ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

2019 Combined Financial Statements
2018 Consolidated Financial Statements

June 30, 2019 and 2018

CRI CARR RIGGS & INGRAM
CPAs and Advisors
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Administrative Offices of the Archdiocese of Atlanta
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INDEPENDENT AUDITORS' REPORT

His Excellency
The Most Reverend
Archbishop of Atlanta
Atlanta, Georgia

We have audited the accompanying combined (2019) and consolidated (2018) financial statements of the Administrative Offices of the Archdiocese of Atlanta (Administrative Offices), which comprise the combined and consolidated statements of financial position as of June 30, 2019 and 2018, and the related combined and consolidated statements of activities and cash flows for the years then ended, and the related notes to the combined and consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined and 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 combined and 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 combined and 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 combined and consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined and consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined and 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 combined and 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 combined and consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis for Qualified Opinion

As discussed in Note 1 to the financial statements, management has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958); this new standard requires changes to be made in how net assets are classified based on donor restrictions and has added multiple new disclosures, including disclosures about the functional allocation of expenses. The Administrative Offices have not disclosed information about the functional allocation of expenses that is required to conform with accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the omission of the information discussed in the Basis for Qualified Opinion paragraph, the combined and consolidated financial statements referred to above present fairly, in all material respects, the financial position of Administrative Offices as of June 30, 2019 and 2018, 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.

CARR, RIGGS & INGRAM, LLC

Atlanta, Georgia
February 25, 2020

Administrative Offices of the Archdiocese of Atlanta
Combined (2019) and Consolidated (2018) Statements of Financial Position

June 30,	2019			2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Cash and cash equivalents	**$ 82,907,021**	**$ -**	**$ 82,907,021**	$ 44,476,628	$ -	$ 44,476,628
Investments at fair value	**160,899,891**	**114,634,118**	**275,534,009**	157,919,428	107,285,769	265,205,197
Accounts receivable, net	**5,120,941**	**-**	**5,120,941**	5,429,051	-	5,429,051
SPOC receivable, net	**6,695,366**	**-**	**6,695,366**	-	-	-
Promises to give, net	**5,146,441**	**-**	**5,146,441**	4,908,013	-	4,908,013
Loans receivable-parishes and agencies	**37,113,430**	**-**	**37,113,430**	31,109,295	-	31,109,295
Property and equipment, net	**137,596,037**	**-**	**137,596,037**	158,325,503	-	158,325,503
Other assets	**8,281,805**	**-**	**8,281,805**	7,612,779	-	7,612,779
Total assets	**$ 443,760,932**	**$ 114,634,118**	**$ 558,395,050**	$ 409,780,697	$ 107,285,769	$ 517,066,466
Liabilities and Net Assets						
Liabilities						
Accounts payable and accrued expenses	**$ 22,253,536**	**$ -**	**$ 22,253,536**	$ 21,276,476	$ -	$ 21,276,476
Custodian funds payable	**-**	**673,194**	**673,194**	-	-	-
Beneficiary endowments	**-**	**10,367,133**	**10,367,133**	-	8,372,457	8,372,457
Deposits payable	**118,263,290**	**-**	**118,263,290**	118,754,856	-	118,754,856
Interest rate swap liability	**1,881,753**	**-**	**1,881,753**	1,870,714	-	1,870,714
Deferred revenue	**13,051,016**	**-**	**13,051,016**	13,250,148	-	13,250,148
Refundable entrance fees	**48,010,768**	**-**	**48,010,768**	47,295,574	-	47,295,574
Bonds payable	**52,520,452**	**-**	**52,520,452**	56,309,508	-	56,309,508
Total liabilities	**255,980,815**	**11,040,327**	**267,021,142**	258,757,276	8,372,457	267,129,733
Net assets						
Without donor restrictions						
Investment funds	**27,982,216**	**-**	**27,982,216**	28,932,055	-	28,932,055
Undesignated	**159,797,901**	**-**	**159,797,901**	122,091,366	-	122,091,366
	187,780,117	**-**	**187,780,117**	151,023,421	-	151,023,421
With donor restrictions						
Purpose and time restrictions	**-**	**39,076,636**	**39,076,636**	-	36,467,415	36,467,415
Perpetual in nature	**-**	**64,517,155**	**64,517,155**	-	62,445,897	62,445,897
Total net assets	**187,780,117**	**103,593,791**	**291,373,908**	151,023,421	98,913,312	249,936,733
Total liabilities and net assets	**$ 443,760,932**	**$ 114,634,118**	**$ 558,395,050**	$ 409,780,697	$ 107,285,769	$ 517,066,466

The accompanying notes are an integral part of these statements.

