

*Financial Report*

*Roman Catholic Church of the  
Archdiocese of New Orleans  
Administrative Offices*

*June 30, 2018*



**Bourgeois Bennett**  
CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS  
A LIMITED LIABILITY COMPANY

*Financial Report*

*Roman Catholic Church of the  
Archdiocese of New Orleans  
Administrative Offices*

*June 30, 2018*

## **TABLE OF CONTENTS**

### **Roman Catholic Church of the Archdiocese of New Orleans Administrative Offices**

June 30, 2018 and 2017

	<u>Page Numbers</u>
<b>Financial Section</b>	
Independent Auditor's Report	1 - 3
<b>Exhibits</b>	
A - Statements of Financial Position	4
B-1 - Statement of Activities, June 30, 2018	5 - 6
B-2 - Statement of Activities, June 30, 2017	7 - 8
C - Statements of Cash Flows	9 - 10
D - Notes to Financial Statements	11 - 47
<b>Supplementary Information</b>	
<b>Schedules</b>	
1 - Schedule of Changes in Net Assets - Temporarily Restricted	48
2 - Schedule of Changes in Net Assets - Permanently Restricted	49
3 - Schedule of Expenses - Program Services	50
4 - Schedule of Expenses - Supporting Services	51
5 - Schedule of Investment Balances by Classification	52
6 - Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer	53

## **TABLE OF CONTENTS (Continued)**

### **Roman Catholic Church of the Archdiocese of New Orleans Administrative Offices**

June 30, 2018 and 2017

	<u>Page Numbers</u>
<b>Special Reports of Certified Public Accountants</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	54 - 55
Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	56 - 57
Schedule of Expenditures of Federal Award	58
Notes to Schedule of Expenditures of Federal Award	59
Schedule of Findings and Questioned Costs	60 - 61
<b>Reports by Management</b>	
Summary Schedule of Prior Audit Findings	62 - 63
Corrective Action Plan	64
<b>Statewide Agreed-Upon Procedures (R.S. 24:513)</b>	
Independent Accountant's Report on Applying Agreed-Upon Procedures	65 - 68

**FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

To the Most Reverend Gregory M. Aymond,  
Archbishop of the Roman Catholic Church of  
The Archdiocese of New Orleans,  
New Orleans, Louisiana.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Roman Catholic Church of the Archdiocese of New Orleans Administrative Offices (the "Administrative Offices"), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity's 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 financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Administrative Offices as of June 30, 2018 and 2017, 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.

## **Other Matter - Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules (Schedules 1 through 5) are presented for purposes of additional analysis and are not a required part of the financial statements of the Administrative Offices. The accompanying supplementary schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer (Schedule 6) is presented for purposes of additional analysis and is required by Louisiana Revised Statute 24:513(A)(3) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2018 on our consideration of the Administrative Offices' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Administrative Offices' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Administrative Offices' internal control over financial reporting and compliance.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, Louisiana,  
November 27, 2018.

**STATEMENTS OF FINANCIAL POSITION****Roman Catholic Church of the Archdiocese of New Orleans  
Administrative Offices**

June 30, 2018 and 2017

**ASSETS**

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 11,008,675	\$ 6,899,170
Grants receivable - FEMA	480,438	212,461
Accounts receivable from affiliates and other	9,176,462	4,207,232
Prepaid expenses	1,461,990	1,797,697
Loans receivable from affiliates - less allowance for doubtful receivables of \$11,459,388 and \$10,800,803 for 2018 and 2017, respectively	62,105,949	55,305,475
Investments	293,242,690	286,268,058
Land, buildings, and equipment - less accumulated depreciation of \$41,593,074 and \$39,423,045 for 2018 and 2017, respectively	73,453,685	75,035,899
Other assets	122,000	122,000
Beneficial interest in charitable remainder trust	580,247	487,437
Total assets	<u>\$ 451,632,136</u>	<u>\$ 430,335,429</u>

**LIABILITIES AND NET ASSETS****Liabilities**

Accounts payable	\$ 3,092,273	\$ 1,462,399
Accrued expenses and other	3,658,079	3,337,256
Accrued liability for self-insured claims	9,515,487	949,186
Deposits payable to affiliates	153,572,072	149,873,450
Funds held for affiliates	121,528,467	103,929,966
Bonds payable, net	41,578,676	42,947,973
Accrued pension liability	43,330,928	44,002,789
Total liabilities	<u>376,275,982</u>	<u>346,503,019</u>

**Commitments and Contingencies (Note 15)**

-	-
---	---

**Net Assets**

Unrestricted, as restated (Note 17)	46,328,051	56,806,537
Unrestricted - Board designated	875,000	-
Temporarily restricted, as restated (Note 17)	14,008,797	12,882,354
Permanently restricted	14,144,306	14,143,519
Total net assets	<u>75,356,154</u>	<u>83,832,410</u>
Total liabilities and net assets	<u>\$ 451,632,136</u>	<u>\$ 430,335,429</u>

See notes to financial statements.

**STATEMENT OF ACTIVITIES**

**Roman Catholic Church of the Archdiocese of New Orleans  
Administrative Offices**

For the year ended June 30, 2018  
(with comparative totals for 2017)

	2018			Totals	2017 Comparative Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Revenue, Gains, and Other Support</b>					
Assessments to affiliated entities for:					
Archdiocesan support	\$ 9,921,009			\$ 9,921,009	\$ 9,436,494
Priest health insurance and retirement	2,750,208			2,750,208	2,583,572
Insurance	16,680,683			16,680,683	16,456,205
Total assessments	29,351,900			29,351,900	28,476,271
Contributions and grants	1,325,937	\$ 1,967,780	\$ 787	3,294,504	2,277,117
Rents and royalties	774,012			774,012	768,403
Spending distribution - investment income	3,292,000	1,043,690		4,335,690	4,363,000
Interest income - Deposit and Loan Fund	1,986,621			1,986,621	2,052,829
Fees collected and other revenue	9,698,150			9,698,150	4,998,903
Gain on sale of assets	286			286	1,308,886
Changes in value of charitable remainder trust		92,810		92,810	57,881
Net assets released from restrictions - satisfaction of program restrictions	2,883,588	(2,883,588)		-	-
Total revenue, gains, and other support	49,312,494	220,692	787	49,533,973	44,303,290
<b>Expenses</b>					
Program services:					
Christian formation	5,671,624			5,671,624	5,828,804
Clergy	9,352,769			9,352,769	9,286,057
Community services	82,566			82,566	86,126
Gifts and grants	3,672,904			3,672,904	1,436,932
Insurance	23,723,092			23,723,092	14,920,373
Pastoral services	3,159,174			3,159,174	2,981,760
Religious	208,205			208,205	211,113
Total program services expenses	45,870,334	-	-	45,870,334	34,751,165

**Exhibit B-1  
(Continued)**

	2018			2017 Comparative Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Expenses (Continued)</b>				
Supporting services:				
Administration	3,079,476			3,079,476
Financial services	10,609,095			10,609,095
Interest	1,875,066			1,875,066
Interest expense - Deposit and Loan Fund	2,278,343			2,278,343
Total supporting services expenses	17,841,980	-	-	17,841,980
Total expenses	63,712,314	-	-	63,712,314
<b>Income (Loss) From Operations</b>	(14,399,820)	220,692	787	(14,178,341)
<b>Non-Operating Revenues (Expenses)</b>				
Investment income - net	5,577,318	1,949,441		7,526,759
Less - spending distribution	(3,292,000)	(1,043,690)		(4,335,690)
Investment income - net of spending distribution	2,285,318	905,751		3,191,069
Grants and donations related to hurricanes	4,060,978			4,060,978
Distributions of grants and donations to affiliates	(4,060,978)			(4,060,978)
Loss on early extinguishment of debt	-			-
Total non-operating revenues - net	2,285,318	905,751	-	3,191,069
<b>Excess (Deficiency) of Revenue, Gains, and Other Support Over Expenses</b>	(12,114,502)	1,126,443	787	(10,987,272)
<b>Additional Minimum Pension Liability Adjustment</b>	2,511,016			2,511,016
<b>Increase (Decrease) in Net Assets</b>	(9,603,486)	1,126,443	787	(8,476,256)
<b>Net Assets</b>				
Beginning of year, as restated (Note 17)	56,806,537	12,882,354	14,143,519	83,832,410
End of year	\$ 47,203,051	\$ 14,008,797	\$ 14,144,306	\$ 83,832,410

See notes to financial statements.

