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We have examined the balance sheet of the Administrative Offices of the Archdiocese of Atlanta at June 30, 1987 and June 30, 1986, 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, 1987 and June 30, 1986, 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 15, 1987

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA
Atlanta, Georgia

Balance Sheet - Fund Basis

	June 30, 1987						June 30, 1986	
	Expendable Funds							
	Operating Funds	Deposit and Loan Funds	Designated Investment Funds	Total	Endowment Funds	Plant Funds	Custodian Funds	Total
Assets								
Cash	\$ 581,820	\$ 7,796	\$ 0	\$ 589,616	\$ 0	\$ 0	\$ 1,100	\$ 1,449,741
Certificates of deposit and marketable securities (market value \$12,485,372 June 30, 1987 and \$10,675,089 June 30, 1986) (note 1)	384,902	1,550,000	1,276,239	3,211,141	816,592	5,583,453	245,738	9,856,924
Accounts and accrued interest receivable	526,982			526,982		660,794		526,982
Notes receivable (note 5)					5,441	410,910		741,758
Pledges receivable (note 6)								981,627
Due from parishes and agencies (net of allowance for doubtful loans of \$150,000) (note 4)		15,258,032		15,258,032				15,258,032
Land, buildings and equipment (pledged in part to secure notes and mortgages payable) (notes 1, 3 and 7)	19,544			19,544		17,105,971		17,105,971
Other assets	68,639	94,969		163,608			41,303	61,927
Due from other funds								2,197,051
Total assets	1,581,887	16,910,797	1,276,239	19,768,923	822,033	23,761,128	288,141	41,990,706
Liabilities and Fund Balances								
Accounts payable - trade and accrued expenses	197,099	29,200		226,299		287,776	221,206	447,505
Accounts payable - construction (note 7)						405,333	66,935	287,776
Accounts payable - parishes								472,268
Deferred support and revenue	865,684			865,684	5,441	2,523,656		865,684
Unrestricted								2,529,097
Restricted (note 6)								0
Deferred receipts								771,882
Deposits payable (note 4)								2,376,110
Parishes								74,550
Other		4,558,598		4,558,598				4,162,565
Demand note payable (note 3)		261,928		261,928				243,335
Notes and mortgages payable (notes 3 and 4)		3,223,466		3,223,466		582,194		3,223,466
Due to other funds		8,837,605	864	8,837,605	13,537	190,510		9,419,799
Total liabilities	1,062,783	16,910,797	864	17,974,444	18,978	3,989,469	288,141	22,271,032
Fund balances								
Unrestricted			1,275,375	1,275,375				1,275,375
Designated investment funds	519,104			519,104				519,104
Undesignated	519,104		1,275,375	1,794,479				1,794,479
Endowment					803,055			803,055
Net investment in plant						19,771,659		19,771,659
Total fund balances	519,104		1,275,375	1,794,479	803,055	19,771,659		22,369,193
Total liabilities and fund balances	\$1,581,887	\$16,910,797	\$1,276,239	\$19,768,923	\$ 822,033	\$23,761,128	\$288,141	\$41,990,706

See notes to financial statements

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA
Atlanta, Georgia

Statement of Support and Revenue, Expenses, Capital Additions and Changes in Fund Balances

	Year Ended June 30, 1987					Year Ended June 30, 1986	
	Expendable Funds			Endowment Funds	Plant Funds	Total	Total
	Operating Funds	Deposit and Loan Funds	Designated Investment Funds				
Support and revenue							
From parishes and missions							
Contributions							
Charity and development	\$1,040,574	\$	\$	\$	\$	\$ 1,040,574	\$ 940,623
Dependent children	281,104					281,104	245,949
Seminary	47,856					47,856	44,743
Assessment	1,846,562					1,846,562	1,533,398
	<u>3,216,096</u>					<u>3,216,096</u>	<u>2,764,713</u>
Other contributions							
From mission boards and commissions	86,000					86,000	80,000
Seminary	15,765					15,765	31,183
Summer camp program	28,898					28,898	33,027
Other							22,230
	<u>130,663</u>					<u>130,663</u>	<u>166,440</u>
Investment income	787,968					787,968	644,943
Rental income	64,632		1,565			64,632	63,423
Other revenues	80,251					80,251	77,702
	<u>4,279,610</u>		<u>1,565</u>			<u>4,281,175</u>	<u>3,717,221</u>
Total support and revenue							
Expenses							
Archdiocesan administration	1,509,214					1,509,214	1,189,942
Pastoral	622,803					622,803	506,454
Education							
Seminary	252,877					252,877	169,216
Department of education	920,605					920,605	778,368
Social services							
Dependent children	315,044					315,044	292,247
Other agencies	407,561					407,561	362,707
Communications	53,750					53,750	55,230
	<u>4,081,854</u>					<u>4,081,854</u>	<u>3,354,164</u>
Total expenses							
Excess of support and revenue over expenses before capital additions	197,756		1,565			199,321	363,057
Capital additions							
Contributions and bequests							
Capital funds drive							
Other					514,747	514,747	1,643,248
Gain on investments			45,364			45,364	1,500
Investment income					333,665	333,665	97,017
Gain on disposal of property					103	103	451
Total capital additions			<u>45,364</u>		<u>1,164,996</u>	<u>1,322,770</u>	<u>306,336</u>
Excess of support and revenue over expenses after capital additions	197,756	0	46,929			1,522,091	2,411,609
Fund balances at beginning of year	2,321,348	0	768,462	1,150,629	16,606,663	20,847,102	18,435,493
Transfers	(2,000,000)	0	459,984	(459,984)	2,000,000	-	-
Fund balances at end of year	\$ 519,104	\$ 0	\$1,275,375	\$ 803,055	\$19,771,659	\$22,369,193	\$20,847,102

