

LANEY
BOTELER &
KILLINGER

Certified Public Accountants

Independent Auditors' Report

His Excellency
The Most Reverend
John F. Donoghue
Archbishop of Atlanta
Atlanta, Georgia

We have audited the accompanying balance sheets of the Administrative Offices of the Archdiocese of Atlanta as of June 30, 1993 and 1992, 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. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Administrative Offices of the Archdiocese of Atlanta as of June 30, 1993 and 1992, 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.

Laney, Boteler & Killinger

Atlanta, Georgia
November 19, 1993

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Balance Sheets - Fund Basis

Assets

	June 30, 1993				
	Expendable Funds				Total
	Operating Funds	Deposit and Loan Funds	Designated Investment Funds	Insurance Funds	
Cash	\$ 422,397	\$ -	\$ -	\$ 679,116	\$ 1,101,513
Certificates of deposit and marketable securities (market value \$20,269,191 and \$17,851,825)	52,128	1,575,000	4,874,726	-	6,501,854
Accounts receivable (net of allowance for doubtful accounts of \$300,000)	46,497			513,383	559,880
Note receivable					
Pledges receivable (net of allowance for doubtful pledges of \$100,000 and \$90,000)	371,216				371,216
Due from parishes and agencies (net of allowance for doubtful loans of \$131,780 and \$217,000)		24,962,647			24,962,647
Land, buildings and equipment					
Other assets	95,115				95,115
Due from other funds	<u>1,773,642</u>	<u>24,650</u>		<u>822,876</u>	<u>2,621,168</u>
Total assets	<u>2,760,995</u>	<u>26,562,297</u>	<u>4,874,726</u>	<u>2,015,375</u>	<u>36,213,393</u>

Liabilities and Fund Balances

Accounts payable - trade and accrued expenses	396,625			961,370	1,357,995
Accounts payable - parishes					
Deferred support and revenue Restricted	86,688				86,688
Deposits payable					
Parishes		10,180,769			10,180,769
Other		1,757,920			1,757,920
Demand note payable					
Notes and mortgages payable		14,623,608			14,623,608
Due to other funds			<u>154,867</u>		<u>154,867</u>
Total liabilities	<u>483,313</u>	<u>26,562,297</u>	<u>154,867</u>	<u>961,370</u>	<u>28,161,847</u>
Fund balances					
Unrestricted					
Designated investment funds			4,719,859		4,719,859
Designated insurance funds				1,054,005	1,054,005
Designated - annual appeal	1,337,059				1,337,059
Undesignated	<u>940,623</u>				<u>940,623</u>
	<u>2,277,682</u>	-	<u>4,719,859</u>	<u>1,054,005</u>	<u>8,051,546</u>
Endowment					
Net investment in plant					
Total fund balances	<u>2,277,682</u>	-	<u>4,719,859</u>	<u>1,054,005</u>	<u>8,051,546</u>
Commitments					
Total liabilities and fund balances	<u>\$2,760,995</u>	<u>\$26,562,297</u>	<u>\$4,874,726</u>	<u>\$2,015,375</u>	<u>\$36,213,393</u>

See notes to financial statements.

