivable	256,038		256,038			9,958,045
Notes receivable (note 6)						199,583
Pledges receivable (note 7)						238,861
Due from parishes and agencies (net of allowance for doubtful loans of \$150,000) (note 5)				136,991		5,016,161
Land, buildings and equipment (pledged in part to secure notes and mortgages payable) (notes 1, 4 and 8)		11,394,347				11,394,347
Deferred pension costs (note 3)						8,412,513
Other assets	61,807		61,807			10,000
Due from other funds	1,117,728	597,654	1,724,507	5,000	6,181	37,140
<b>Total assets</b>	<b>2,415,703</b>	<b>12,427,830</b>	<b>19,590,429</b>	<b>1,197,921</b>	<b>154,377</b>	<b>36,394,431</b>
<b>Liabilities and Fund Balances</b>						
Accounts payable - trade and accrued expenses	3,588	55,370	58,958	6,940	114,761	180,659
Accounts payable - construction (note 8)				818,918		162,726
Accounts payable - parishes				208,122	39,616	247,738
Deferred support and revenue						
Unrestricted	442,579		442,579	136,991		346,507
Restricted (note 7)						7,014,005
Deferred receipts (note 9)		195,298	195,298			285,329
Deposits payable (note 5)						
Parishes		4,255,097	4,255,097			4,972,407
Other		326,342	326,342			242,339
Demand note payable (note 4)		1,921,382	1,921,382			15,000
Notes and mortgages payable (notes 4 and 5)		5,674,341	5,674,341	405,255		6,310,431
Due to other funds				1,758,731		1,626,523
<b>Total liabilities</b>	<b>446,167</b>	<b>12,427,830</b>	<b>12,873,997</b>	<b>136,991</b>	<b>154,377</b>	<b>21,536,989</b>
<b>Fund balances</b>						
Unrestricted						746,896
Designated investment funds						694,673
Designated for loans	1,969,536		1,969,536			909,472
Undesignated	1,969,536		2,716,432			1,648,221
Endowment				1,060,930		3,252,366
Net investment						1,060,930
Total fund balances	1,969,536		2,716,432	1,060,930		930,216
Total liabilities and fund balances	\$2,415,703	\$12,427,830	\$15,590,429	\$1,197,921	\$154,377	\$36,394,431

See notes to financial statements



ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA  
Atlanta, Georgia

Statement of Changes in Financial Position

	Year Ended June 30, 1985					Year Ended June 30, 1984	
	Expendable Funds					Custodian Funds	Total
	Operating Funds	Deposit and Loan Funds	Designated Investment Funds	Total	Endowment Funds		
<b>Sources of funds</b>							
Revenues collected							
From parishes							
Special collections - Archdiocesan	\$ 1,101,206	\$ 1,101,206	\$	\$	\$	\$	\$ 1,101,206
Assessments	1,389,116	1,389,116					1,389,116
	2,490,322	2,490,322					2,490,322
	143,951	143,951					143,951
Contributions and bequests	180,028	64,544	678,381	3,011	88,447		1,011,400
Investments income	588,251	(62,147)	(482,959)	(43,145)	244,572		146,962
Investment income earned for other funds	81,742	33,190	290,728	53,061	114,932		823,961
Other	3,484,294	35,587	486,150	101,374	458,721		95,315
Total revenues collected							3,297,262
Other sources							
Collections on notes receivable			30,991				30,991
Decrease in pledges and accounts receivable			1,730,360	71,463			1,801,823
Decrease in deferred pension costs	10,000						10,000
Proceeds of notes payable		2,147,382			313,422		2,460,804
Increase in deposits payable							
Increase in accounts payable and accrued expenses			801,153			6,739	807,892
Increase in deferred revenue and receipts	96,072						244,160
Total sources of funds	3,550,366	2,147,382	35,587	172,837	3,362,076	6,739	103,167
Uses of funds							
Operating expenses	3,121,343						3,121,343
Purchase of land, building and equipment					11,952		11,952
Payments on notes payable		742,030			4,350,460		4,350,460
Parish loans - net increase		970,354			43,227		785,257
Increase in pledges and accounts receivable	56,455						982,654
Increase in notes receivable					970,134		263,203
Increase in other assets					56,455		70,601
Decrease in accounts payable and accrued expenses	29,667				12,000		220,000
Decrease in deferred revenue and receipts	24,074	160,951			185,025		43,795
Decrease in deposits payable		90,031			90,031		2,301,340
Other		633,307			633,307		0
Total uses of funds	3,231,539	2,596,673		42,123	4,417,639		7,603,059
Transfers and net changes in interfund accounts	150,551	(1,256,202)	15,033	(3,427)	1,066,680	27,365	0
Increase (decrease) in cash, marketable securities and certificates of deposit	509,378	(1,705,493)	50,620	127,287	11,117	34,104	(972,987)
Cash, marketable securities and certificates of deposit - beginning of year	470,752	2,141,322	687,151	3,299,225	6,110,740	114,092	9,755,449
Cash, marketable securities and certificates of deposit - end of year	\$ 980,130	\$ 435,829	\$ 737,771	\$ 2,153,730	\$ 6,121,857	\$ 148,196	\$ 9,456,670