Combined (2019) and Consolidated (2018) Statements of Activities

Years ended June 30,	**2019**			2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Revenues						
Parishes and missions						
Contributions	**$ 8,448,235**	**$ -**	**$ 8,448,235**	$ 8,369,786	$ -	$ 8,369,786
Assessments	**22,234,943**	**-**	**22,234,943**	22,547,111	-	22,547,111
Continuing care	**13,176,516**	**-**	**13,176,516**	12,852,749	-	12,852,749
Education	**41,617,473**	**-**	**41,617,473**	41,257,616	-	41,257,616
Insurance premiums	**25,150,168**	**-**	**25,150,168**	22,202,281	-	22,202,281
Other contributions	**4,404,259**	**1,788,733**	**6,192,992**	7,545,932	1,342,595	8,888,527
Investment return	**3,135,894**	**1,796,700**	**4,932,594**	1,960,326	1,419,533	3,379,859
Other	**6,283,097**	**-**	**6,283,097**	3,177,939	-	3,177,939
Net assets released from restrictions	**2,500,784**	**(2,500,784)**	**-**	2,675,636	(2,675,636)	-
Total revenues	**126,951,369**	**1,084,649**	**128,036,018**	122,589,376	86,492	122,675,868
Expenses						
Administrative support	**9,011,547**	**-**	**9,011,547**	8,700,204	-	8,700,204
Pastoral	**11,300,794**	**-**	**11,300,794**	10,096,789	-	10,096,789
Education	**52,602,600**	**-**	**52,602,600**	51,110,958	-	51,110,958
Insurance services	**19,483,804**	**-**	**19,483,804**	16,683,610	-	16,683,610
Continuing Care	**11,452,347**	**-**	**11,452,347**	10,948,243	-	10,948,243
Support Services	**5,653,375**	**-**	**5,653,375**	3,396,913	-	3,396,913
Depreciation and amortization	**7,365,786**	**-**	**7,365,786**	6,946,257	-	6,946,257
Total expenses	**116,870,253**	**-**	**116,870,253**	107,882,974	-	107,882,974
Excess of revenues over expenses before gains and (losses)	**10,081,116**	**1,084,649**	**11,165,765**	14,706,402	86,492	14,792,894
Gains and (losses)						
Investments - realized and unrealized	**7,665,043**	**3,188,197**	**10,853,240**	8,393,215	4,858,002	13,251,217
Interest rate swap agreements	**(11,039)**	**-**	**(11,039)**	1,664,600	-	1,664,600
Disposal of property and equipment	**24,741,072**	**-**	**24,741,072**	(893,757)	-	(893,757)
Discount on SPOC receivable	**(2,707,000)**	**-**	**(2,707,000)**	-	-	-
Total gains and (losses)	**29,688,076**	**3,188,197**	**32,876,273**	9,164,058	4,858,002	14,022,060
Change in net assets	**39,769,192**	**4,272,846**	**44,042,038**	23,870,460	4,944,494	28,814,954
Other ASC 715 pension benefit (charge)	**(2,604,863)**	**-**	**(2,604,863)**	1,864,768	-	1,864,768
Net assets transfers	**(407,633)**	**407,633**	**-**	(1,431,824)	1,431,824	-
Net assets at beginning of year	**151,023,421**	**98,913,312**	**249,936,733**	126,720,017	92,536,994	219,257,011
Net assets at end of year	**$ 187,780,117**	**$ 103,593,791**	**$ 291,373,908**	$ 151,023,421	$ 98,913,312	$ 249,936,733

The accompanying notes are an integral part of these statements.

Administrative Offices of the Archdiocese of Atlanta
Combined (2019) and Consolidated (2018) Statements of Cash Flows

Years ended June 30,	**2019**	2018
Operating activities		
Change in net assets	**$ 44,042,038**	$ 28,814,954
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation and amortization	**7,365,786**	6,946,257
Discount on SPOC receivable	**2,707,000**	-
Interest expense representing change in deferred bond costs	**55,944**	56,652
Amortization of entrance fees	**(856,037)**	(997,326)
ASC 715 pension benefit (charge)	**(2,604,863)**	1,864,768
(Gain) loss on disposal of property and equipment	**(24,741,072)**	889,734
Realized and unrealized gain on investments	**(10,853,240)**	(13,251,217)
(Gain) loss on interest rate swap agreements	**11,039**	(1,664,600)
Restricted contributions	**(1,566,401)**	(902,036)
(Increase) decrease in assets		
Accounts receivable	**(33,298)**	1,448,854
Promises to give	**(238,428)**	402,074
Other assets	**(404,997)**	647,896
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	**1,236,048**	(1,358,625)
Deferred revenue	**(150,587)**	362,090
Net cash provided by operating activities	**13,968,932**	23,259,475
Investing activities		
Proceeds from sale and maturity of investments	**40,169,695**	67,964,788
Purchase of investments	**(39,835,942)**	(69,607,772)
Payments received on SPOC receivable	**1,874,000**	-
Parish and mission loans	**(13,562,575)**	(1,507,480)
Parish and mission loan repayments	**7,200,684**	7,901,388
Other assets	**-**	(2,265,968)
Proceeds from sale of property and equipment	**29,019,109**	307,401
Purchase of property and equipment	**(2,369,562)**	(13,710,577)
Net cash provided by (used in) investing activities	**22,495,409**	(10,918,220)
Financing activities		
Payments on bonds and notes payable	**(4,145,000)**	(3,655,000)
Net proceeds from residents entrance fees	**2,368,347**	4,128,292
Restricted contributions received	**1,566,401**	902,036
Parish and mission deposits received	**46,060,707**	36,580,914
Parish and mission deposits paid	**(46,552,273)**	(37,460,770)
(Decrease) increase in custodial funds payable	**673,194**	(6,137,093)
Increase in beneficiary endowments	**1,994,676**	1,396,295
Net cash (used in) provided by financing activities	**1,966,052**	(4,245,326)
Net increase in cash and cash equivalents	**38,430,393**	8,095,929
Cash and cash equivalents, beginning of year	**44,476,628**	36,380,699
Cash and cash equivalents, end of year	**$ 82,907,021**	$ 44,476,628

The accompanying notes are an integral part of these statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting

The accompanying combined and consolidated financial statements include the accounts and transactions of the following entities which are affiliated with or related to the Administrative Offices of the Archdiocese of Atlanta (Administrative Offices) and controlled by the Archbishop:

AoA Canon 281.2 Trust
AoA Group Health Care Plan Trust
AoA Properties Holding, Inc.
AoA Deposit and Loan Fund Trust
Campus Ministries Trust
Catholic Construction Services, Inc.
Catholic Continuing Care Retirement Communities, Inc. (CCCRC)
Catholic Education of North Georgia, Inc. (CENGI)
Nuestra Fe
RCAA Administrative Services, Inc.
Roman Catholic Archdiocese of Atlanta, Inc.
The Catholic Foundation of North Georgia, Inc.

In prior years the Administrative Offices were required by accounting principles generally accepted in the United States of America to issue consolidated financial statements. As a result of organizational changes made during the year ended June 30, 2019, the Administrative Offices are no longer required to issue consolidated financial statements. For the year ended June 30, 2019, the Administrative Offices are issuing combined financial statements. The 2019 combined financial statements include the same entities that are included in the 2018 consolidated financial statements.

The entities included in the 2019 combined financial statements are under the control of the Archbishop. There are other entities in the Archdiocese of Atlanta that are also under the control of the Archbishop which are not included in the combined financial statements because their inclusion is not considered meaningful to this presentation.