See notes to financial statements

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA
Atlanta, Georgia

Statement of Changes in Financial Position

	Year Ended June 30, 1987					Year Ended June 30, 1986				
	Expendable Funds									
	Operating Funds	Deposit and Loan Funds	Designated Investment Funds	Total	Endowment Funds	Plant Funds	Custodian Funds	Total	Total	Total
Sources of funds										
Revenues collected										
From parishes										
Special collections - Archdiocesan	\$ 1,369,534	\$	\$	\$ 1,369,534	\$	\$	\$	\$ 1,369,534	\$ 1,231,315	
Assessments	1,846,562			1,846,562				1,846,562	1,533,398	
	3,216,096			3,216,096				3,216,096	2,764,713	
Contributions and bequests	130,663			130,663	33,614	514,747		679,024	145,710	
Investment income	787,968		1,565	789,533	103			789,636	740,130	
Other	144,883		45,364	190,247	78,693	828,512		1,097,452	877,388	
Total revenues collected	4,279,610		46,929	4,326,539	112,410	1,343,259		5,782,208	4,527,941	
Other sources										
Collections on notes receivable				109,015		80,964		80,964	69,437	
Decrease in pledges and accounts payable				414,626	7,283	557,993		674,291	1,797,368	
Proceeds of notes payable		414,626		414,626				414,626	0	
Increase in accounts payable and accrued expenses		5,181,204		5,181,204		215,000		5,396,204	3,387,933	
Increase in deferred revenue		100,226		100,226		245,675	64,755	410,656	173,724	
Other	93,802			93,802		160,270		254,072	329,303	
Total sources of funds	4,623,036	5,595,830	46,929	10,267,795	119,693	2,603,161	64,755	13,055,404	10,285,706	
Uses of funds										
Operating expenses										
Purchase of land, building and equipment	4,081,854			4,081,854		2,084,532		4,081,854	3,354,164	
Payments on notes payable		2,699,581		2,699,581		476,976		2,084,532	2,804,512	
Parish loans - net increase		2,713,102		2,713,102				3,176,557	905,293	
Increase in pledges and accounts receivable								2,713,102	1,210,583	
Increase in notes receivable									379,959	
Increase in other assets									591,325	
Decrease in accounts payable and accrued expenses		37,600		37,600				37,600	586,546	
Decrease in deferred revenue and receipts		74,550		74,550	7,283			81,833	120,748	
Decrease in deposits payable									175,539	
Other									45,873	
Total uses of funds	4,081,854	5,524,833		9,606,687	7,283	2,561,508		12,175,478	10,174,662	
	(1,289,486)	1,253,175	470,793	434,482	(423,220)	(6,541)	(4,721)	0	0	
Transfers and net changes in interfund accounts										
Increase (decrease) in cash, marketable securities and certificates of deposit	(746,304)	1,324,172	517,722	1,095,590	(310,810)	35,112	60,034	879,926	111,044	
Cash, marketable securities and certificates of deposit - beginning of year	1,713,026	233,624	758,517	2,705,167	1,127,402	5,548,341	186,804	9,567,714	9,456,670	
Cash, marketable securities and certificates of deposit - end of year	\$ 966,722	\$1,557,796	\$1,276,239	\$ 3,800,757	\$ 816,592	\$5,583,453	\$246,838	\$10,447,640	\$ 9,567,714	

See notes to financial statements

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Notes to Financial Statements
June 30, 1987 and 1986Note 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, 1987, follows:

	Insurance or Appraised Values June 1, 1963	Acquisitions at Cost Subsequent to June 1, 1963	Total
Land	\$ 230,125	\$ 3,257,082	\$ 3,487,207
Buildings	650,000	10,173,340	10,823,340
Furniture, fixtures and equipment	231,000	642,990	873,990
Automobiles	0	25,815	25,815
Construction in progress (note 8)	0	1,895,619	1,895,619
	<u>\$1,111,125</u>	<u>\$15,994,846</u>	<u>\$17,105,971</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, 1987 and 1986

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.