See notes to financial statements

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Notes to Financial Statements  
June 30, 1985 and 1984

Note 1 - Summary of significant accounting policies

Basis of reporting

The accompanying financial statements have been prepared in accordance with principles of the fund method of accounting. The statements include only the transactions of the Administrative Offices of the Archdiocese. 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 financial statements. Moreover, this report does not include the financial statements of the parishes and missions of the Archdiocese of Atlanta.

Title to all property of the Archdiocese vests in the Archbishop and his successors in office while obligations of the Archdiocese, likewise, are those of the Archbishop and his successors in office.

Investments in marketable securities

Investments in marketable securities are valued at cost or, if acquired by gift, at fair market value at the date thereof.

Land, buildings and equipment

Land, buildings and equipment acquired on or before June 1, 1963, are stated at amounts derived from insurance values and land appraisals as of that date. Subsequent additions are recorded at cost. A summary of land, buildings and equipment at June 30, 1985, follows:

	Insurance or Appraised Values <u>June 1, 1963</u>	Acquisitions at Cost Subsequent to <u>June 1, 1963</u>	<u>Total</u>
Land	\$ 322,625	\$2,490,072	\$ 2,812,697
Buildings	650,000	5,659,765	6,309,765
Furniture, fixtures and equipment	231,000	558,324	789,324
Automobiles	0	19,295	19,295
Construction in progress (note 8)	0	2,782,018	2,782,018
	<u>\$1,203,625</u>	<u>\$11,509,474</u>	<u>\$12,713,099</u>

Except for cost of school renovations at Our Lady of Lourdes Parish and construction of a school at St. John Newman Parish, the foregoing does not include properties used by parishes and missions of the Archdiocese.

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Notes to Financial Statements (continued)  
June 30, 1985 and 1984

Additions of furniture, fixtures and equipment are capitalized while replacements are charged to current fund expense.

No allowance for depreciation has been provided in the accounts in accordance with established accounting practices for similar institutions.

Real estate transactions

During the year ended June 30, 1974, the Archdiocese sold certain real property (see note 2) which was recorded as an installment sale. Gain on the sale was recognized when cash payments on the note receivable taken as part of the selling price were received.

Note 2 - Installment gain on sale of real estate

In 1973 the Archdiocese sold certain property in downtown Atlanta, Georgia. The total sales price was \$6,153,936. As a condition of the sale the Archdiocese issued a \$5,053,936 mortgage note receivable. The final payment on the note was received in 1984.

The gain on the sale of \$3,830,142 was deferred and recognized under the installment method as note payments were received. The remaining deferred gain balance at June 30, 1983 of \$629,100 was recognized in 1984 when the final note payment was received.