All of the combined and consolidated organizations are collectively referred to in this report as the Archdiocese. All significant intercompany transactions have been eliminated in the combination and 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 combined and consolidated financial statements. Moreover, this report does not include the financial statements of the parishes and missions of the Archdiocese of Atlanta.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Reporting (continued)

The preparation of the combined and 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 combined and 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 combined and consolidated financial statements follows.

Financial Statement Presentation

The Archdiocese is required to report information regarding its financial position and activities based on net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions
Net assets without donor restrictions 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 support without donor restriction.

Net assets with donor restrictions
Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 combined and 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 2019 and 2018.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the combined and 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 combined and 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 combined and consolidated statements of activities.

At June 30, 2019 and 2018, a portion of the Archdiocese's investments are in a pooled investment fund known as the AoA Common Fund Trust. The investment allocation within the pooled investment fund includes equities and fixed income investments.

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 an allowance for doubtful accounts of approximately $6,556,700 and $5,366,500 at June 30, 2019 and 2018, respectively.

The Chancery Special Project Oversight Committee (SPOC) receivable (Note 3) is due from parishes for special projects and is expected to be repaid over 20 years. The SPOC receivable has been discounted to net present value.

Promises to Give

Promises to give that are scheduled to be received after the end of the reporting period are shown as increases in net assets with donor restrictions and reclassified to net assets without donor restrictions 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 net assets with donor restrictions, perpetual in nature. 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. Accretion of the discount is recorded as contribution revenue.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give (continued)

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 combined and consolidated statements of activities.

Depreciation is computed using the straight-line method. Property and equipment at June 30, 2019 and 2018, consisted of the following:

	Useful Lives (years)	**2019**	2018
Land		**$ 26,548,424**	$ 29,610,384
Land improvements	15	**13,353,952**	12,319,073
Buildings	40-50	**152,897,191**	154,762,902
Furniture and equipment	3-10	**31,476,335**	31,416,641
Automobiles	5-7	**1,762,528**	1,763,483
Construction in progress		**330,431**	14,104,426
		226,368,861	243,976,909
Less accumulated depreciation		**(88,772,824)**	(85,651,406)
Property and equipment, net		**$ 137,596,037**	$ 158,325,503

Depreciation expense for 2019 and 2018, was $7,254,091 and $6,911,257, respectively.

Construction in progress consists of costs incurred on construction projects that have not been completed and placed in service as of year-end. During 2019, two construction projects totaling approximately $11,276,000, were completed and transferred to parishes. Upon transfer, the Archdiocese recorded accounts receivable from the parishes in the same amount (Note 3).

The Archdiocese owned land and a building that were previously used as the offices for the Administrative Offices and other Archdiocese organizations. The land and building were sold during 2019, and the Archdiocese realized a gain of approximately $25,000,000 from the sale.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019 and 2018, 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 and are being amortized to interest expense over the term of the bonds. Amortization of bond issuance costs for the years ended June 30, 2019 and 2018, totaled $55,944 and $56,652 and accumulated amortization at June 30, 2019 and 2018, totaled $792,541 and $736,597, 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 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 8.

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 $2,887,000 and $2,512,000 at June 30, 2019 and 2018, respectively.

In order to help manage self-insurance risks related to property and liability the Archdiocese participates in a protected captive insurance cell within the Catholic Relief Insurance Company of America II (CRIC II). The Administrative office obtains insurance coverage from the protected cell and bears a risk of loss from claims in excess of premiums paid to the cell. Based on the control of the protected cell and the structure of CRIC II, the assets and liabilities of the captive cell have been consolidated within the Administrative offices. Insurance premium payments to the protected cell were approximately $2,000,000 and $2,970,000 for the years ended June 30, 2019 and 2018, respectively.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contribution revenues are recorded as increases in net assets without donor restrictions 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 net assets with donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions 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 apartment, monthly fees and per diem charges for assisted living, memory support and skilled nursing apartments and amortization of entrance fees. Additional revenue is also generated from ancillary services such as activity fees, additional housekeeping and dietary services.

The nonrefundable portion of entrance fees 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 $225,000 to $600,000. The entrance fee is generally 80% or 90% refundable depending on the level of lifecare. 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.

Change in Accounting Principle

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about the expenses and investment return. The Administrative Offices, have implemented ASU 2016-14, except for disclosures related to the functional allocation of expenses, and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented and had no impact on previously reported net assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications have been made to the 2018 financial statement presentation to correspond to the current year's format. Total net assets and changes in net assets are unchanged due to these reclassifications.

Accounting Guidance not yet Adopted

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This guidance specifies that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU and its amendments will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry specific guidance. For nonpublic entities, these amendments are effective for annual reporting periods beginning after December 15, 2018. Early adoption with certain restrictions is permitted for nonpublic entities. The Archdiocese is currently evaluating the impact of the guidance on its financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled Leases. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. For nonpublic entities, the standard is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. The Archdiocese is currently evaluating the impact of the guidance on its financial statements.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments — Overall: Recognition and Measurement of Financial Assets and Financial Liabilities, which addresses certain aspects of the recognition, measurement, presentation and disclosure of financial instruments. For non-public entities, the ASU is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Archdiocese is currently evaluating the impact of the guidance on its financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Guidance not yet Adopted (continued)

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This new guidance is effective for transactions in which the Archdiocese serves as a resource recipient for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Archdiocese is currently evaluating the impact of the guidance on its financial statements.

In November 2016 , the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. For nonpublic entities, this guidance is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Archdiocese is currently evaluating the impact of the guidance on its financial statements.