**STATEMENT OF ACTIVITIES**

**Roman Catholic Church of the Archdiocese of New Orleans  
Administrative Offices**

For the year ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
<b>Revenue, Gains, and Other Support</b>				
Assessments to affiliated entities for:				
Archdiocesan support	\$ 9,436,494			\$ 9,436,494
Priest health insurance and retirement	2,583,572			2,583,572
Insurance	<u>16,456,205</u>			<u>16,456,205</u>
Total assessments	28,476,271			28,476,271
Contributions and grants	1,177,270	\$ 1,098,691	\$ 1,156	2,277,117
Rents and royalties	768,403			768,403
Spending distribution - investment income	3,573,000	790,000		4,363,000
Interest income - Deposit and Loan Fund	2,052,829			2,052,829
Fees collected and other revenue	4,998,903			4,998,903
Gain on sale of assets	1,308,886			1,308,886
Changes in value of charitable remainder trust		57,881		57,881
Net assets released from restrictions - satisfaction of program restrictions	<u>1,708,145</u>	<u>(1,708,145)</u>		<u>-</u>
Total revenue, gains, and other support	<u>44,063,707</u>	<u>238,427</u>	<u>1,156</u>	<u>44,303,290</u>
<b>Expenses</b>				
Program services:				
Christian formation	5,828,804			5,828,804
Clergy	9,286,057			9,286,057
Community services	86,126			86,126
Gifts and grants	1,436,932			1,436,932
Insurance	14,920,373			14,920,373
Pastoral services	2,981,760			2,981,760
Religious	<u>211,113</u>			<u>211,113</u>
Total program services expenses	<u>34,751,165</u>	<u>-</u>	<u>-</u>	<u>34,751,165</u>

**Exhibit B-2  
(Continued)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
<b>Expenses (Continued)</b>				
Supporting services:				
Administration	3,144,073			3,144,073
Financial services	11,351,184			11,351,184
Interest	3,138,468			3,138,468
Interest expense - Deposit and Loan Fund	1,568,899			1,568,899
	<u>19,202,624</u>	<u>-</u>	<u>-</u>	<u>19,202,624</u>
Total supporting services expenses				
	<u>53,953,789</u>	<u>-</u>	<u>-</u>	<u>53,953,789</u>
Total expenses				
<b>Income (Loss) From Operations</b>	<u>(9,890,082)</u>	<u>238,427</u>	<u>1,156</u>	<u>(9,650,499)</u>
<b>Non-Operating Revenues (Expenses)</b>				
Investment income - net	10,441,195	2,375,568		12,816,763
Less - spending distribution	<u>(3,573,000)</u>	<u>(790,000)</u>		<u>(4,363,000)</u>
	6,868,195	1,585,568		8,453,763
Investment income - net of spending distribution				
Grants and donations related to hurricanes	14,167,623			14,167,623
Distributions of grants and donations to affiliates	(14,167,623)			(14,167,623)
Loss on early extinguishment of debt	<u>(1,328,839)</u>			<u>(1,328,839)</u>
	<u>5,539,356</u>	<u>1,585,568</u>	<u>-</u>	<u>7,124,924</u>
Total non-operating revenues (expenses) - net				
<b>Excess (Deficiency) of Revenue, Gains, and Other Support Over Expenses</b>	(4,350,726)	1,823,995	1,156	(2,525,575)
<b>Additional Minimum Pension Liability Adjustment</b>	<u>4,317,811</u>			<u>4,317,811</u>
<b>Increase (Decrease) in Net Assets</b>	(32,915)	1,823,995	1,156	1,792,236
<b>Net Assets</b>				
Beginning of year, as restated (Note 17)	<u>56,839,452</u>	<u>11,058,359</u>	<u>14,142,363</u>	<u>82,040,174</u>
End of year, as restated	<u>\$ 56,806,537</u>	<u>\$ 12,882,354</u>	<u>\$ 14,143,519</u>	<u>\$ 83,832,410</u>

See notes to financial statements.

**STATEMENTS OF CASH FLOWS****Roman Catholic Church of the Archdiocese of New Orleans  
Administrative Offices**

For the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ (8,476,256)	\$ 1,792,236
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	2,170,032	2,124,014
Amortization of bond premium and debt issuance costs	(114,297)	57,066
Asset retirement obligation accretion	49,928	47,550
Provision for doubtful receivables	658,585	1,628,634
Net gain from sale of assets	(286)	(1,308,886)
Donation of land	138,517	-
Unrealized gain on investments	(2,950,106)	(7,073,850)
Loss on early extinguishment of debt	-	1,328,839
Decrease in accrued pension liability	(671,861)	(2,102,644)
Change in beneficial interest in charitable remainder trust	(92,810)	(57,881)
Contributions restricted for long-term investments	(787)	(1,156)
Changes in operating assets and liabilities:		
(Increase) decrease in grants, accounts and other receivables	(5,237,207)	1,723,413
Decrease (increase) in prepaid expenses	335,707	(329,971)
Increase (decrease) in accounts payable, accrued expenses, and other	<u>10,467,070</u>	<u>(2,508,524)</u>
Net cash used in operating activities	<u>(3,723,771)</u>	<u>(4,681,160)</u>

**Exhibit C  
(Continued)**

	2018	2017
<b>Cash Flows From Investing Activities</b>		
Collection on loans to affiliates	14,325,091	50,656,938
Loans made to affiliates	(21,784,150)	(35,644,267)
Increase in investments - net	(3,715,530)	(51,940,722)
Proceeds from sale of land, buildings, and equipment	286	1,694,384
Purchases of land, buildings, and equipment	(726,335)	(332,892)
Increase in investments restricted for debt service	(308,996)	5,349,577
Net cash used in investing activities	(12,209,634)	(30,216,982)
<b>Cash Flows From Financing Activities</b>		
Increase in deposits payable to affiliates - net	3,698,622	34,124,294
Proceeds from bond issuance	-	44,327,407
Bond principal payments	(1,255,000)	(58,980,000)
Increase in funds held for affiliates	17,598,501	17,075,940
Proceeds from permanently restricted contributions	787	1,156
Net cash provided by financing activities	20,042,910	36,548,797
<b>Net Increase In Cash and Cash Equivalents</b>	4,109,505	1,650,655
<b>Cash and Cash Equivalents</b>		
Beginning of year	6,899,170	5,248,515
End of year	\$ 11,008,675	\$ 6,899,170
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest	\$ 1,481,820	\$ 3,305,376

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS****Roman Catholic Church of the Archdiocese of New Orleans  
Administrative Offices**

June 30, 2018 and 2017

**Note 1 - ORGANIZATION**

The accompanying financial statements of the Roman Catholic Church of the Archdiocese of New Orleans Administrative Offices (the "Administrative Offices") include the assets, liabilities, net assets, and the financial activities of all administrative and program offices and departments maintained and directed by the administrative offices of the Roman Catholic Church of the Archdiocese of New Orleans, a Louisiana corporation (the "Archdiocese"), and also include certain assets which are owned by the Archdiocese and are used in the operations of certain non-combined affiliated entities. The purpose of the Administrative Offices is to provide support and services to the various church parishes and other related agencies within the Archdiocese. Operating support is derived primarily from assessments received from affiliated entities, contributions and bequests, interest on loans to church parishes and other related organizations, and investment earnings. The activities of the Administrative Offices also include:

- the operation of the Deposit and Loan Fund, which provides savings and loan services to the parishes and other related organizations;
- the administration of a centralized property and casualty insurance program;
- the investment of endowment funds; and
- the administration and funding of health care, auto insurance, and retirement costs for priests of the Archdiocese.

The activities of church parishes, schools, cemeteries, seminaries, nursing homes, charitable institutions, and other distinct operating entities, including a captive insurance company (see Note 15), which operate within the Archdiocese ("non-combined affiliated entities") have not been included in the accompanying financial statements.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Basis of Accounting**

The financial statements of the Administrative Offices have been prepared in accordance with accounting principles generally accepted in the United States of America.

**b. Basis of Presentation**

The Administrative Offices reports information regarding its financial position and activities according to three classes of net assets:

**Unrestricted Net Assets** - Those net assets whose use is not restricted by donors.

**Temporarily Restricted Net Assets** - Those net assets whose use by the Administrative Offices has been limited by donors (a) to later periods of time or after specified dates or (b) to specific purposes.

**Permanently Restricted Net Assets** - Those net assets that must be maintained in perpetuity due to donor-imposed restrictions that will neither expire with the passage of time nor be removed by meeting certain requirements. Income earned on these investments may be restricted for specific purposes.

**c. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Of particular significance to the Administrative Offices' financial statements are estimates related to pension assumptions, the allowance for doubtful loans receivable, and the accrued liability for self-insured claims. Actual results could differ from those estimates.

**d. Cash and Cash Equivalents**

For the purpose of the Statements of Cash Flows, cash equivalents is defined to include highly liquid short-term investments, including money market account deposits, commercial paper investments, and certificates of deposit purchased with an original maturity of 90 days or less, unless held in the investment portfolios.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e. Accounts and Loans Receivable**

The accounts and loans receivable include advances made to church parishes and diocesan-related organizations, as a result of a cooperative lending program established by the Administrative Offices for the mutual benefit of participants. The determination of the terms of repayment and interest charges is made by the Administrative Offices on an individual case basis. Since most of the accounts and loans receivable consist of large amounts due from a limited number of related organizations, the determination of the collectability of these receivables is also made by management on an individual case basis, using prior collection histories and current economic factors as judgment criteria.