Note 3 - Retirement plans

Clergy retirement plan

On July 1, 1969, the Archdiocese adopted a retirement plan which covers all priests within the Archdiocese. The Archdiocese makes contributions to the plan at such times and in such amounts as required to keep the plan actuarially sound. Pension and administrative cost for the years ended June 30, 1985 and 1984 was \$77,000 and \$82,100, respectively. Pension cost includes normal cost and amortization of past service cost over 20 years. A comparison of vested plan benefits and plan net assets as of January 1, 1983 (most recent valuation) is presented below:

	January 1, 1983
Actuarial present value of vested plan benefits	<u>\$614,528</u>
Net assets available for benefits	<u>\$567,320</u>

The rate of return used in determining the actuarial present value of vested plan benefits was 6%.

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Notes to Financial Statements (continued)  
June 30, 1985 and 1984

The parishes reimbursed the Administrative Offices \$51,400 and \$44,000 for pension and administrative costs for the years ended June 30, 1985 and 1984, respectively. Pension expense is included in Archdiocesan administration expenses and is comprised of the following amounts:

	<u>Year Ended June 30,</u>	
	<u>1985</u>	<u>1984</u>
Pension and administrative expense	\$ 77,000	\$ 82,100
Reimbursement by parishes	<u>(51,400)</u>	<u>(44,000)</u>
	<u>\$25,600</u>	<u>\$ 38,100</u>

Lay employee retirement plan

Effective July 1, 1975, the Archdiocese adopted a defined benefit retirement plan for lay employees within the Archdiocese. Contributions have been made to the plan at such times and in amounts sufficient to fund the retirement benefits as defined in the plan. The Archdiocese is in the process of making amendments to the plan that will change the plan from a defined benefit to a defined contribution plan. The effective date of the amendments will be July 1, 1982. Contributions to the amended plan will be predetermined amounts based on compensation paid to each lay employee. Benefits under the amended plan will be computed based on the pension fund assets. In addition to the contributions required under the amended plan, the Archdiocese will continue to make sufficient contributions to the plan to cover employees who at the time of amendment were partially or fully vested in the defined benefit plan.

Pension cost for the years ended June 30, 1985 and 1984 includes payments of \$391,700 and \$342,400, respectively, made under the defined contribution portion of the plan.

The cost of the defined benefit portion of the plan for the years ended June 30, 1985 and 1984 was \$79,003 and \$147,862, respectively, for pension and administrative costs. Pension cost includes amortization of past service cost over 15 years. Funding in excess of the annual pension cost is reflected on the balance sheet as deferred pension cost of \$10,000 at June 30, 1984. The present value of vested benefits exceeded the pension fund assets of the defined benefit portion of the plan as of June 30, 1985 (most recent valuation) by approximately \$380,000.

The parishes reimbursed the Administrative Offices \$396,974 and \$351,681 for pension and administrative costs for the years ended June 30, 1985 and 1984, respectively. Pension cost is included in Archdiocesan administration expenses and is comprised of the following amounts:

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Notes to Financial Statements (continued)  
June 30, 1985 and 1984

	Year Ended June 30,	
	1985	1984
Defined contribution cost	\$ 391,700	\$ 342,400
Defined benefit cost	79,003	147,862
	<u>470,703</u>	<u>490,262</u>
Reimbursement by parishes	(396,974)	(351,681)
	<u>\$ 73,729</u>	<u>\$ 138,581</u>

Note 4 - Notes and mortgages payable

The unsecured demand note shown below is subject to a total line of credit of \$4,000,000 and may be converted to a 10-year term loan.

The notes and mortgages payable are secured by properties of the Administrative Offices of the Archdiocese and by real estate of various parishes and missions within the Archdiocese.