NOTE 2: LIQUIDITY

Assets available to meet cash needs for general expenditures within one year, without contractual or donor restrictions as of June 30, 2019, consist of the following:

Financial assets at year-end:	
Cash and cash equivalents	$ 82,907,021
Investments at fair value	275,534,009
Accounts receivable, net	5,120,941
SPOC receivable, net	6,695,366
Promises to give, net	5,146,441
Loans receivable - parishes and agencies	37,113,430
Total financial assets	412,517,208
Less amounts not available to be used within one year:	
Cash - captive insurance	762,497
Cash collateral for interest rate swap	1,180,000
Cash and cash equivalents, not available for operations	3,289,372
SPOC receivable	6,695,366
Investments at fair value - custodial funds	673,194
Investments at fair value - reinsurance	256,179
Investments at fair value - captive insurance	29,521,107
Investments at fair value, not available for operations	114,673,240
Obligations to related parties	12,685,899
Designated investment funds	27,982,218
Endowment net assets	101,127,569
Total amounts not available for use	298,846,641
Financial assets available to meet expenditures in one year	$ 113,670,567

Part of the Archdiocese’s liquidity management policy is to structure its financial assets to be available for its general expenditures and other obligations that come due. The designated investments have been board-designated for various purposes, however, a portion of these amounts could be made available if necessary.

The Archdiocese’s endowment funds (Note 10) consist of restricted endowments and funds designated by the Archdiocese to function as endowments. Restricted endowments are not available for general expenditure.

NOTE 3: SPOC RECEIVABLE

The Chancery Special Project Oversight Committee (SPOC) authorized and funded construction projects for two parishes. The two projects, which totaled approximately $11,276,000, were completed and transferred to the parishes during 2019. At the time of transfer, the Archdiocese recorded two non-interest bearing receivables from the parishes for the same amount. The receivables have no set repayment terms, but Chancery expects that the receivables will be repaid over a term of approximately 20 years. The outstanding receivable balance at June 30, 2019, of $9,402,366 has been discounted to net present value of $6,695,366 using a discount rate of 4%. Future estimated receipts on the SPOC receivable are as follows:

Year ending June 30,	
2020	$ 700,000
2021	400,000
2022	450,000
2023	450,000
2024	500,000
Thereafter	6,902,366
	9,402,366
Net present value discount	(2,707,000)
	$ 6,695,366

NOTE 4: INVESTMENTS

At June 30, 2019 and 2018, investments consisted of the following:

	2019		2018	
	Fair Value	**Cost**	Fair Value	Cost
Short-term investments	**$ 5,691,509**	**$ 5,324,590**	$ 7,555,880	$ 7,555,880
Corporate obligations	**28,426,401**	**27,953,819**	11,116,623	11,094,455
Equity securities	**89,624,041**	**69,866,894**	49,470,121	39,826,321
Equity mutual funds	**37,969,001**	**33,683,210**	95,334,089	75,125,031
Debt mutual funds	**43,706,567**	**38,434,050**	62,486,936	66,330,345
U.S. Government obligations	**18,031,928**	**17,310,780**	17,935,612	17,991,356
Alternative investments	**44,156,135**	**36,698,204**	11,318,463	11,193,855
Archdiocese Common Fund	**7,928,427**	**7,064,443**	9,987,473	6,096,571
	$ 275,534,009	**$ 236,335,990**	$ 265,205,197	$ 235,213,814

NOTE 5: PROMISES TO GIVE

Promises to give of $5,146,441 and $4,908,013 at June 30, 2019 and 2018, 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, 2019 and 2018, have been reduced by an allowance for doubtful promises of $500,000 and $450,000, respectively.

NOTE 6: LOANS RECEIVABLE AND DEPOSITS PAYABLE

The amounts due from parishes relate primarily to interest-bearing loans made to parishes and agencies by the Archdiocese. Interest rates ranged from 0% to 4%. Loans receivable have been reduced by an allowance for uncollectible loans of $628,000 and $697,000 as of June 30, 2019 and 2018, 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%.

NOTE 7: BONDS PAYABLE

Bonds payable consist of the following at June 30, 2019 and 2018:

	2019	2018
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated February 1, 1999, and maturing April 1, 2024.	**$ 12,600,000**	$ 12,700,000
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated March 1, 1999, and maturing April 1, 2024.	**5,690,000**	7,800,000
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated December 19, 2002, and maturing April 1, 2028.	**17,150,000**	17,250,000
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated December 19, 2002, and maturing April 1, 2028.	**-**	835,000
Development Authority of Fulton County Tax-Exempt Variable Rate Revenue Bonds (CCCRC bonds) dated September 1, 2014, and maturing April 1, 2034.	**17,450,000**	18,150,000
	52,890,000	56,735,000
Unamortized bond issuance costs	**369,548**	425,492
	$ 52,520,452	$ 56,309,508

Maturities of bonds payable are as follows:

Year ending June 30,	
2020	$ 4,010,000
2021	4,140,000
2022	4,270,000
2023	4,510,000
2024	5,960,000
2025-2034	30,000,000
	$ 52,890,000

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 7: BONDS 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%. Due to changes in the corporate income tax rate, beginning January 1, 2018, the calculation of interest changed to 82.65% of LIBOR plus .78%. The interest rate at June 30, 2019, was 2.93%. All of the educational bonds require monthly interest payments and mature in varying annual amounts through April 1, 2028. The Archbishop has guaranteed the bonds.

CENGI entered into a revolving line of credit (LOC) with a financial institution during the year ended June 30, 2018. The LOC has a maximum borrowing limit of $3,000,000. Interest accrues at a variable rate of the 30 day Libor plus 1% and is payable monthly. Draws on the LOC, which were repaid during the same fiscal year, totaled $100,000 for the year ended June 30, 2019. There were no draws on the LOC during the year ended June 30, 2018. The financial institution holds a security interest on all of CENGI's deposit accounts held at the financial institution.

As discussed in Note 8, the Archdiocese has entered into various interest rate swap agreements that provide for fixed rates of interest on the bonds.

At June 30, 2019, the Archdiocese had an unsecured bank line of credit in the maximum amount of $3,000,000, which matures June 15, 2021. Additionally, there was another unsecured bank line of credit in the maximum amount of $5,000,000 which matured in April 2019. Both lines of credit bear interest at the one month LIBOR rate plus 1%. There were no amounts outstanding under either line of credit at June 30, 2019 or 2018.