**f. Allowance for Doubtful Receivables**

The Administrative Offices establishes an allowance for uncollectible loans receivable based on management's evaluation of the collectability of outstanding loans receivable.

**g. Pledges Receivable**

Unconditional promises to give are recognized as revenue or gains and as assets in the period in which the promise is made, and are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Allowances for uncollectible promises to give, if any, are based on management's evaluation of the collectability of such amounts. As of June 30, 2018 and 2017, there were no pledges receivable.

**h. Investments**

Investments are valued at their fair values in the Statements of Financial Position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 16 for a discussion of fair value measurements. Purchases and sales of securities are recorded on a trade-date basis. Unrealized gains and losses on investments recorded at fair value are included in the Statements of Activities as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**h. Investments (Continued)**

Investments are managed to achieve the maximum long-term total return. A spending rate approach is used to allocate investment return for operating purposes each year, with the remainder of investment income reinvested and reported as non-operating income. A spending rate of approximately 5% of the market value of the Administrative Offices' pooled investments (excluding funds held for others) as of the beginning of each fiscal year was used during each of the fiscal years ended June 30, 2018 and 2017.

Investments consist of the following:

- Investments over which the Archdiocese retains control and may use at its own discretion subject to donor restrictions, if any;
- Investments restricted for debt service, which are those funds set aside to pay related debt service costs;
- Funds held for others, which are funds owned by affiliated entities that are held in a custodial capacity and invested in a centralized investment pool of assets.

**i. Land, Buildings, and Equipment**

Land, buildings, and equipment are recorded at cost or, when donated, at fair value. Additions and major improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred.

Depreciation on buildings, improvements, and equipment is calculated using the straight-line method over the estimated useful lives, as follows:

Furniture and fixtures	5 years
Transportation equipment	5 years
Buildings and improvements	40 years

**j. Impairment of Long-Lived Assets**

The Administrative Offices reviews its long-lived assets, consisting of buildings and equipment, for impairment and determines whether an event or change in facts and circumstances indicates that their carrying amount may not be recoverable. The Administrative Offices determines recoverability of the assets by comparing the carrying value of the asset to the net future undiscounted cash flows that the

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**j. Impairment of Long-Lived Assets (Continued)**

asset is expected to generate or to fair value. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the asset. During the years ended June 30, 2018 and 2017, no asset impairments were recorded.

**k. Historical Treasures**

Included in other assets is a donation of historical documents (Garrison St. Lazarus) that does not meet the definition of a collection. This asset was recorded at fair value at the time of donation.

**l. Deposits Payable to Affiliates**

Entities affiliated with the Archdiocese are encouraged to deposit funds not required for short-term operating needs with the Administrative Offices. Such deposits are used to fund loans and make other investments. Market rates of interest are paid on such deposits. Such interest rates are adjusted annually based on changes in the 90-day U.S. Treasury bill rate.

**m. Funds Held for Affiliates**

The Administrative Offices acts as a custodian for funds owned by affiliated entities to provide centralized investment of pooled assets. Earnings on these investments are allocated monthly.

**n. Statements of Activities**

Transactions deemed to be ongoing, major, or central to the operations of the Administrative Offices are reported as operating revenues and expenses. Peripheral or incidental transactions, when material, are reported as non-operating gains or losses, as are investment returns net of the predetermined spending rate.

Grants and donations received and distributed to affiliates and expenses incurred relating to Hurricane Katrina (see Note 3) are reported as non-operating activities.

Changes in unrestricted net assets that are excluded from excess of unrestricted revenues, gains, and other support over expenses include changes in the additional minimum pension liability (see Note 9).

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**o. Contributed Support**

The Administrative Offices recognizes all contributed support received as income in the period received. Contributed support is reported as unrestricted or as restricted depending on the existence of donor stipulations that limit the use of the support.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. Federal grant income received and expended in the same year is recorded as unrestricted revenue.

Long-lived assets acquired with gifts of cash restricted for those acquisitions are reported as unrestricted or as temporarily restricted depending on whether there is an explicit, donor-imposed time requirement as to how long the assets must be maintained. Long-lived assets are reported as permanently restricted only if the Administrative Offices must maintain the assets in perpetuity or if the donor explicitly restricted the proceeds from any future disposition of the assets to reinvestment in long-lived assets.

**p. Functional Allocation of Expenses**

The costs of providing various programs and other activities of the Administrative Offices have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**q. Income Taxes**

The Archdiocese operates as a non-profit corporation pursuant to Section 501(c)(3) of the Internal Revenue Code. As such, the Administrative Offices is subject to income tax only on unrelated business taxable income, resulting from certain investment holdings.

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained on examination. As of June 30, 2018 and 2017, management of the Administrative Offices believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**r. Amortization of Bond Issue Costs**

Bond issue costs are amortized over the term of the related bond issue using a method that approximates the interest method. Amortization of such costs are included in interest expense in the Statements of Activities.

**s. New Accounting Pronouncements**

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, which exempts investments measured using the net asset value (NAV) practical expedient in Accounting Standards Codification (ASC) 820 Fair Value Measurement from categorization within the fair value hierarchy. The guidance requires retrospective application and is effective for non-public entities for fiscal years beginning after December 15, 2016. The Administrative Offices adopted ASU 2015-07 during its year ended June 30, 2018, resulting in the elimination of investments measured using the NAV practical expedient from categorization within the fair value hierarchy and related disclosures.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive model for entities to use in accounting for revenue from contracts with customers and supersedes most current revenue recognition models. Subsequent to the issuance of ASU 2014-09, FASB issued several additional ASUs which amended and clarified the guidance and deferred the effective date. The new revenue standard is now effective for annual reporting periods beginning after December 15, 2017, with certain early adoption provisions available. Management is evaluating the impact of this new standard on the financial statements.

In August 2016, FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* which changes the presentation requirements for financial statements of not-for-profit entities (NFPs). The ASU is intended to improve the guidance on net asset classification as well as the information presented in the financial statements and disclosures regarding liquidity, financial performance, and cash flows for NFPs. The ASU is effective for fiscal years beginning after December 15, 2017 and for interim periods in fiscal years beginning after December 15, 2018, with early adoption permitted. Management is evaluating the impact of this new standard on the financial statements.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**s. New Accounting Pronouncements (Continued)**

In March 2017, FASB issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This ASU changes the income statement presentation of the components of net periodic benefit cost of an entity's sponsored defined benefit pension and other post-retirement plans. The ASU is effective for fiscal years beginning after December 15, 2018 and for interim periods in fiscal years beginning after December 15, 2019, with early adoption permitted. Management is evaluating the impact of this new standard on the financial statements.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies guidance on how entities should determine whether to account for a transfer of assets as an exchange transaction or as a contribution and how to determine whether a contribution is conditional. This ASU is effective for not-for-profit entities that have issued or are conduit bond obligors for securities that are traded, listed or quoted on an exchange or an over-the-counter market, for interim and annual periods beginning after June 15, 2018 for resource recipients, and for interim and annual periods beginning after December 15, 2018 for resource providers. Management is evaluating the impact of this new standard on the financial statements.

**t. Reclassifications**

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 financial statement presentation.

**u. Subsequent Events**

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through November 27, 2018, which is the date the financial statements were available to be issued. See Note 18.

**Note 3 - HURRICANE KATRINA AND RECOVERY**

The June 30, 2018 and 2017 financial statements reflect certain unusual items resulting from the effects of Hurricane Katrina on the operations of the Administrative Offices and certain non-combined affiliated entities. The 2018 and 2017 statements of activities reflect approximately \$4.1 million and \$14.2 million, respectively, of federal grant monies received and approximately \$4.1 million and \$14.2 million, respectively, of recovery-related expenses.

Cumulatively, through June 30, 2018, the Administrative Offices has received approximately \$283 million of federal grant monies related to Hurricane Katrina. Of this total, approximately \$48 million was spent on non-combined affiliated entity capital projects which were recorded as part of land, buildings, and equipment. The remaining \$235 million was distributed to other non-combined affiliated entities and was recorded on the books of those entities. As of June 30, 2018, unrestricted net assets includes expenditures of federal grant monies of approximately \$42.1 million related to capital costs, net of accumulated depreciation. Remaining federal grant monies to be received as of June 30, 2018, total approximately \$24 million, none of which have been accrued.