	June 30, 1985		June 30, 1984	
	Maturities		Maturities	
	Current	Noncurrent	Current	Noncurrent
Unsecured demand note - 9.5% at June 30, 1985				
Deposit and loan funds	<u>\$1,921,382</u>	<u>\$ 0</u>	<u>\$ 15,000</u>	<u>\$ 0</u>
3% to 12-1/2% notes and mortgages				
Plant funds	55,340	349,915	32,279	102,781
Deposit and loan funds	<u>726,986</u>	<u>4,947,355</u>	<u>731,696</u>	<u>5,443,675</u>
	<u>782,326</u>	<u>5,297,270</u>	<u>763,975</u>	<u>5,546,456</u>
Total notes and mortgages	<u>\$2,703,708</u>	<u>\$5,297,270</u>	<u>\$778,975</u>	<u>\$5,546,456</u>

Maturities of notes and mortgages payable are as follows:

Year Ending June 30,	Amount
1986	\$ 782,326
1987	853,165
1988	936,689
1989	1,027,044
1990	1,113,907
1991-2010	<u>1,366,465</u>
	<u>\$6,079,596</u>



ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Notes to Financial Statements (continued)  
June 30, 1985 and 1984

Note 5 - Deposit and loan funds

The amounts due from parishes relate, primarily, to funds receivable for payment of Archdiocesan notes and mortgages payable. At June 30, 1985 and 1984, the allowance for doubtful loans account, in the amount of \$150,000, is funded by marketable securities in an amount equal to the allowance. These securities have been designated to provide for estimated losses that may be incurred by the Administrative Offices resulting from uncollectible loans.

The Archdiocese administers a deposit and loan plan for the parishes. Parishes may deposit any excess funds with the Administrative Office. Interest is paid to the parishes at a rate based on the six-month Treasury Bill rate. The Administrative Office uses the funds on deposit to loan to other parishes. The interest rate charged to the borrowers is computed each month based on the cost of the funds to the Administrative Office.

Note 6 - Notes receivable

Sale of Newman Center

On May 1, 1985 the Archdiocese sold property previously used as the Atlanta University Newman Center. As part of the sale of the Archdiocese received a \$12,000 mortgage note receivable. The note bears interest at 10% and matures on September 1, 1985.

Sale of parish property

On June 8, 1984, a parish within the Archdiocese sold property previously used as the parish church. The terms of the sale called for the Archdiocese to carry a \$220,000, 12% mortgage note receivable. The note requires monthly principal and interest payments of \$3,156 and matures on June 8, 1994. Proceeds of the note are payable to the parish. The balance of the note receivable at June 30, 1985 is \$207,870, of which \$13,668 is due within one year.

Note 7 - Pledges receivable and deferred revenue

During the year ended June 30, 1983, the Administrative Offices initiated a capital funds drive to provide funds to construct and renovate several elderly care homes and facilities for high school and college students and to establish

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Notes to Financial Statements (continued)  
June 30, 1985 and 1984

a scholarship endowment for several Archdiocesan schools. Pledges for contributions to the capital funds drive are recorded as pledges receivable and may be paid at the time of the pledge or by installments over several years. A summary of total pledges, payments, and pledges receivable at June 30, 1985 and 1984 is shown below:

	<u>Endowment Funds</u>	<u>Plant Funds</u>	<u>Total</u>
Pledges receivable, June 30, 1983	\$ 222,500	\$ 978,803	\$ 1,201,303
Amounts pledged during 1984	96,014	5,875,769	5,971,783
Payments received	<u>(101,407)</u>	<u>(2,055,518)</u>	<u>(2,156,925)</u>
Pledges receivable, June 30, 1984	217,107	4,799,054	5,016,161
Amounts pledged (cancelled) during 1985	(8,653)	47,211	38,558
Payments received	<u>(71,463)</u>	<u>(1,730,360)</u>	<u>(1,801,823)</u>
Pledges receivable, June 30, 1985	<u>\$136,991</u>	<u>\$ 3,115,905</u>	<u>\$ 3,252,896</u>

Scheduled payments of pledges receivable are as follows:

Year Ending June 30,	<u>Endowment Funds</u>	<u>Plant Funds</u>	<u>Total</u>
1986	\$ 92,872	\$2,038,074	\$2,130,946
1987	28,149	838,356	866,505
1988	1,443	173,603	175,046
1989	315	17,939	18,254
1990	90	13,801	13,891
1991 and later	14,122	34,132	48,254
	<u>\$136,991</u>	<u>\$3,115,905</u>	<u>\$3,252,896</u>