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Balance Sheets - Fund Basis

<u>June 30, 1993</u>				<u>June 30, 1992</u>
<u>Endowment Funds</u>	<u>Plant Funds</u>	<u>Custodian Funds</u>	<u>Total</u>	<u>Total</u>
\$ -	\$ -	\$ 1,100	\$1,102,613	\$ 1,248,081
1,542,679	7,753,953	2,332,023	18,130,509	16,513,099
			559,880	662,252
	25,505		25,505	32,254
			371,216	337,670
			24,962,647	27,276,207
	17,616,111		17,616,111	20,581,907
	34,670		129,785	217,128
		33,166	2,654,334	2,792,867
<u>1,542,679</u>	<u>25,430,239</u>	<u>2,366,289</u>	<u>65,552,600</u>	<u>69,661,465</u>
		875,579	2,233,574	2,280,029
		1,490,710	1,490,710	1,285,131
			86,688	127,531
			10,180,769	6,685,374
			1,757,920	1,382,504
			-	5,734,264
	2,174,062		16,797,670	20,792,619
37,130	2,462,337		2,654,334	2,792,867
<u>37,130</u>	<u>4,636,399</u>	<u>2,366,289</u>	<u>35,201,665</u>	<u>41,080,319</u>
			4,719,859	4,215,400
			1,054,005	384,870
			1,337,059	915,146
			940,623	418,014
			8,051,546	5,933,430
1,505,549			1,505,549	1,397,793
	20,793,840		20,793,840	21,249,923
<u>1,505,549</u>	<u>20,793,840</u>	<u>-</u>	<u>30,350,935</u>	<u>28,581,146</u>
<u>\$1,542,679</u>	<u>\$25,430,239</u>	<u>\$2,366,289</u>	<u>\$65,552,600</u>	<u>\$69,661,465</u>

See notes to financial statements.

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

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

	Year Ended June 30, 1993				
	Expendable Funds				
	Operating Funds	Deposit and Loan Funds	Designated Investment Funds	Insurance Funds	Total
Support and revenues					
Contributions					
Charity and development	\$2,652,823	\$ -	\$ -	\$ -	\$ 2,652,823
Dependent children	356,893				356,893
Seminary	72,482				72,482
Assessments	3,086,304				3,086,304
Premium billings				4,549,347	4,549,347
	<u>6,168,502</u>	<u>-</u>	<u>-</u>	<u>4,549,347</u>	<u>10,717,849</u>
Other contributions					
Mission boards and commissions	96,000				96,000
Gifts and bequests	153,913				153,913
Other	66,877				66,877
	<u>316,790</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>316,790</u>
Other revenue					
Investment and rental income	675,097		1,685	47,476	724,258
Regional school	525,350				525,350
Other revenues	108,689				108,689
	<u>1,309,136</u>	<u>-</u>	<u>1,685</u>	<u>47,476</u>	<u>1,358,297</u>
Total support and revenues	<u>7,794,428</u>	<u>-</u>	<u>1,685</u>	<u>4,596,823</u>	<u>12,392,936</u>
Expenses					
Administrative support	1,449,106			123,486	1,572,592
Pastoral	2,684,632			141,121	2,825,753
Education	1,132,202			95,043	1,227,245
Social services					
Dependent children	406,232				406,232
Other agencies	705,256				705,256
Communications	64,504				64,504
Insurance services				3,832,038	3,832,038
Interest	239,874				239,874
Total expenses	<u>6,681,806</u>	<u>-</u>	<u>-</u>	<u>4,191,688</u>	<u>10,873,494</u>
Excess of support and revenue over expenses before settlement of litigation	1,112,622		1,685	405,135	1,519,442
Settlement of litigation				(264,000)	(264,000)
Excess of support and revenue over expenses before capital additions	<u>1,112,622</u>	<u>-</u>	<u>1,685</u>	<u>669,135</u>	<u>1,783,442</u>
Capital additions					
Contributions and bequests					
Gain on investments			334,674		334,674
Investment income (loss)					
Gain (loss) on disposal of property					
Total capital additions	<u>-</u>	<u>-</u>	<u>334,674</u>	<u>-</u>	<u>334,674</u>
Excess of support and revenue over expenses after capital additions	1,112,622		336,359	669,135	2,118,116
Fund balances at beginning of year	1,333,160		4,215,400	384,870	5,933,430
Transfers	(168,100)		168,100		-
Fund balances at end of year	<u>\$2,277,682</u>	<u>\$ -</u>	<u>\$4,719,859</u>	<u>\$1,054,005</u>	<u>\$ 8,051,546</u>

See notes to financial statements.