Note 2 - 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, 1987 and 1986 was \$102,672 and \$86,200, 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 June 30, 1986 (most recent valuation) is presented below:

	<u>June 30,</u> <u>1986</u>
Actuarial present value of vested plan benefits	<u>\$ 753,404</u>
Net assets available for benefits	<u>\$1,193,403</u>

The rate of return used in determining the actuarial present value of vested plan benefits was 9%.

The parishes reimbursed the Administrative Offices \$36,400 and \$51,600 for pension and administrative costs for the years ended June 30, 1987 and 1986, respectively. Pension expense is included in Archdiocesan administration expenses and is comprised of the following amounts:

	<u>Year Ended June 30,</u> <u>1987</u>	<u>1986</u>
Pension and administrative expense	\$102,672	\$ 86,200
Reimbursement by parishes	(36,400)	(51,600)
	<u>\$ 66,272</u>	<u>\$ 34,600</u>

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Notes to Financial Statements (continued)
June 30, 1987 and 1986

Lay employee retirement plan

Effective July 1, 1982, the Archdiocese amended its plan to change from a defined benefit retirement plan to a defined contribution plan for lay employees within the Archdiocese. Contributions to the amended plan are predetermined amounts based on compensation paid to each lay employee. Benefits under the amended plan are 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, 1987 and 1986 includes payments of \$461,057 and \$309,290, 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, 1987 and 1986 was \$51,869 and \$71,133, respectively, for pension and administrative costs. Pension cost includes amortization of past service cost over 15 years. 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 \$441,634 and \$373,035 for pension and administrative costs for the years ended June 30, 1987 and 1986, respectively. Pension cost is included in Archdiocesan administration expenses and is comprised of the following amounts:

	Year Ended June 30,	
	1987	1986
Defined contribution cost	\$ 461,057	\$ 309,290
Defined benefit cost	51,869	71,133
	<u>512,926</u>	<u>380,423</u>
Reimbursement by parishes	(441,634)	(373,035)
	<u>\$ 71,292</u>	<u>\$ 7,388</u>

Note 3 - Notes and mortgages payable

The unsecured demand note shown below is subject to a total line of credit of \$4,000,000.

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Notes to Financial Statements (continued)
June 30, 1987 and 1986

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, 1987		June 30, 1986	
	Maturities		Maturities	
	Current	Noncurrent	Current	Noncurrent
Unsecured demand note - 8.25% at June 30, 1987				
Deposit and loan funds	\$3,223,466	\$ 0	\$4,671,982	\$ 0
3% to 12-1/2% notes and mortgages				
Plant funds	64,056	458,138	203,845	640,325
Deposit and loan funds	1,271,039	7,626,566	783,425	4,184,041
	<u>1,335,095</u>	<u>8,084,704</u>	<u>987,270</u>	<u>4,824,366</u>
Total notes and mortgages	<u>\$4,558,561</u>	<u>\$8,084,704</u>	<u>\$5,659,252</u>	<u>\$4,824,366</u>

Maturities of notes and mortgages payable are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
1988	\$1,335,095
1989	1,377,837
1990	1,529,776
1991	1,375,831
1992	883,259
1993-2010	2,918,001
	<u>\$9,419,799</u>

Note 4 - 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, 1987 and 1986, 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.

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Notes to Financial Statements (continued)
June 30, 1987 and 1986Note 5 - Notes receivable

The notes receivable are for sales of various parish properties and are secured by the property being sold.