Income from the capital funds drive is restricted for the previously-described purposes and accordingly is reported as deferred revenue until funds are expended for the restricted purposes. A summary of restricted income, restricted income earned, and deferred revenue at June 30, 1985 and 1984 is presented as follows:

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Notes to Financial Statements (continued)  
June 30, 1985 and 1984

	<u>Endowment Funds</u>	<u>Plant Funds</u>	<u>Total</u>
Deferred revenue, June 30, 1983	\$ 222,500	\$ 1,118,223	\$ 1,340,723
Additions to restricted income			
Pledges	96,014	5,875,769	5,971,783
Interest income	0	78,142	78,142
Restricted income earned			
Support and revenue	0	(138,844)	(138,844)
Capital additions	(101,407)	(136,392)	(237,799)
Deferred revenue, June 30, 1984	217,107	6,796,898	7,014,005
Additions to restricted income			
Pledges (cancellations)	(8,653)	47,211	38,558
Interest income	0	195,422	195,422
Restricted income earned			
Support and revenue	0	(11,952)	(11,952)
Capital additions	(71,463)	(2,707,945)	(2,779,408)
Deferred revenue, June 30, 1985	<u>\$ 136,991</u>	<u>\$ 4,319,634</u>	<u>\$ 4,456,625</u>

Note 8 - Construction in Progress

At June 30, 1985 the property and equipment accounts include \$2,782,018 of construction in progress. The expenditures involve construction at two schools and a Catholic Center at Georgia Tech.

A summary of expenditures through June 30, 1985, remaining amounts due under construction contracts, and approximate total cost is shown below:

<u>Project</u>	<u>Expenditures Through June 30, 1985</u>	<u>Remainder Amounts Under Construction Contracts</u>	<u>Approximate Total Cost</u>
Gwinnett County School	\$ 443,911	\$ 89	444,000
St. Pius X High School	1,731,046	1,008,954	2,740,000
Georgia Tech Catholic Center	607,061	352,939	960,000
	<u>\$2,782,018</u>	<u>\$1,361,982</u>	<u>\$4,144,000</u>

Accounts payable construction of \$818,918 at June 30, 1985 pertain to the above projects and are included in expenditures through June 30, 1985.

Accounts payable construction of \$162,726 at June 30, 1984 pertains to reconstruction of a parish church destroyed by fire (note 9). Through June 30, 1985 amounts paid for reconstruction totaled \$3,922,176. This amount has been recorded on the parish books and therefore is not included in the property and equipment accounts of the Administrative Offices.

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Notes to Financial Statements (continued)  
June 30, 1985 and 1984

Note 9 - Deferred receipts

During the year ended June 30, 1983, a fire substantially destroyed one of the churches within the Archdiocese. Parish property is not recorded on the books of the Administrative Offices; however, since title to all property of the Archdiocese vests in the Archbishop (note 1), proceeds of the insurance policy covering the destroyed church were paid to the Administrative Offices. The Administrative Offices have contracted and are overseeing reconstruction of the church. The terms of the reconstruction contract require the Archdiocese to pay the contractor 110% of actual reconstruction costs. The total estimated cost to the Archdiocese for reconstruction is approximately equal to the insurance proceeds. Presented below is a summary of total insurance proceeds, reconstruction costs, and deferred receipts at June 30, 1985 and 1984:

	<u>Amount</u>
Total insurance proceeds	\$ 3,956,137
Interest earned on insurance proceeds during 1984	136,261
Reconstruction costs through 1984	<u>(3,807,069)</u>
Deferred receipts, June 30, 1984	285,329
Interest earned on insurance proceeds during 1985	25,076
Reconstruction costs during 1985	<u>(115,107)</u>
Deferred receipts, June 30, 1985	<u>\$ 195,298</u>

Reconstruction was completed during the year ended June 30, 1985. Any funds remaining after final settlement with the contractor will be remitted to the parish.