Interest expense to the Archdiocese on bonds and interest rate swap agreements and interest paid on deposits from parishes and agencies (Note 6) totaled $5,227,946 and $5,038,382 for the years ended June 30, 2019 and 2018, respectively. Cash payments for interest totaled $4,909,940 and $5,003,906 for fiscal years 2019 and 2018, respectively.

Interest expense for the years ended June 30, 2019 and 2018, is reported in the combined and consolidated statements of activities as follows:

	2019	2018
Interest included in school operations	**$ 1,870,016**	$ 1,894,255
Interest included in CCCRC operations	**622,361**	471,845
Interest charged against loan receivable income (Note 6)	**2,735,569**	2,672,282
	$ 5,227,946	$ 5,038,382

NOTE 7: BONDS 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 funded debt and unrestricted net assets to funded debt. The Archdiocese is in compliance with these requirements as of June 30, 2019 and 2018.

NOTE 8: 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 statement of financial position 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, 2019 and 2018 was $1,180,000.

By using a derivative financial instrument to hedge its exposure to changes in interest rates, the Archdiocese exposes itself to credit and market risk. Credit risk is the failure of the counter party to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counter party owes the Archdiocese, which creates credit risk for the Archdiocese. When the fair value of a derivative contract is negative the Archdiocese owes the counter party and, therefore, it does not possess credit risk. The Archdiocese minimized the credit risk in derivative instruments by entering into transactions with high-quality counter parties.

Market risk is an adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate contracts is managed by establishing the monitoring parameters that limit the types and degree of market risk that may be undertaken.

NOTE 8: INTEREST RATE SWAP AGREEMENTS (CONTINUED)

The tables below summarizes the swap information reported in the combined and consolidated financial statements as of June 30, 2019 and 2018.

Year ended June 30, 2019

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	**1/26/2012**	**7/1/2020**	**$35,440,000**	**3.55%**	**2.93%**	**$ (809,392)**	**$ 503,965**
School	**7/1/2020**	**7/1/2025**	**16,065,000**	**2.90%**	**2.93%**	**(1,072,361)**	**(515,004)**
			$ 51,505,000			**$ (1,881,753)**	**$ (11,039)**

Year ended June 30, 2018

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	1/26/2012	7/1/2020	$ 38,585,000	3.55%	2.20%	$ (1,313,357)	$ 1,461,799
School	7/1/2020	7/1/2025	16,065,000	2.90%	2.20%	(557,357)	202,801
			$ 54,650,000			$ (1,870,714)	$ 1,664,600

NOTE 9: CONTINGENCIES

The Archdiocese has been named defendant in various civil lawsuits. The Archdiocese considers all of these suits to be without merit and plans to vigorously contest the claims. The likely outcome of the various lawsuits cannot be determined.

NOTE 10: ENDOWMENT AND DESIGNATED INVESTMENT FUNDS

Net assets with donor restrictions include donor-restricted endowment funds. Net assets without donor restrictions 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 10: ENDOWMENT AND DESIGNATED INVESTMENT FUNDS (CONTINUED)

Endowment net assets composition by type of fund as of June 30, 2019:

June 30, 2019	Board designated	Subject to expenditure for specified purpose or time restriction	Perpetual in Nature	Total
Donor-restricted endowment funds				
Campus ministry	$ -	$ 71,897	$ 173,485	$ 245,382
Cemeteries	-	1,609,418	279,061	1,888,479
Community Service	-	1,712,092	3,370,938	5,083,030
Dependent children	-	345,505	372,207	717,712
Education	-	20,681,790	42,184,775	62,866,565
Elderly	-	659,087	1,287,765	1,946,852
Operations	-	5,546,942	7,894,106	13,441,048
Parishes	-	1,966,358	5,246,569	7,212,927
Seminary	-	4,017,325	3,708,249	7,725,574
	-	36,610,414	64,517,155	101,127,569
Board-designated endowment funds				
Charitable gift annuities	471,032	-	-	471,032
Donor-advised fund	7,785,138	-	-	7,785,138
Campus ministry	1,418,666	-	-	1,418,666
Education	2,985,509	-	-	2,985,509
Operations	1,751,903	-	-	1,751,903
Parishes	12,076,142	-	-	12,076,142
Retired priests	457,009	-	-	457,009
Seminary	1,036,819	-	-	1,036,819
	27,982,218	-	-	27,982,218
	$ 27,982,218	$ 36,610,414	$ 64,517,155	$ 129,109,787

NOTE 10: ENDOWMENT AND DESIGNATED INVESTMENT FUNDS (CONTINUED)

Endowment net assets composition by type of fund as of June 30, 2018:

June 30, 2018	Board designated	Subject to expenditure for specified purpose or time restriction	Perpetual in Nature	Total
Donor-restricted endowment funds				
Campus ministry	$ -	$ 69,162	$ 171,485	$ 240,647
Cemeteries	-	1,288,340	279,459	1,567,799
Community Service	-	1,674,868	3,344,156	5,019,024
Dependent children	-	727,962	387,207	1,115,169
Education	-	18,621,031	40,953,932	59,574,963
Elderly	-	641,033	1,213,585	1,854,618
Operations	-	5,309,709	7,775,911	13,085,620
Parishes	-	1,753,181	4,612,112	6,365,293
Seminary	-	3,974,451	3,708,050	7,682,501
	-	34,059,737	62,445,897	96,505,634
Board-designated endowment funds				
Charitable gift annuities	526,911	-	-	526,911
Clergy welfare	208,171	-	-	208,171
Donor-advised fund	8,498,425	-	-	8,498,425
Education	2,929,574	-	-	2,929,574
Operations	1,733,131	-	-	1,733,131
Parishes	12,075,786	-	-	12,075,786
Retired priests	422,033	-	-	422,033
Seminary	2,538,024	-	-	2,538,024
	28,932,055	-	-	28,932,055
	$ 28,932,055	$ 34,059,737	$ 62,445,897	$ 125,437,689

NOTE 10: ENDOWMENT AND DESIGNATED INVESTMENT FUNDS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2019:

Year ended June 30, 2019	Board designated	Subject to expenditure for specified purpose or time restriction	Perpetual in Nature	Total
Endowment net assets, beginning of year	$ 28,932,055	$ 34,059,737	$ 62,445,895	$ 125,437,687
Contributions	-	400,881	1,058,585	1,459,466
Transfers to increase board designated funds	390,381	-	-	390,381
Net assets transfer	(200,000)	(112,619)	520,252	207,633
Investment return				
Investment income	289,535	1,796,421	279	2,086,235
Net realized and unrealized appreciation	354,774	2,696,053	549,644	3,600,471
Appropriation of endowment net assets for expenditure	(1,784,527)	(2,230,059)	(57,500)	(4,072,086)
Endowment net assets, end of year	$ 27,982,218	$ 36,610,414	$ 64,517,155	$ 129,109,787

NOTE 10: ENDOWMENT AND DESIGNATED INVESTMENT FUNDS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2018:

Year ended June 30, 2018	Board designated	Subject to expenditure for specified purpose or time restriction	Perpetual in Nature	Total
Endowment net assets, beginning of year	$ 24,245,019	$ 29,499,287	$ 60,660,842	$ 114,405,148
Contributions	-	232,515	786,154	1,018,669
Transfers to increase board designated funds	4,820,099	-	-	4,820,099
Net assets transfer	-	1,000,000	431,824	1,431,824
Investment return				
Investment income	203,231	1,418,997	536	1,622,764
Net realized and unrealized appreciation	746,712	4,291,463	566,539	5,604,714
Appropriation of endowment net assets for expenditure	(1,083,006)	(2,387,739)	-	(3,470,745)
Reclassification of deficiencies in donor-restricted endowment funds	-	5,214	-	5,214
Endowment net assets, end of year	$ 28,932,055	$ 34,059,737	$ 62,445,895	$ 125,437,687

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Archdiocese to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in net assets with donor restrictions are $858 and $6,882 at June 30, 2019 and 2018, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions made to endowment net assets.

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 10: 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 11: RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions, including donor-restricted endowment funds, are available for the following purposes at June 30, 2019:

June 30, 2019	Subject to expenditure for specified purpose or time restriction	Perpetual in Nature	Total
Campus ministry	$ 71,897	$ 173,485	$ 245,382
Cemeteries	1,609,418	279,061	1,888,479
Community service	1,712,092	3,370,938	5,083,030
Dependent children	345,505	372,207	717,712
Education	20,681,790	42,184,775	62,866,565
Elderly	659,087	1,287,765	1,946,852
Operations	5,546,942	7,894,106	13,441,048
Parishes	1,966,358	5,246,569	7,212,927
Religious purposes	2,012,299	-	2,012,299
School operations	453,923	-	453,923
Seminary	4,017,325	3,708,249	7,725,574
	$ 39,076,636	$ 64,517,155	$ 103,593,791

NOTE 11: RESTRICTIONS ON NET ASSETS (CONTINUED)

Net assets with donor restrictions, including donor-restricted endowment funds, are available for the following purposes at June 30, 2018:

June 30, 2018	Subject to expenditure for specified purpose or time restriction	Perpetual in Nature	Total
Campus ministry	$ 69,162	$ 171,485	$ 240,647
Cemeteries	1,288,340	279,459	1,567,799
Community service	1,674,868	3,344,156	5,019,024
Dependent children	727,962	387,207	1,115,169
Education	18,621,031	40,953,932	59,574,963
Elderly	641,033	1,213,585	1,854,618
Operations	5,309,709	7,775,911	13,085,620
Parishes	1,753,181	4,612,110	6,365,291
Religious purposes	2,012,299	-	2,012,299
School operations	388,500	-	388,500
Seminary	3,974,451	3,708,050	7,682,501
	$ 36,460,536	$ 62,445,895	$ 98,906,431

NOTE 12: 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 13: 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 13: 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, 2019:

June 30, 2019	Level 1	Level 2	Level 3	Total
Investments				
Short-term investments	$ 1,562,826	$ 4,128,683	$ -	$ 5,691,509
Corporate obligations - domestic bonds	-	28,426,401	-	28,426,401
Debt funds - domestic and international	36,902,613	6,803,954	-	43,706,567
Equity securities - domestic	50,076,327	22,827,609	-	72,903,936
Equity securities - international	14,967,164	-	-	14,967,164
Equity securities - REIT	1,752,941	-	-	1,752,941
Equity funds - domestic	-	8,425,762	-	8,425,762
Equity funds - international	29,543,239	-	-	29,543,239
U. S. agency funds	-	6,692,172	-	6,692,172
U. S. Treasury notes	-	11,339,756	-	11,339,756
Total Investment at FV	$ 134,805,110	$ 88,644,337	$ -	223,449,447
Investments measured at net asset value				
Alternative funds				44,156,135
AoA Common Fund Trust				7,928,427
				$ 275,534,009
Promises to give			$ 5,146,441	$ 5,146,441
Interest rate swap liability			$ (1,881,753)	$ (1,881,753)
Post retirement obligations			$ (5,363,257)	$ (5,363,257)

NOTE 13: 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, 2018:

June 30, 2018	Level 1	Level 2	Level 3	Total
Investments				
Short-term investments	$ 7,555,880	$ -	$ -	$ 7,555,880
Corporate obligations - domestic bonds	-	11,116,623	-	11,116,623
Equity securities - domestic	45,678,888	-	-	45,678,888
Equity securities - international	2,174,283	-	-	2,174,283
Equity funds - domestic	22,872,656	28,435,234	-	51,307,890
Equity funds - international	44,026,199	-	-	44,026,199
Debt funds - domestic and international	57,469,708	5,017,228	-	62,486,936
U. S. agency funds	-	4,551,387	-	4,551,387
U. S. Treasury notes	-	13,384,225	-	13,384,225
Equity securities - REIT	1,616,950	-	-	1,616,950
Total Investment at FMV	$ 181,394,564	$ 62,504,697	$ -	243,899,261
Investments measured at net asset value				
Alternative funds				11,318,463
AoA Common Fund Trust				9,987,473
				$ 265,205,197
Promises to give			$ 4,908,013	$ 4,908,013
Interest rate swap liability			$ (1,870,714)	$ (1,870,714)
Post retirement obligations			$ (3,760,894)	$ (3,760,894)