	<u>June 30, 1987</u>		<u>June 30, 1986</u>	
	<u>Maturities</u>		<u>Maturities</u>	
	<u>Current</u>	<u>Noncurrent</u>	<u>Current</u>	<u>Noncurrent</u>
Non-interest bearing to 12% notes	\$ 295,865	\$ 364,929	\$ 120,198	\$ 621,560

Maturities of notes receivable are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
1988	\$295,865
1989	98,603
1990	47,427
1991	51,097
1992	55,225
1993 and later	112,577
	<u>\$660,794</u>

Note 6 - Pledges receivable and deferred restricted 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 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, 1987 and 1986 is shown below:

	<u>Endowment Funds</u>	<u>Plant Funds</u>	<u>Total</u>
Pledges receivable, June 30, 1985	\$ 136,991	\$ 3,115,905	\$ 3,252,896
Amounts pledged (cancelled)	(11,936)	388,035	376,099
Payments received	<u>(62,331)</u>	<u>(1,735,037)</u>	<u>(1,797,368)</u>
Pledges receivable, June 30, 1986	62,724	1,768,903	1,831,627
Amounts pledged (cancelled)	(24,423)	119,191	94,768
Payments received	<u>(28,860)</u>	<u>(846,184)</u>	<u>(875,044)</u>
Pledges receivable, June 30, 1987, before deducting allowance for doubtful pledges	<u>\$ 9,441</u>	<u>\$ 1,041,910</u>	<u>\$ 1,051,351</u>

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Notes to Financial Statements (continued)
June 30, 1987 and 1986

Scheduled payments of pledges receivable, before deducting allowance for doubtful pledges, are as follows:

<u>Year Ending June 30,</u>	<u>Endowment Funds</u>	<u>Plant Funds</u>	<u>Total</u>
1988	\$ 5,280	\$ 721,040	\$ 726,320
1989	3,901	244,957	248,858
1990	215	34,649	34,864
1991	15	17,620	17,635
1992	15	12,032	12,047
1993 and later	15	11,612	11,627
	<u>\$ 9,441</u>	<u>\$1,041,910</u>	<u>\$1,051,351</u>

Pledges receivable recorded in the accompanying financial statements at June 30, 1987, have been reduced by an allowance for doubtful pledges as follows:

	<u>Endowment Funds</u>	<u>Plant Funds</u>	<u>Total</u>
Pledges receivable, June 30, 1987, before deducting allowance for doubtful pledges	\$ 9,441	\$1,041,910	\$1,051,351
Allowance for doubtful pledges	<u>(4,000)</u>	<u>(631,000)</u>	<u>(635,000)</u>
Pledges receivable, June 30, 1987	<u>\$ 5,441</u>	<u>\$ 410,910</u>	<u>\$ 416,351</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 restricted revenue at June 30, 1987 and 1986 is presented as follows:

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Notes to Financial Statements (continued)
June 30, 1987 and 1986

	<u>Endowment Funds</u>	<u>Plant Funds</u>	<u>Total</u>
Deferred restricted revenue, June 30, 1985	\$ 136,991	\$ 4,319,634	\$ 4,456,625
Additions to restricted income			
Pledges (cancellations)	(11,936)	388,035	376,099
Interest income		48,863	48,863
Restricted income earned			
Support and revenue		(22,230)	(22,230)
Capital additions	<u>(62,331)</u>	<u>(1,570,916)</u>	<u>(1,633,247)</u>
Deferred restricted revenue, June 30, 1986	62,724	3,163,386	3,226,110
Additions to restricted income			
Pledges (cancellations)	(24,423)	119,191	94,768
Allowance for doubtful pledges	(4,000)	(631,000)	(635,000)
Interest income	0	46,843	46,843
Restricted income earned			
Support and revenue	0	(12,000)	(12,000)
Capital additions	<u>(28,860)</u>	<u>(259,614)</u>	<u>(288,474)</u>
Deferred restricted revenue, capital funds drive	5,441	2,426,806	2,432,247
Other deferred restricted revenue	<u>0</u>	<u>96,850</u>	<u>96,850</u>
Total deferred restricted revenue, June 30, 1987	<u>\$ 5,441</u>	<u>\$ 2,523,656</u>	<u>\$ 2,529,097</u>

Note 7 - Construction in Progress

At June 30, 1987, the property and equipment accounts include \$1,895,619 of construction in progress. The expenditures involve construction at one school and the cost of land and improvements for three personal care homes.

A summary of expenditures through June 30, 1987, remaining amounts due under construction contracts, and approximate total cost is shown below:

<u>Project</u>	<u>Expenditures Through June 30, 1987</u>	<u>Remainder Amounts Under Construction Contracts</u>	<u>Approximate Total Cost</u>
Gwinnett County School	<u>\$1,895,619</u>	<u>\$1,125,751</u>	<u>\$3,021,370</u>

Accounts payable construction of \$287,776 at June 30, 1987, pertains to construction of the Gwinnett County School.

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Notes to Financial Statements (continued)
June 30, 1987 and 1986

Note 8 - Insurance proceeds

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 contracted for reconstruction of the church. Reconstruction costs exceeded proceeds of insurance by approximately \$40,900 and was charged to self-insurance reserves.