The following table presents information related to Hurricane Katrina recovery for the years ended June 30, 2018 and 2017:

	2018	2017
Unrestricted revenues:		
Federal grant monies received	\$ 4,060,978	\$ 14,167,623
Distributions - non-combined affiliated entities:		
Federal grant monies distributed to affiliates	\$ (4,060,978)	\$ (14,167,623)

**Note 4 - LOANS RECEIVABLE FROM AFFILIATES**

A summary of loans receivable from affiliates as of June 30, 2018 and 2017, is as follows:

	2018	2017
Parishes	\$ 40,088,218	\$ 37,624,062
Archdiocesan-sponsored high schools	14,305,320	12,603,308
Real estate - affordable housing ministries	5,958,047	7,627,965
Real estate - housing ministry	322,150	145,687
Other school-related loans	176,843	176,843
Other	12,714,759	7,928,413
Total loans	73,565,337	66,106,278
Less allowance for doubtful receivables	(11,459,388)	(10,800,803)
Total loans - net	\$ 62,105,949	\$ 55,305,475

The following summarizes activity in the allowance for doubtful receivables during the years ended June 30, 2018 and 2017.

	2018	2017
Beginning balance	\$ 10,800,803	\$ 11,097,625
Bad debt expense	658,585	1,628,634
Loans forgiven, previously reserved	-	(1,925,456)
Ending balance	\$ 11,459,388	\$ 10,800,803

As of June 30, 2018 and 2017, the allowance for doubtful receivables relates primarily to parish receivables.

A summary of loans receivable from affiliates based on interest-accrued status as of June 30, 2018 and 2017, is as follows:

	2018	2017
Balances on which interest is accrued	\$ 48,741,984	\$ 45,869,397
Balances on which interest is not accrued	24,823,353	20,236,881
Totals	\$ 73,565,337	\$ 66,106,278

**Note 5 - INVESTMENTS**

The Administrative Offices' investments are held in pooled assets and separately invested portfolios. Pooled assets represent funds that are invested in a commingled portfolio of investments, as opposed to the separately invested assets, which have segregated investments. Investments are recorded at fair value as of June 30, 2018 and 2017, and consist of the following:

	<u>2018</u>	<u>2017</u>
Pooled asset portfolio:		
Cash and cash equivalents	\$ 15,607,864	\$ 11,286,288
U.S. government and agency obligations	15,060,432	13,993,052
Corporate and foreign obligations	14,495,603	15,700,613
Collateralized mortgage obligations	267,047	848,052
Asset-backed securities	5,108,319	4,071,184
Corporate stocks	119,618,926	105,074,849
Mutual funds	7,634,807	7,351,400
Exchange traded funds	352,886	885,582
Limited partnerships	10,786,065	11,555,330
Hedge feeder fund	4,598,521	4,422,298
Fund of funds	4,371,236	4,711,520
Segregated portfolio companies	<u>11,591,337</u>	<u>11,044,718</u>
 Total pooled asset portfolio	 <u>209,493,043</u>	 <u>190,944,886</u>
Separately invested portfolio:		
Cash and cash equivalents	8,264,772	22,170,559
Brokered certificates of deposit	494,050	1,380,335
Commercial paper	-	4,992,849
Government and agency obligations	18,742,772	15,719,620
Corporate obligations	33,713,531	28,840,172
Investment in Catholic Umbrella Pool	631,522	703,297
Municipal obligations	21,895,489	21,500,450
Collateralized mortgage obligations	<u>7,511</u>	<u>15,890</u>
 Total separately invested portfolio	 <u>83,749,647</u>	 <u>95,323,172</u>
 Totals	 <u>\$ 293,242,690</u>	 <u>\$ 286,268,058</u>

**Note 5 - INVESTMENTS (Continued)**

As of June 30, 2018 and 2017, investments are comprised of amounts owned by the Administrative Offices and funds held for others, as follows:

	2018	2017
Administrative Offices:		
Restricted for debt service	\$ 994,782	\$ 685,786
Other	173,959,223	182,737,305
	174,954,005	183,423,091
Funds held for others	118,288,685	102,844,967
Totals	\$ 293,242,690	\$ 286,268,058

Net investment income, excluding income on funds held for others, for the years ended June 30, 2018 and 2017, is comprised of the following:

	2018	2017
Interest, dividends, and realized gains - net	\$ 4,576,653	\$ 5,742,913
Unrealized gains - net	2,950,106	7,073,850
Total net investment income	\$ 7,526,759	\$ 12,816,763

Investment income is reported net of investment fees. Investment fees were approximately \$1,131,000 and \$716,000 for the years ended June 30, 2018 and 2017, respectively.

**Note 6 - LAND, BUILDINGS, AND EQUIPMENT**

Land, buildings, and equipment include certain properties, which are owned by the Archdiocese, but are used in the operations of certain non-combined affiliated entities. Additionally, included in land, buildings, and equipment is land held for future development by the Archdiocese.

**Note 6 - LAND, BUILDINGS, AND EQUIPMENT (Continued)**

The composition of land, buildings, and equipment and accumulated depreciation as of June 30, 2018 and 2017, is summarized as follows:

	2018	2017
Administrative offices:		
Land	\$ 4,552,866	\$ 4,552,866
Buildings and improvements	34,901,115	34,274,998
Furniture and fixtures	1,583,718	1,542,608
Transportation equipment	196,154	137,046
	41,233,853	40,507,518
Less accumulated depreciation	(19,146,304)	(18,283,777)
Subtotals	22,087,549	22,223,741
Non-combined affiliated entities:		
Land	6,137,912	6,137,912
Buildings and improvements	64,444,647	64,444,650
	70,582,559	70,582,562
Less accumulated depreciation	(22,446,770)	(21,139,268)
Subtotals	48,135,789	49,443,294
Land held for future development (includes \$190,625 of land, the use of which is restricted)	3,230,347	3,368,864
Totals	\$ 73,453,685	\$ 75,035,899

Depreciation expense for the years ended June 30, 2018 and 2017 was \$2,170,032 and \$2,124,014, respectively, of which \$1,307,502 for each year is related to non-combined affiliated entities. Depreciation expense is reported in the statements of activities by functional category as follows:

	2018	2017
Program services	\$ 353,933	\$ 343,526
Supporting services	1,816,099	1,780,488
Totals	\$ 2,170,032	\$ 2,124,014

**Note 7 - BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST**

During the fiscal year ended June 30, 2001, the Administrative Offices received possession of a 20% interest in the assets of the Margaret Ellen Lauer Estate (the "Estate"). However, certain assets from the Estate were placed in a charitable remainder trust. The Administrative Offices' interest in this charitable remainder trust is, as follows:

	2018	2017
Contribution receivable	\$ 1,266,607	\$ 1,064,012
Less discount to net present value	(686,360)	(576,575)
Beneficial interest in charitable remainder trust	\$ 580,247	\$ 487,437

Present value is calculated using a discount rate of 5% and the applicable mortality table pertinent to the youngest remaining trust beneficiary.

All amounts are considered to be long-term since the dates of the distribution of the trust are uncertain.

**Note 8 - BONDS PAYABLE**

In March 2007, the Archdiocese completed a refinancing for the purpose of advance refunding of Louisiana Public Facilities Authority (LPFA) 2001A Series Bonds, which were previously outstanding as of June 30, 2006, and the LPFA 2002C Series Bonds, which were previously guaranteed by the Administrative Offices on behalf of certain non-combined affiliated entities, and providing for the financing of certain capital projects of the Archdiocese and non-combined affiliated entities. The LPFA issued the \$69.15 million par value 2007 Series Revenue and Revenue Refunding Bonds at a premium of \$1.3 million. The 2007 bonds were issued at fixed rates ranging from 4.5% to 5% and were secured by an assignment of all presently existing and future revenues of the Archdiocese.

In April 2017, the Archdiocese completed a refinancing for the purpose of advance refunding of the LPFA 2007 Series Bonds. The LPFA issued the \$41.9 million par value 2017 Series Refunding Revenue Bonds, at a premium of \$3.1 million. The proceeds were designated for the refunding of all outstanding principal and accrued interest on the 2007 Series Bonds, which were previously outstanding as of June 30, 2016. The 2017 bonds were issued at fixed rates of 2% (\$1,350,000), 2.25% (\$1,385,000), and 5% (\$39,160,000). The obligation to make repayments under the loan agreement constitutes a general, unsecured obligation of the Archdiocese. In connection with the advance refunding of the 2007 Series Bonds, the Administrative Offices recorded a loss on early extinguishment of debt of \$1,328,839, which is included in non-operating revenues (expenses) in the accompanying 2017 statement of activities.

**Note 8 - BONDS PAYABLE (Continued)**

The bonds require the Administrative Offices to maintain certain covenants under the terms of the bond agreement. For fiscal year 2018, the Administrative Offices did not meet the debt service coverage ratio required by the bond agreement. The debt service coverage ratio was met in 2017. An event of default would occur if the debt service coverage ratio is not met for two consecutive fiscal years. The Administrative offices is not aware of any other violation of the covenants.