NOTE 13: FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a reconciliation of the change in fair value for the years ended June 30, 2019 and 2018, for Level 3:

Years ended June 30,	**2019**	2018
Interest rate swap liability		
Liability at beginning of year	**$ 1,870,714**	$ 3,535,314
Change in value	**11,039**	(1,664,600)
Liability at end of year	**$ 1,881,753**	$ 1,870,714
Promises to give		
Receivables at beginning of year	**$ 4,908,013**	$ 5,310,087
New pledges received	**6,149,781**	8,767,737
Payments on pledges	**(5,909,700)**	(9,163,890)
Change in value of pledges	**(1,653)**	(5,921)
Receivable at end of year	**$ 5,146,441**	$ 4,908,013
Post retirement obligation		
Balance at beginning of year	**$ 3,585,492**	$ 7,091,364
Increase in accumulated postretirement benefit obligation	**6,326,857**	1,656,124
Increase in fair value of assets	**(4,549,092)**	(5,161,996)
Post retirement obligation at end of year	**$ 5,363,257**	$ 3,585,492

The change in value of the interest rate swap agreements in 2019 and 2018, 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, 2019 and 2018.

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 14: 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 $932,000 to the Plan during the fiscal year ending June 30, 2020.

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,	**2019**	2018
Obligation and funded status		
Projected benefit obligation	**$ (33,352,553)**	$ (29,627,926)
Plan assets at fair value	**27,600,771**	24,943,697
Funded status	**$ (5,751,782)**	$ (4,684,229)
Accumulated benefit obligation	**$ 33,352,553**	$ 29,627,926
Employer contribution	**$ 2,115,836**	$ 891,186
Benefits paid	**$ 874,178**	$ 904,380
Amounts recognized in the statements of financial position		
Noncurrent liabilities	**$ (5,751,782)**	$ (4,684,229)
Amounts recognized in the statements of activities		
Service cost	**$ 1,241,067**	$ 1,226,676
Interest cost	**1,197,977**	1,048,805
Expected return on plan assets	**(1,651,294)**	(1,534,185)
Amortization of net loss	**607,680**	640,200
Net periodic pension cost	**$ 1,395,430**	$ 1,381,496
Other changes in net assets		
Actuarial gain (loss)	**$ (2,395,639)**	$ 37,325
Amortization of net loss	**607,680**	640,200
	$ (1,787,959)	$ 677,525

The estimated net loss that will be amortized from changes in unrestricted net assets into net periodic benefit cost in 2020 is $681,579.

NOTE 14: 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:	**2019**	2018
Discount rate	**3.5%**	4.1%
Expected return on plan assets	**6.0%**	6.8%
Future cost of living adjustments	**2.5%**	2.5%

Weighted-average assumptions used to determine net periodic benefit cost	**2019**	2018
Discount rate	**4.1%**	3.8%
Expected return on plan assets	**6.0%**	6.8%
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	**2019**	2018
20	**0.19**	0.18
35	**0.37**	0.66
50	**1.25**	1.28
60	**5.09**	4.34

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 14: 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, 2020.

The following benefits are expected to be paid:

Year ending June 30,		
2020	$	931,574
2021		963,597
2022		991,408
2023		1,056,744
2024		1,163,520
2025-2029		6,986,056
	$	12,092,899

Billings to the parishes and agencies for priests' retirement are reported in insurance revenues and totaled $1,115,836 and $971,422 for the years ended June 30, 2019 and 2018, respectively.

Years ended June 30,		**2019**		2018
Pension and administrative expenses	**$**	**1,414,342**	$	1,395,287
Billings to parishes and agencies		**(1,115,836)**		(971,422)
	$	**298,506**	$	423,865

NOTE 14: POST RETIREMENT BENEFITS (CONTINUED)

Priests' Retirement Plan (continued)

The fair values of the Archdiocese's priests' retirement plan assets at June 30, 2019 and 2018, by asset category are as follows:

June 30, 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments				
Short-term investments	**$ 1,232,285**	**$ -**	**$ -**	**$ 1,232,285**
U.S. Treasury obligations	**2,137,366**	**781,850**	**-**	**2,919,216**
Marketable debt securities	**-**	**4,288,292**	**-**	**4,288,292**
Marketable equity securities	**7,836,536**	**-**	**-**	**7,836,536**
Equity mutual funds	**9,844,605**	**-**	**-**	**9,844,605**
	$ 21,050,792	**$ 5,070,142**	**$ -**	**26,120,934**
Investments measured at net asset value				
Alternative Funds				**1,479,837**
				$ 27,600,771

June 30, 2018	Level 1	Level 2	Level 3	Total
Investments				
Short-term investments	$ 1,001,514	$ -	$ -	$ 1,001,514
U.S. Treasury obligations	2,144,010	332,701	-	2,476,711
Marketable debt securities	-	1,739,976	-	1,739,976
Marketable equity securities	7,285,992	-	-	7,285,992
Equity mutual funds	10,963,948	-	-	10,963,948
	$ 21,395,464	$ 2,072,677	$ -	23,468,141
Investments measured at net asset value				
Alternative Funds				1,475,556
				$ 24,943,697

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 14: 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,	**2019**	2018
Obligation and funded status		
Projected benefit obligation	**$ (7,282,086)**	$ (6,283,659)
Plan assets at fair value	**7,853,538**	7,294,695
Funded status	**$ 571,452**	$ 1,011,036
Accumulated benefit obligation	**$ 7,282,086**	$ 6,283,659
Employer contribution	**$ 215,493**	$ 227,067
Benefits paid	**$ 116,815**	$ 132,471
Amounts recognized in the statements of financial position		
Current liabilities	**$ (153,444)**	$ (147,437)
Noncurrent assets	**$ 724,896**	$ 1,158,473
Amounts recognized in the statements of activities		
Service cost	**$ 156,021**	$ 172,168
Interest cost	**254,653**	231,782
Expected return on plan assets	**(482,440)**	(435,786)
Amortization of net loss	**-**	9,296
Net periodic pension cost (income)	**$ (71,766)**	$ (22,540)
Other changes in net assets:		
Actuarial gain	**$ 231,653**	$ 254,439

NOTE 14: 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:	**2019**	2018
Discount rate	**3.6%**	4.2%
Expected return on plan assets	**6.0%**	6.8%
Future cost of living adjustments	**2.4%**	2.4%

Weighted-average assumptions used to determine net periodic benefit cost:	**2019**	2018
Discount rate	**4.2%**	3.7%
Expected return on plan assets	**6.0%**	6.8%
Future cost of living adjustments	**2.4%**	2.4%

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	0.17	N/A
35	0.37	N/A
50	0.12	76.12
60	0.37	150.42

No plan assets are expected to be returned to the Archdiocese during the fiscal year ending June 30, 2020.