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

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

<u>Year Ended June 30, 1993</u>			<u>Year Ended</u> <u>June 30, 1992</u>
<u>Endowment</u> <u>Funds</u>	<u>Plant</u> <u>Funds</u>	<u>Total</u>	<u>Total</u>
\$ -	\$ -	\$ 2,652,823	\$ 2,371,620
		356,893	347,343
		72,482	82,674
		3,086,304	2,931,117
		<u>4,549,347</u>	<u>4,198,627</u>
<u>-</u>	<u>-</u>	<u>10,717,849</u>	<u>9,931,381</u>
		96,000	99,000
		153,913	42,324
		<u>66,877</u>	<u>107,607</u>
<u>-</u>	<u>-</u>	<u>316,790</u>	<u>248,931</u>
		724,258	675,340
		525,350	506,350
		<u>108,689</u>	<u>127,766</u>
<u>-</u>	<u>-</u>	<u>1,358,297</u>	<u>1,309,456</u>
<u>-</u>	<u>-</u>	<u>12,392,936</u>	<u>11,489,768</u>
	120,779	1,693,371	1,825,912
		2,825,753	2,293,128
	229,868	1,457,113	1,695,166
	22,642	428,874	394,620
	51,250	756,506	727,871
		64,504	90,163
		3,832,038	4,268,959
		<u>239,874</u>	<u>501,338</u>
<u>-</u>	<u>424,539</u>	<u>11,298,033</u>	<u>11,797,157</u>
	(424,539)	1,094,903	(307,389)
		<u>(264,000)</u>	<u>614,051</u>
<u>-</u>	<u>(424,539)</u>	<u>1,358,903</u>	<u>(921,440)</u>
		-	4,300
113,508	689,033	1,137,215	1,342,006
(5,752)		(5,752)	(1,947)
	<u>(720,577)</u>	<u>(720,577)</u>	<u>62,459</u>
<u>107,756</u>	<u>(31,544)</u>	<u>410,886</u>	<u>1,406,818</u>
107,756	(456,083)	1,769,789	485,378
1,397,793	21,249,923	28,581,146	28,095,768
<u>\$1,505,549</u>	<u>\$20,793,840</u>	<u>\$30,350,935</u>	<u>\$28,581,146</u>

See notes to financial statements.

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Statements of Changes in Financial Position

	Year Ended June 30, 1993				
	Expendable Funds				
	Operating Funds	Deposit and Loan Funds	Designated Investment Funds	Insurance Funds	Total
Sources of funds					
Revenues collected					
Special collections	\$3,082,198	\$ -	\$ -	\$ -	\$ 3,082,198
Assessments	3,086,304	-	-	-	3,086,304
Premium billings				4,549,347	4,549,347
	6,168,502			4,549,347	10,717,849
Contributions and bequests	316,790				316,790
Investment and rental income	675,097		1,685	47,476	724,258
Other	634,039		334,674		968,713
Total revenues collected	<u>7,794,428</u>	<u>-</u>	<u>336,359</u>	<u>4,596,823</u>	<u>12,727,610</u>
Other sources					
Collections on notes receivable					
Decrease in pledges and accounts receivable		2,313,560		70,428	2,383,988
Increase in deposits payable		3,870,811			3,870,811
Proceeds of notes payable					
Increase in accounts payable and accrued expenses				70,145	70,145
Decrease in other assets	52,058				52,058
Total sources of funds	<u>7,846,486</u>	<u>6,184,371</u>	<u>336,359</u>	<u>4,737,396</u>	<u>19,104,612</u>
Uses of funds					
Operating expenses	6,681,806			3,927,688	10,609,494
Purchase of land, buildings and equipment					
Payments on notes payable		7,487,960			7,487,960
Parish loans-net increase					
Increase in pledges and accounts receivable	1,602				1,602
Decrease in accounts payable and accrued expenses	322,579				322,579
Decrease in deferred revenue	40,843				40,843
Increase in other assets					
Total uses of funds	<u>7,046,830</u>	<u>7,487,960</u>	<u>-</u>	<u>3,927,688</u>	<u>18,462,478</u>
Transfers and net changes in interfund accounts	<u>(504,269)</u>	<u>1,303,589</u>	<u>15,597</u>	<u>(1,246,188)</u>	<u>(431,271)</u>
Increase (decrease) in cash, marketable securities and certificates of deposit	295,387	-	351,956	(436,480)	210,863
Cash, marketable securities and certificates of deposit - beginning of year	<u>179,138</u>	<u>1,575,000</u>	<u>4,522,770</u>	<u>1,115,596</u>	<u>7,392,504</u>
Cash, marketable securities and certificates of deposit - end of year	<u>\$ 474,525</u>	<u>\$1,575,000</u>	<u>\$4,874,726</u>	<u>\$ 679,116</u>	<u>\$7,603,367</u>