The aggregate maturities of the bonds payable as of June 30, 2018, are as follows:

Years Ending June 30,	
2019	\$ -
2020	1,320,000
2021	1,385,000
2022	1,415,000
2023	1,485,000
2024 - 2037	33,685,000
Subtotal	39,290,000
Unamortized bond premium	2,969,401
Unamortized costs of issuance	(680,725)
	\$ 41,578,676

**Note 9 - RETIREMENT PLANS**

The Administrative Offices offers a 401(k) defined contribution plan (the "401(k) Plan") to its employees and employees of affiliates. Employees electing to participate in the 401(k) Plan are required to contribute a minimum of 3% of their salaries, and may elect to contribute up to a maximum of 75%, effective July 1, 2017 (16% maximum prior to July 1, 2017). The 401(k) Plan requires the Administrative Offices to contribute 3.5% of the participants' salaries. Retirement plan expenses also include an additional 2% contribution by the Administrative Offices to cover costs for life insurance and disability insurance for the employees. Any remaining funds from the 2% contribution may be used as a discretionary employer contribution to the 401(k) Plan. The 401(k) Plan administrator is the Archdiocese. The Administrative Offices contributed approximately \$443,000 and \$410,000 for the years ended June 30, 2018 and 2017, respectively.

**Note 9 - RETIREMENT PLANS (Continued)**

Incardinated priests of the Archdiocese, whose retirement from active service is duly accepted by the Archbishop, are eligible for retirement benefits under an unfunded retirement plan (the "Plan"). The Administrative Offices has elected to account for these retirement benefits under accounting principles generally accepted in the United States of America, as a defined benefit pension plan.

FASB ASC 715-20 requires an employer to recognize the overfunded or underfunded status of defined benefit pension, and postretirement plans, as an asset or liability in its statements of financial position, and to recognize changes in that funded status in the year in which the changes occur through net assets for not-for-profit entities.

The following table as of June 30, 2018 and 2017 sets forth the Plan's change in benefit obligation, change in Plan assets, and the funded status of the Plan:

	2018	2017
Change in benefit obligation:		
Projected benefit obligation -		
beginning of year	\$ (44,002,789)	\$ (46,105,433)
Service cost	(905,223)	(910,592)
Interest cost	(1,698,257)	(1,714,701)
Plan amendments	(421,873)	(669,809)
Actuarial gain	2,416,873	4,177,601
Benefits paid	1,280,341	1,220,145
Projected benefit obligation -		
end of year	(43,330,928)	(44,002,789)
Change in plan assets:		
Fair value of plan assets -		
beginning of year	-	-
Employer contributions made	1,280,341	1,220,145
Benefits paid	(1,280,341)	(1,220,145)
Fair value of plan assets -		
end of year	-	-
Funded status - (deficit)	\$ (43,330,928)	\$ (44,002,789)

**Note 9 - RETIREMENT PLANS (Continued)**

	2018	2017
Amounts recognized in the statements of financial position consist of:		
Accrued pension liability	\$ (43,330,928)	\$ (44,002,789)
Unrestricted net assets		
Net loss - cumulative	\$ 9,202,705	\$ 12,104,665
Prior service cost	900,954	510,010
Totals	\$ 10,103,659	\$ 12,614,675

The actuarial present value of the projected benefit obligation was computed using a weighted-average discount rate of 4.280% and 3.930% as of June 30, 2018 and 2017, respectively. Because benefit payments are based on years of service rather than compensation levels, there is no difference between the accumulated and projected benefit obligation.

For the years ended June 30, 2018 and 2017, net periodic pension cost, included in Clergy expense in the Statements of Activities, includes the following components:

	2018	2017
Service costs - benefits earned during the periods	\$ 905,223	\$ 910,592
Interest cost on projected benefit obligation	1,698,257	1,714,701
Amortization of net loss	485,087	821,263
Amortization of prior service cost (credit)	30,929	(11,244)
Net periodic pension cost	\$ 3,119,496	\$ 3,435,312

The net periodic pension cost was computed using a weighted-average discount rate of 3.930% and 3.780% for the years ended June 30, 2018 and 2017, respectively.

The additional minimum pension liability adjustment, presented in the Statements of Activities, resulted in a gain of \$2,511,016 for the year ended June 30, 2018 and a gain of \$4,317,811 for the year ended June 30, 2017. The gains in 2018 and 2017 were primarily due to actuarial gains attributable to an increase in the discount rate and a new mortality improvement scale assumption that decreased mortality.

**Note 9 - RETIREMENT PLANS (Continued)**

The Administrative Offices currently expects to make benefit payments and contributions to the Plan of approximately \$1,838,000 in fiscal year 2019.

The estimated net loss and prior service cost for the Plan that will be amortized from accumulated unrestricted net assets into net periodic benefit cost over the next fiscal year are estimated to be \$300,932 and \$57,000, respectively.

Future benefit payments expected to be paid in each of the next five fiscal years, and in the aggregate for the following five years as of June 30, 2018, are as follows:

<u>Years Ending June 30,</u>	
2019	\$ 1,837,722
2020	1,878,629
2021	1,923,854
2022	2,010,938
2023	2,130,311
2024 - 2028	<u>11,790,071</u>
	<u>\$ 21,571,525</u>

**Note 10 - NET ASSETS**

Unrestricted net assets as of June 30, 2018 and 2017 were \$47,203,051 and \$56,806,537, (as restated), respectively. Included in unrestricted net assets as of June 30, 2018 are \$800,000 which is board-designated for an insurance deductible related to coverage for named storms and \$75,000 which is board-designated for risk mitigation projects to help reduce workers' compensation claims. There were no board-designated net assets as of June 30, 2017.

**Note 10 - NET ASSETS (Continued)**

Temporarily restricted net assets as of June 30, 2018 and 2017 consist of the following:

	2018	2017 (As Restated)
School Endowment	\$ 2,689,878	\$ 2,188,313
Infirm priests	7,384,727	7,016,343
Cathedral Capital Campaign	1,259,493	1,094,712
Margaret Lauer	580,247	487,437
Burses	579,702	489,557
Hector Ragas	376,080	356,790
Disaster Fund	442,115	498,748
Cummings land donation	127,125	127,125
Other - miscellaneous	569,430	623,329
	<u>\$ 14,008,797</u>	<u>\$ 12,882,354</u>

The following temporarily restricted net assets were released during the years ended June 30, 2018 and 2017, due to satisfaction of program restrictions:

	2018	2017
School Endowment	\$ 686,180	\$ 636,000
Infirm priests	197,248	190,976
Burses	127,337	130,000
Disaster Fund	1,753,265	635,000
Other - miscellaneous	119,558	116,169
	<u>\$ 2,883,588</u>	<u>\$ 1,708,145</u>

Permanently restricted net assets as of June 30, 2018 and 2017 consist of endowment funds and are held as follows:

	2018	2017
School Endowment	\$ 11,152,537	\$ 11,152,537
Burses	1,991,769	1,990,982
St. Louis Cathedral	1,000,000	1,000,000
	<u>\$ 14,144,306</u>	<u>\$ 14,143,519</u>

**Note 11 - CONCENTRATIONS OF CREDIT RISK**

The Administrative Offices maintains a substantial amount of cash in certain banks, which at times may exceed federally insured deposit limits. The Administrative Offices has not experienced any loss in such accounts, and management believes that the Administrative Offices is not exposed to any significant credit risk related to the cash in banks. As of June 30, 2018, the Administrative Offices had approximately \$980,000 of uninsured bank deposits.

The Administrative Offices extends unsecured credit to non-combined affiliated entities, as further explained in Note 2e. Financial instruments that potentially subject the Administrative Offices to credit risk include these accounts, which are shown on the statements of financial position as accounts and loans receivable.

**Note 12 - RELATED-PARTY TRANSACTIONS**

The Archbishop of New Orleans serves as president of the Archdiocese. He also serves as the controlling member of all other corporations, boards of trustees, and separate activities sponsored by, or operated under, the auspices of the Archdiocese. In the normal course of operations, the Administrative Offices has made and will, when necessary, make available to these non-combined affiliated entities, specific assistance in the form of operating subsidies, loans, use of facilities, and/or administrative support. The Administrative Offices receives income from affiliates in the form of assessments to cover insurance and other administrative costs. In addition, the Administrative Offices pays interest on deposits payable to affiliates and collects interest on loans receivable from affiliates.

In lieu of rental payments for the use of facilities, non-combined affiliated entities pay insurance, repairs and maintenance for the facilities. The provision of the facilities is not recorded as an in-kind contribution and related rental income by the Administrative Offices. The values of the land and buildings are not readily determinable. These rental agreements are classified as exchange transactions because both parties receive significant value from these arrangements.

Other related party transactions include premium payments to a captive insurance company (Note 15).

**Note 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

**Cash and Cash Equivalents** - The carrying amount approximates fair value because of the short maturity of these instruments.

**Loans Receivable From Affiliates** - The carrying amount approximates fair value because amounts not reserved generally bear interest at market rates.

**Investments** - The carrying amounts of the marketable investment securities reported on the Statements of Financial Position are predominately based on quoted market prices and other observable inputs. See Note 16 for a discussion of fair value measurements.

**Bonds Payable** - The carrying value of long-term debt as of June 30, 2018 and 2017, is \$41,578,676 and \$42,947,973, respectively, which approximates fair value.