NOTE 14: POST RETIREMENT BENEFITS (CONTINUED)

Priests' long-term care plan (continued)

The following benefits are expected to be paid:

Year ending June 30,		
2020	$	153,444
2021		152,823
2022		154,744
2023		168,274
2024		180,249
2025-2029		1,149,544
	$	1,959,078

Billings to parishes and agencies for priests' long-term care are reported in insurance revenues and totaled $235,658 and $227,067 for the years ended June 30, 2019 and 2018, respectively.

The fair values of the Archdiocese's long-term care plan assets at June 30, 2019 and 2018, by asset category are as follows:

June 30, 2019		**Level 1**		**Level 2**		**Level 3**		**Total**
Short-term investments	**$**	**170,489**	**$**	**-**	**$**	**-**	**$**	**170,489**
Marketable equity securities		**7,683,049**		**-**		**-**		**7,683,049**
	$	**7,853,538**	**$**	**-**	**$**	**-**	**$**	**7,853,538**

June 30, 2018		Level 1		Level 2		Level 3		Total
Short-term investments	$	93,749	$	-	$	-	$	93,749
Marketable equity securities		7,200,946		-		-		7,200,946
	$	7,294,695	$	-	$	-	$	7,294,695

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.

NOTE 14: POST RETIREMENT BENEFITS (CONTINUED)

Senior Priest Welfare Plan (continued)

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

Years ended June 30,	**2019**	2018
Obligation and funded status		
Projected benefit obligation	**$ (14,385,629)**	$ (12,781,826)
Plan assets at fair value	**14,202,702**	12,869,527
Funded status	**$ (182,927)**	$ 87,701
Accumulated benefit obligation	**$ 14,385,629**	$ 12,781,826
Employer contribution	**$ 788,607**	$ 2,377,985
Benefits paid	**$ 194,334**	$ 189,330
Amounts recognized in the statements of financial position		
Current liabilities	**$ (288,000)**	$ (294,000)
Noncurrent assets	**$ 105,073**	$ 381,701
Amounts recognized in the statements of activities		
Service cost	**$ 368,222**	$ 394,915
Interest cost	**516,996**	481,571
Expected return on plan assets	**(848,848)**	(654,345)
Net periodic pension cost	**$ 36,370**	$ 222,141
Other changes in net assets		
Actuarial gain	**$ 912,919**	$ 932,804

NOTE 14: 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:	**2019**	2018
Discount rate	**3.5%**	4.1%
Expected return on plan assets	**6.0%**	6.8%
Future cost of living adjustments	**2.5%**	2.5%

Weighted-average assumptions used to determine net periodic benefit cost	**2019**	2018
Discount rate	**4.1%**	3.9%
Expected return on plan assets	**6.8%**	6.0%
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 the applicable year:

Age	**2019**	2018
20	**0.17**	0.17
35	**0.28**	0.31
50	**1.17**	1.13
60	**3.72**	3.61

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, 2020.

NOTE 14: POST RETIREMENT BENEFITS (CONTINUED)

Senior Priest Welfare Plan (continued)

The following benefits are expected to be paid:

Year ending June 30,	
2020	$ 288,000
2021	310,361
2022	320,325
2023	336,246
2024	383,883
2025-2029	2,318,487
	$ 3,957,302

The fair values of the Archdiocese's Senior Priest Welfare plan assets at June 30, 2019 and 2018, by asset category, are as follows:

June 30, 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Total investments				
Short-term investments	**$ 138,045**	**$ -**	**$ -**	**$ 138,045**
Marketable equity securities	**11,040,706**	**-**	**-**	**11,040,706**
Mutual funds-fixed income	**3,023,951**	**-**	**-**	**3,023,951**
	$ 14,202,702	**$ -**	**$ -**	**$ 14,202,702**

June 30, 2018	Level 1	Level 2	Level 3	Total
Total investments				
Short-term investments	$ 139,140	$ -	$ -	$ 139,140
Marketable equity securities	9,978,854	-	-	9,978,854
Mutual funds-fixed income	2,751,533	-	-	2,751,533
	$ 12,869,527	$ -	$ -	$ 12,869,527

Lay employee retirement plan

The Archdiocese sponsors a defined contribution retirement plan that covers substantially all lay employees within the Archdiocese. Contributions to the plan are predetermined amounts based on compensation paid to each lay employee. Benefits under the plan are computed based on the pension fund assets.

NOTE 14: POST RETIREMENT BENEFITS (CONTINUED)

Lay employee retirement plan (continued)

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

Years ended June 30,		**2019**		2018
Pension and administrative expenses	**$**	**3,987,146**	$	3,891,292
Billings to parishes and agencies		**(4,024,734)**		(3,438,120)
	$	**(37,588)**	$	453,172

NOTE 15: DEVELOPMENT AND FUNDRAISING COST

The Archdiocese incurred fund raising costs related to the annual appeal campaign of $595,573 and $520,967 for the years ended June 30, 2019 and 2018, respectively. Catholic Education of North Georgia incurred development and fundraising costs totaling $1,694,844 and $1,780,286 for the years ended June 30, 2019 and 2018, respectively.

NOTE 16: SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 25, 2020, which is the date that the combined and consolidated financial statements were available to be issued.