See notes to financial statements.

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Statements of Changes in Financial Position

Year Ended June 30, 1993				Year Ended June 30, 1992
Endowment Funds	Plant Funds	Custodian Funds	Total	Total
\$ -	\$ -	\$ -	\$ 3,082,198	\$ 2,801,637
			3,086,304	2,931,117
			4,549,347	4,198,627
			10,717,849	9,931,381
			316,790	253,231
(5,752)			718,506	673,393
113,508	2,630,077		3,712,298	2,589,727
107,756	2,630,077	-	15,465,443	13,447,732
	6,749		6,749	182,800
			2,383,988	286,212
			3,870,811	491,911
			-	10,545,000
		411,558	481,703	1,198,311
	35,285		87,343	209,380
107,756	2,672,111	411,558	22,296,037	26,361,346
			10,609,494	11,987,005
	120,364		120,364	845,243
	2,241,253		9,729,213	9,485,811
			-	1,512,788
			1,602	179,746
			322,579	172,809
			40,843	66,790
			-	28,395
-	2,361,617	-	20,824,095	24,278,587
6,360	430,922	(6,011)	-	-
114,116	741,416	405,547	1,471,942	2,082,759
1,428,563	7,012,537	1,927,576	17,761,180	15,678,421
<u>\$1,542,679</u>	<u>\$7,753,953</u>	<u>\$2,333,123</u>	<u>\$19,233,122</u>	<u>\$17,761,180</u>

See notes to financial statements.

Notes to Financial Statements
June 30, 1993 and 1992

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 of Atlanta. 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 of gift.

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, 1993, follows:

	Insurance or Appraised Values <u>June 1, 1963</u>	Acquisitions at Cost Subsequent to <u>June 1, 1963</u>	<u>Total</u>
Land	\$ 210,125	\$ 3,575,328	\$ 3,785,453
Buildings	650,000	16,473,283	17,123,283
Furniture, fixtures and equipment	215,000	1,093,255	1,308,255
Automobiles	-	83,669	83,669
	<u>\$1,075,125</u>	<u>\$21,225,535</u>	22,300,660
Less accumulated depreciation			<u>4,684,549</u>
Net land, buildings and equipment			<u>\$17,616,111</u>

Notes to Financial Statements (continued)
June 30, 1993 and 1992

Note 1 - Summary of significant accounting policies (continued)

Land, buildings and equipment (continued)

Additions of furniture, fixtures and equipment are capitalized while repairs and maintenance are charged to expense.

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

Buildings	40-50 years
Furniture, fixtures and equipment	10 years
Automobiles	7 years

Depreciation expense for 1993 and 1992 amounted to \$424,539 and \$424,203, respectively.

Land, buildings and equipment are pledged in part to secure notes and mortgages payable (Note 3).

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 costs for the years ended June 30, 1993 and 1992, were \$129,308 and \$110,679 respectively. Pension cost includes normal cost and amortization of past service cost over 30 years. A comparison of vested plan benefits and plan net assets as of July 1, 1991 (most recent valuation), is presented below:

Actuarial present value of vested plan benefits	<u>\$2,669,070</u>
Net assets available for benefits	<u>\$2,029,813</u>

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

Notes to Financial Statements (continued)
June 30, 1993 and 1992

Note 2 - Retirement plans (continued)

Clergy retirement plan (continued)

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

	<u>Year Ended June 30,</u>	
	<u>1993</u>	<u>1992</u>
Pension and administrative expenses	\$129,308	\$110,679
Billings to parishes and agencies	<u>43,000</u>	<u>42,500</u>
	<u>\$ 86,308</u>	<u>\$ 68,179</u>

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. The plan covers all 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 costs for the years ended June 30, 1993 and 1992, includes accruals of \$918,370 and \$848,725, respectively, made under the defined contribution portion of the plan.