**Limitations** - Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

**Note 14 - ENDOWMENT**

*The Endowments.* The Administrative Offices' endowment consists of three individual funds established for specific purposes. Endowment assets include those assets of donor-restricted funds that the Administrative Offices must hold in perpetuity or for a donor-specified period. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law.* The Administrative Offices has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring preservation of the purchasing power (real value) of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Administrative Offices classifies the following amounts as permanently restricted net assets in the accompanying financial statements: (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 as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Administrative Offices in a manner consistent with the language of UPMIFA.

**Note 14 - ENDOWMENT (Continued)**

In accordance with UPMIFA, the Administrative Offices considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Administrative Offices and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Administrative Offices; and
- The investment policies of the Administrative Offices.

Endowment fund net asset composition by type of fund as of June 30, 2018 and 2017, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Fund Net Assets</u>
<u>June 30, 2018</u>				
Donor-restricted Endowments:				
School Endowment Funds	\$ -	\$ 2,689,878	\$ 11,152,537	\$ 13,842,415
Other	-	1,839,195	2,991,769	4,830,964
Totals	<u>\$ -</u>	<u>\$ 4,529,073</u>	<u>\$ 14,144,306</u>	<u>\$ 18,673,379</u>
<u>June 30, 2017</u>				
Donor-restricted Endowments:				
School Endowment Funds	\$ -	\$ 2,188,313	\$ 11,152,537	\$ 13,340,850
Other	-	1,584,269	2,990,982	4,575,251
Totals	<u>\$ -</u>	<u>\$ 3,772,582</u>	<u>\$ 14,143,519</u>	<u>\$ 17,916,101</u>

**Note 14 - ENDOWMENT (Continued)**

Changes in endowment fund net assets for the years ended June 30, 2018 and 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Fund Net Assets</u>
Net assets, July 1, 2016	\$ -	\$ 2,623,920	\$ 14,142,363	\$ 16,766,283
Contributions	-	-	1,156	1,156
Investment earnings:				
Realized gains	-	380,921	-	380,921
Unrealized gains	-	1,533,741	-	1,533,741
Net asset releases	-	(766,000)	-	(766,000)
Net assets, June 30, 2017	-	3,772,582	14,143,519	17,916,101
Contributions	-	-	787	787
Investment earnings:				
Realized gains	-	569,199	-	569,199
Unrealized gains	-	1,000,809	-	1,000,809
Net asset releases	-	(813,517)	-	(813,517)
Net assets, June 30, 2018	<u>\$ -</u>	<u>\$ 4,529,073</u>	<u>\$ 14,144,306</u>	<u>\$ 18,673,379</u>

*Funds with Deficiencies* - 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 Administrative Offices to retain as a fund of perpetual duration. As of June 30, 2018 and 2017, no deficiencies existed.

*Return Objectives and Risk Parameters* - The Administrative Offices has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Under the investment policy, the performance objective is to exceed by 100 basis points a target annualized rate of return equal to the aggregate of inflation, spending rate and administrative costs, over a full market cycle (defined as market peak to market peak) without exceeding a standard deviation of 1.2 times a weighted benchmark index. The benchmark index will be comprised of each asset class index weighted by its target allocation. It is expected that the portfolio will outperform its weighted benchmark index by 50 basis points and rank in the top half of the appropriate balanced universe over a full market cycle. Actual returns in any given year may vary from this amount.

**Note 14 - ENDOWMENT (Continued)**

*Strategies Employed for Achieving Objectives* - Because the Archdiocese is expected to endure indefinitely, and because inflation is a key component in its performance objective, the long-term risk of not investing in equity securities outweighs the short-term volatility risk. As a result, the majority of assets will be invested in equity securities. Fixed income securities will be used to lower the short-term volatility of the portfolio and to provide income stability, especially during periods of weak or negative equity markets. Cash is not a strategic asset of the portfolio, but is a residual to the investment process and used to meet short-term liquidity needs. Other asset classes are included to provide diversification and incremental return (e.g., small cap equities, international equities, etc.). The Administrative Offices targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent constraints.

*Spending Policy and How the Investment Objectives Relate to Spending Policy* - The Administrative Offices authorized a policy of appropriating for distribution each year (spending rate) a maximum of 5% of the prior year market value of the endowment funds. This is consistent with its objective to maintain the purchasing power of donor-restricted funds.

**Note 15 - COMMITMENTS AND CONTINGENCIES**

**Commitments** - The Administrative Offices has agreed to provide financing of \$69,000,000 via the cooperative lending program (see Note 2e) to individual church parishes for capital expenditures. As of June 30, 2018, outstanding commitments totaled approximately \$19,500,000.

In February 2009, the Administrative Offices subscribed to a \$7,000,000 investment in Siguler Guff Distressed Opportunity Fund III, L.P. As of June 30, 2018, \$6,790,000 of this investment was funded. In October 2010, the Administrative Offices subscribed to a \$4,000,000 investment in Siguler Guff Distressed Opportunity Fund IV, L.P. As of June 30, 2018, \$3,660,000 of this investment was funded. In October 2014, the Administrative Offices subscribed to a \$5,000,000 investment in Siguler Guff Distressed Real Estate Opportunity Fund II, L.P. As of June 30, 2018, \$3,980,000 of this investment was funded. In March 2015, the Administrative Offices subscribed to a \$7,000,000 investment in Venture Investment Associates Energy III, L.P. As of June 30, 2018, \$3,815,000 of this investment was funded. In March 2016, the Administrative Offices subscribed to a \$5,500,000 investment in Harvest MLP Income Fund. As of June 30, 2018, \$4,000,000 of this investment was funded.

**Note 15 - COMMITMENTS AND CONTINGENCIES (Continued)**

**Guarantees** - On September 4, 2014, the Administrative Offices agreed to provide up to \$14,000,000 of subordinated debt and/or equity and guarantee the financing of a housing ministry project up to \$43,000,000. After completion of the project and achievement of certain financial ratios, the guarantee will be reduced to 35% of the guaranteed obligation and ultimately, the guarantee will terminate upon achievement of more stringent financial ratios. During the year ended June 30, 2017, most of the subordinated debt was refinanced with a \$12,000,000 loan from Hancock Whitney Bank (formerly Whitney National Bank). The Administrative Offices has agreed to guarantee the \$12,000,000 loan. As of June 30, 2018 and 2017 the project debt balances were \$50,009,055 and \$52,026,974, respectively. As of June 30, 2018 and 2017, the total balances on the subordinated debt were \$6,118,776 and \$933,329, respectively. The Administrative Offices is expected to continue to extend funds pursuant to this agreement during the next year or two in order to help cover senior debt services and operating cash flow needs until the housing ministry is able to generate cash flows sufficient to cover its obligations.

**Self-Insurance Programs** - The Archdiocese, through the operations of the Administrative Offices, serves as a conduit in providing insurance coverage to its affiliates. Prior to July 1, 2011, the Administrative Offices assessed premiums to the various affiliated entities based on relevant factors for each type of coverage and retained all of the related risk of self-insurance liability. The accrued liability for self-insured claims on the accompanying statements of financial position represents the estimated reserves for all of the covered entities for claims occurring prior to July 1, 2011.

On June 28, 2011, Archdiocese of New Orleans Indemnity, Inc. (ANOI), a captive insurance company was created to help lower the insurance costs associated with managing the risks of the parishes and various non-combined affiliated entities. ANOI is a wholly-owned subsidiary of 7887 Walmsley, Inc., which is a wholly-owned subsidiary of the Archdiocese.

For claims occurring subsequent to June 30, 2011, ANOI provides deductible reimbursement property, automobile liability and physical damage, workers' compensation, breach of personal conduct, and general liability coverages to the Archdiocese. Property, automobile liability and physical damage, and general liability coverages are provided on an occurrence basis and breach of personal conduct on a claims-made basis with limits of \$300,000 per occurrence and a combined \$3,500,000 annual aggregate (limits of \$250,000 per occurrence and a combined \$3,000,000 annual aggregate prior to July 1, 2013). Workers' compensation coverage is provided on an occurrence basis with limits of \$800,000 per accident and no annual aggregate.

**Note 15 - COMMITMENTS AND CONTINGENCIES (Continued)**

The Archdiocese is a subscribing member in the Catholic Umbrella Pool (CUP). The CUP provides the Archdiocese with reinsurance for general property and auto liability claims in excess of its primary layer of insurance coverage of \$3,000,000 through June 30, 2013, and \$3,500,000 thereafter, with excess coverage limits of \$25,000,000 in the aggregate. The Archdiocese has an equity investment in the CUP of approximately \$632,000 and \$703,000 as of June 30, 2018 and 2017, respectively.

For claims prior to July 1, 2011, the Archdiocese is self-insured, as follows:

*General, Property, and Auto Liability* - The Archdiocese is self-insured for \$200,000 per occurrence up to an annual aggregate limit of \$1,500,000 through June 30, 2003, and \$1,750,000 thereafter.

*Workers' Compensation* - The Archdiocese is self-insured for workers' compensation claims for the first \$225,000 per occurrence for claims occurring prior to July 1, 2002, for the first \$750,000 per occurrence for claims occurring between July 1, 2002 and June 30, 2009, and for workers' compensation claims for the first \$800,000 per occurrence for claims occurring subsequent to June 30, 2009.

The Archdiocese is also self-insured for claims relating to breaches of personal conduct. The self-insured portion applies to claims in excess of annual aggregate limits (which include reinsurance for amounts provided by the CUP) as follows: amounts in excess of \$100,000 from July 1, 1990 to July 1, 1993; amounts in excess of \$650,000 from July 1, 1993 to July 1, 1998; and amounts in excess of \$1,000,000 for claims after July 1, 1998.

The Archdiocese has reflected its estimate of the ultimate liability for all known and incurred, but not reported claims in the accompanying financial statements. The estimated reserves for these claims are undiscounted and are approximately \$9,515,000 and \$949,000 as of June 30, 2018 and 2017, respectively.

**Asset Retirement Obligations** - In accordance with FASB ASC 410-20, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation when incurred, if the liability's fair value can be reasonably estimated. The corresponding cost is capitalized as part of the carrying amount of the related long-lived asset as of the obligating event date. The liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. If the liability is settled for an amount other than the recorded amount, a gain or loss is recognized.

**Note 15 - COMMITMENTS AND CONTINGENCIES (Continued)**

As of June 30, 2006, the Administrative Offices recognized obligations associated with the future retirement of long-lived assets. Asbestos abatement costs were added to the carrying value of the Administrative Offices' building cost. The recorded net book value of the abatement costs totaled approximately \$263,000 and \$283,000 as of June 30, 2018 and 2017, respectively.

Estimated asset retirement obligations of approximately \$1,048,000 and \$999,000 as of June 30, 2018 and 2017, respectively, were recorded as part of accrued expenses and other liabilities.

**Contingencies** - The Archdiocese has certain pending and threatened litigation and claims; however, management believes the probable resolution of such contingencies will not exceed the established reserves or insurance coverage, and will not materially affect its financial position. It is reasonably possible that estimates included in the financial statements related to these contingencies may change in the near term.

**Note 16 - FAIR VALUE MEASUREMENTS**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Administrative Offices has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

**Note 16 - FAIR VALUE MEASUREMENTS**

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used as of June 30, 2018 and 2017.

*Government obligations and corporate stocks* - Valued at the closing price reported on the active market on which the individual securities are traded. These are included in level 1 of the fair value hierarchy.

*Money market funds, mutual funds, and exchange traded funds* - Valued at quoted market prices, which represent the net asset value per unit. These are included in level 1 of the fair value hierarchy.

*Government agency obligations, municipal obligations, corporate obligations, collateralized mortgage obligations, asset-backed securities, brokered certificates of deposit, and commercial paper* - Valued by independent pricing vendors used by the custodians of the investments. The pricing vendor uses various pricing models for each asset class that are consistent with what other market participants would use. The inputs and assumptions to the models used by the pricing vendors are derived from market-observable sources, including benchmark yields, reported trades, broker/dealer quotes, and other market-related data. Since many of these fixed income securities do not trade on a daily basis, the methodology of the pricing vendor uses available information, including benchmark curves, benchmarking of like securities, and matrix pricing. These investments are included in level 2 of the fair value hierarchy.

*Investment in the Catholic Umbrella Pool* - The Administrative Offices values its investment in this pool based on information provided by the pool manager. This investment is classified within level 2 of the fair value hierarchy.

*Beneficial Interest in Charitable Remainder Trust* - The Administrative Offices values its investment in this trust based on present value calculations (Note 7) applied to the fair value of trust assets. This investment is classified within level 2 of the fair value hierarchy.

**Note 16 - FAIR VALUE MEASUREMENTS (Continued)**

*Asset Retirement Obligation* - The Administrative Offices calculates this liability based on an original cost estimate of the obligation and accretes such amount to its present value each year.

*Accrued Pension Liability* - The Administrative Offices uses actuarial services to calculate the present value of the projected benefit obligation (Note 9).

*Segregated portfolio companies, hedge feeder funds, fund of funds, and limited partnerships* - Valued using the net asset values reported by the investees as a practical expedient. The net asset values are determined based on the fair values of the underlying investments of the funds, companies, or partnerships. In accordance with ASU 2015-07, these assets are excluded from categorization in the fair value hierarchy.

The methods described above may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Administrative Offices believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Statements of Financial Position as of June 30, 2018 and 2017, include the following assets which are measured at fair value on a non-recurring basis: donated historical treasures included in other assets totaling \$122,000 (level 3) and donated land in an undetermined amount (level 3), which are valued at estimated or appraised fair value as of the time of the donations.

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2018 and 2017 are comprised of and determined, as follows:

June 30, 2018 Description	Fair Value Measurement Based On:			Total Assets and Liabilities Measured At Fair Value
	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
<u>Portfolio A</u>				
Cash and money market funds	\$ 15,607,864			\$ 15,607,864
Government obligations	15,060,432			15,060,432
Corporate obligations (a)				
Aaa		\$ 612,095		612,095
Aa1		53,869		53,869
Aa2		322,450		322,450
Aa3		785,767		785,767
A1		2,199,047		2,199,047
A2		2,249,612		2,249,612
A3		2,562,859		2,562,859

**Note 16 - FAIR VALUE MEASUREMENTS (Continued)**

June 30, 2018 Description	Fair Value Measurement Based On:			Total Assets and Liabilities Measured At Fair Value
	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
<b>Portfolio A (Continued)</b>				
Corporate obligations (a) (Continued)				
Baa1		2,273,446		2,273,446
Baa2		783,795		783,795
Baa3		1,518,285		1,518,285
Ba1		763,515		763,515
NA		370,863		370,863
Collateralized mortgage obligations		267,047		267,047
Asset-backed securities (a)				
Aaa		2,245,908		2,245,908
Aa2		80,491		80,491
Aa3		202,488		202,488
A1		160,861		160,861
A2		213,961		213,961
Baa3		195,152		195,152
NA		2,009,458		2,009,458
Corporate stock				
Basic industries	9,834,637			9,834,637
Capital goods	9,049,287			9,049,287
Consumer durables	2,373,793			2,373,793
Consumer non-durables	8,011,268			8,011,268
Consumer services	16,763,309			16,763,309
Energy	7,040,244			7,040,244
Finance	20,098,169			20,098,169
Health care	13,269,879			13,269,879
Public utilities	4,417,354			4,417,354
Technology	21,621,861			21,621,861
Transportation	3,244,106			3,244,106
Other	3,895,019			3,895,019
Mutual funds				
Real estate	7,634,807			7,634,807
Exchange traded funds				
World bond	352,886			352,886
Total Portfolio A	158,274,915	19,870,969	-	178,145,884
<b>Portfolio B</b>				
Cash and money market funds	7,269,990			7,269,990
Government obligations	1,972,970			1,972,970
Government agency obligations		16,769,802		16,769,802
Brokered certificates of deposit		494,050		494,050
Collateralized mortgage obligations		7,511		7,511
Corporate obligations (a)				
Aaa		2,242,065		2,242,065
Aa1		1,981,490		1,981,490
Aa2		2,481,272		2,481,272
Aa3		523,395		523,395
A1		13,492,608		13,492,608
A2		9,823,568		9,823,568
A3		2,692,643		2,692,643
NA		476,490		476,490

**Note 16 - FAIR VALUE MEASUREMENTS (Continued)**

June 30, 2018 Description	Fair Value Measurement Based On:			Total Assets and Liabilities Measured At Fair Value
	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
<u>Portfolio B (Continued)</u>				
Municipal obligations (a)				
Aaa		1,707,615		1,707,615
Aa1		4,701,964		4,701,964
Aa2		6,206,001		6,206,001
Aa3		2,794,035		2,794,035
A1		1,014,975		1,014,975
A2		1,812,607		1,812,607
A3		516,341		516,341
NA		3,141,951		3,141,951
Total Portfolio B	9,242,960	72,880,383	-	82,123,343
<u>Bond-related portfolio</u>				
Money market fund	994,782	-	-	994,782
<u>Investment in Catholic Umbrella Pool</u>				
		631,522		631,522
Total assets in the fair value hierarchy	<u>\$ 168,512,657</u>	<u>\$ 93,382,874</u>	<u>\$ -</u>	<u>261,895,531</u>
<u>Portfolio A assets measured at NAV</u>				
Limited partnerships				
Siguler Guff Distressed Opportunity Fund III, LP				
				1,322,043
Siguler Guff Distressed Opportunity Fund IV, LP				
				1,803,848
Siguler Guff Distressed Real Estate Opportunity Fund II, LP				
				3,889,958
Venture Investment Associates Energy III, L.P.				
				3,770,216
Funds of funds				
Harvest MLP Income Fund, L.L.C.				
				4,371,236
Hedge feeder fund				
Rimrock High Income PLUS (Cayman) Fund, Ltd.				
				4,598,521
Segregated portfolio companies				
ABS Offshore SPC Global Segregated Portfolio Class B				
				11,544,145
MDFLTD Cerberus March 2009 Segregated Portfolio				
				29,433
MDFLTD HF March 2009 Segregated Portfolio				
				17,759
Investments measured at net asset value				31,347,159
Total investments				<u>\$ 293,242,690</u>

(a) Based on Moody's bond credit rating.