No expense or contributions were required under the defined benefit portion of the plan.

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

	<u>Year Ended June 30,</u>	
	<u>1993</u>	<u>1992</u>
Pension and administrative expenses	\$1,043,661	\$949,340
Billings to parishes and agencies	<u>917,168</u>	<u>846,918</u>
	<u>\$ 126,493</u>	<u>\$102,422</u>

Notes to Financial Statements (continued)
June 30, 1993 and 1992

Note 3 - Notes and mortgages payable

The unsecured demand note at June 30, 1992 was a \$15,000,000 line of credit subject to interest at .5% below the bank's prime rate (6.0% at June 30, 1992). The demand note matures November 30, 1993.

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.

	<u>June 30, 1993</u>		<u>June 30, 1992</u>	
	<u>Maturities</u>		<u>Maturities</u>	
	<u>Current</u>	<u>Noncurrent</u>	<u>Current</u>	<u>Noncurrent</u>
Unsecured demand note; 6.0% at June 30, 1992				
Plant funds	\$ -	\$ -	\$3,576,982	\$ -
Loan funds	-	-	<u>2,157,282</u>	-
	<u>-</u>	<u>-</u>	<u>5,734,264</u>	<u>-</u>
3% to 7.5% notes and mortgages				
Plant funds	289,193	1,884,869	323,333	515,000
Loan funds	<u>1,912,501</u>	<u>12,711,107</u>	<u>1,765,958</u>	<u>18,188,328</u>
	<u>2,201,694</u>	<u>14,595,976</u>	<u>2,089,291</u>	<u>18,703,328</u>
Total demand note and notes and mortgages	<u>\$2,201,694</u>	<u>\$14,595,976</u>	<u>\$7,823,555</u>	<u>\$18,703,328</u>

Maturities of notes and mortgages payable are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
1994	\$ 2,201,694
1995	2,270,093
1996	2,423,725
1997	1,814,256
1998	1,938,675
1999 - 2004	<u>6,149,227</u>
	<u>\$16,797,670</u>

Notes to Financial Statements (continued)
June 30, 1993 and 1992

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, 1993 and 1992, the allowance for doubtful loans account, in the amount of \$131,780 and \$217,000, respectively, 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 Office 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 5 - Deferred restricted support and revenue

Deferred restricted support and revenue represents the unexpended portion of gifts which must be used according to restrictions placed by the donor. Changes in deferred restricted support and revenue were as follows:

	Operating Funds
Balance, June 30, 1992	\$127,531
Less: funds expended	<u>40,843</u>
Balance, June 30, 1993	<u>\$ 86,688</u>

At June 30, 1993 and 1992, funds were restricted for use by the Village of St. Joseph.

Note 6 - 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. During 1992, one such lawsuit was settled. The costs incurred in 1993 and 1992 to settle the lawsuit, including legal fees, totaled \$236,000 and \$614,051, respectively. During 1993, insurance proceeds of \$500,000 were received related to this claim.

Notes to Financial Statements (continued)
June 30, 1993 and 1992

Note 7 - Financial instruments

The Financial Accounting Standards Board 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 is primarily with the parishes within the Archdiocese, which covers approximately fifty percent of the State of Georgia. The accounts and pledges receivable, due from parishes and notes and mortgages payable are all associated with the parishes or other Archdiocesan activities. Any off-balance sheet risk or credit risk is dependent on the financial support of the parishioners to their local parish and the parishes subsequent support of the Archdiocese.

The Administrative Office places its cash and investments with various financial institutions. However, at times during the year, cash balances exceed the federally insured limits of the Federal Deposit Insurance Corporation.