**Note 16 - FAIR VALUE MEASUREMENTS (Continued)**

June 30, 2018 Description	Fair Value Measurement Based On:			Total Assets and Liabilities Measured At Fair Value
	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
<b>Beneficial Interest in</b>				
Charitable Remainder Trust	\$ -	\$ 580,247	\$ -	\$ 580,247
<b>Liabilities, at Fair Value</b>				
Asset Retirement Obligation - included in accrued expenses and other			\$ 1,048,482	\$ 1,048,482
Accrued Pension Liability		\$ 43,330,928		43,330,928
Total liabilities	\$ -	\$ 43,330,928	\$ 1,048,482	\$ 44,379,410
June 30, 2017 Description	Fair Value Measurement Based On:			Total Assets and Liabilities Measured At Fair Value
	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
<b>Portfolio A</b>				
Cash and money market funds	\$ 11,286,288			\$ 11,286,288
Government obligations	12,826,731			12,826,731
Government agency mortgage obligations		\$ 1,166,321		1,166,321
Corporate obligations (a)				
Aaa		824,694		824,694
Aa1		101,517		101,517
Aa2		228,543		228,543
Aa3		869,727		869,727
A1		2,283,148		2,283,148
A2		1,928,984		1,928,984
A3		3,099,105		3,099,105
Baa1		2,076,075		2,076,075
Baa2		999,443		999,443
Baa3		2,063,790		2,063,790
Ba1		408,664		408,664
NA		816,923		816,923
Collateralized mortgage obligations (a)		848,052		848,052
Asset-backed securities (a)				
Aaa		1,105,060		1,105,060
Aa2		263,678		263,678
Aa3		180,520		180,520
NA		2,521,926		2,521,926
Corporate stock				
Basic industries	8,708,371			8,708,371
Capital goods	7,055,396			7,055,396
Consumer durables	2,681,975			2,681,975
Consumer non-durables	8,314,233			8,314,233
Consumer services	13,590,926			13,590,926
Energy	5,228,813			5,228,813
Finance	19,982,665			19,982,665
Health care	11,722,835			11,722,835
Public utilities	4,899,226			4,899,226
Technology	16,881,453			16,881,453
Transportation	2,550,184			2,550,184
Other	3,458,772			3,458,772

**Note 16 - FAIR VALUE MEASUREMENTS (Continued)**

June 30, 2017 Description	Fair Value Measurement Based On:			Total Assets and Liabilities Measured At Fair Value
	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Mutual funds				
Real estate	7,351,400			7,351,400
Exchange traded funds				
World bond	885,582			885,582
Total Portfolio A	137,424,850	21,786,170	-	159,211,020
<u>Portfolio B</u>				
Cash and money market funds	21,484,773			21,484,773
Government agency obligations		15,719,620		15,719,620
Commercial paper		4,992,849		4,992,849
Brokered certificates of deposit		1,380,335		1,380,335
Collateralized mortgage obligations		15,890		15,890
Corporate obligations (a)				
Aaa		989,880		989,880
Aa1		1,028,170		1,028,170
Aa2		997,090		997,090
Aa3		1,051,345		1,051,345
A1		12,366,120		12,366,120
A2		8,050,551		8,050,551
A3		3,253,503		3,253,503
Baa1		500,765		500,765
Baa2		114,313		114,313
NA		488,435		488,435
Municipal obligations (a)				
Aaa		1,416,068		1,416,068
Aa1		5,247,119		5,247,119
Aa2		5,364,215		5,364,215
Aa3		3,852,234		3,852,234
A1		755,115		755,115
A2		1,284,600		1,284,600
A3		525,335		525,335
NA		3,055,764		3,055,764
Total Portfolio B	21,484,773	72,449,316	-	93,934,089
<u>Bond-related portfolio</u>				
Money market fund	685,786	-	-	685,786
<u>Investment in Catholic Umbrella Pool</u>				
		703,297		703,297
Total assets in the fair value hierarchy	\$ 159,595,409	\$ 94,938,783	\$ -	254,534,192
<u>Portfolio A assets measured at NAV</u>				
Limited partnerships				
Siguler Guff Distressed Opportunity Fund III, LP				2,321,927
Siguler Guff Distressed Opportunity Fund IV, LP				2,650,424
Siguler Guff Distressed Real Estate Opportunity Fund II, LP				3,630,274
Venture Investment Associates Energy III, L.P.				2,952,705

**Note 16 - FAIR VALUE MEASUREMENTS (Continued)**

June 30, 2017 Description	Fair Value Measurement Based On:			Total Assets and Liabilities Measured At Fair Value
	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
<u>Portfolio A assets measured at NAV (Continued)</u>				
Fund of funds				
Harvest MLP Income Fund, L.L.C.				4,711,520
Hedge feeder fund				
Rimrock High Income PLUS (Cayman) Fund, Ltd.				4,422,298
Segregated portfolio companies				
ABS Offshore SPC Global Segregated Portfolio Class B				10,869,204
MDFLTD Cerberus March 2009 Segregated Portfolio				77,903
MDFLTD HF March 2009 Segregated Portfolio				97,611
Investments measured at net asset value				31,733,866
Total investments				<u>\$ 286,268,058</u>

(a) Based on Moody's bond credit rating.

<u>Beneficial Interest in</u>				
Charitable Remainder Trust	\$ -	\$ 487,437	\$ -	\$ 487,437
Liabilities, at Fair Value				
Asset Retirement Obligation - included in accrued expenses and other			\$ 998,554	\$ 998,554
Accrued Pension Liability		\$ 44,002,789		44,002,789
Total liabilities	\$ -	\$ 44,002,789	\$ 998,554	<u>\$ 45,001,343</u>

The table below sets forth a summary of changes in the fair value of the Administrative Offices' Level 3 liability for the years ended June 30, 2018 and 2017.

	Asset Retirement Obligation
Balance June 30, 2016	\$ 951,004
Accretion	47,550
Balance June 30, 2017	998,554
Accretion	49,928
Balance June 30, 2018	<u>\$ 1,048,482</u>

**Note 16 - FAIR VALUE MEASUREMENTS (Continued)**

The following tables summarize investments measured at fair value based on net asset value (NAV) per share as of June 30, 2018 and 2017, respectively.

Category of Investment		Fair Value		Investment Strategy	Unfunded Commitments		Redemption Frequency and Remaining Life, Excluding Extensions	Redemption Restrictions and Terms	Redemption Notice Period
		June 30, 2018	June 30, 2017		June 30, 2018	June 30, 2017			
Hedge feeder fund	Rimrock High Income PLUS (Cayman) Fund, Ltd	\$4,598,521	\$4,422,298	Invests in Master Fund that seeks to exploit inefficiencies in the market through the use of hedging, modest leverage, and select longer-term total return investments	-	-	Annually	10% holdback on redemption	120 days prior to the last day of the 4th quarter
Limited partnership	Venture Investment Associates Energy III, L.P.	\$3,770,216	\$2,952,705	Energy-related private equity partnerships or similar entities	\$3,185,000	\$3,710,000	Not Redeemable Remaining Life - 8 yrs	Not Redeemable	Not Redeemable
Limited partnership	Siguler Guff Distressed Opportunity Fund III, L.P.	\$1,322,043	\$2,321,927	Securities of companies undergoing financial distress, operating difficulties, or restructuring	\$210,000	\$210,000	Not Redeemable Remaining Life - 6 mos	Not Redeemable	Not Redeemable
Limited partnership	Siguler Guff Distressed Opportunity Fund IV, L.P.	\$1,803,848	\$2,650,424	Securities of companies undergoing financial distress, operating difficulties, or restructuring	\$340,000	\$340,000	Not Redeemable Remaining Life - 4 yrs	Not Redeemable	Not Redeemable

**Note 16 - FAIR VALUE MEASUREMENTS (Continued)**

Category of Investment		Fair Value		Investment Strategy	Unfunded Commitments		Redemption Frequency and Remaining Life, Excluding Extensions	Redemption Restrictions and Terms	Redemption Notice Period
		June 30, 2018	June 30, 2017		June 30, 2018	June 30, 2017			
Limited partnership	Siguler Guff Distressed Real Estate Opportunity Fund II, LP	\$3,889,958	\$3,630,274	Securities of real estate companies investing in high quality properties appraising below market value due to mismanagement or high vacancy	\$1,020,000	\$1,285,000	Not Redeemable Remaining Life - 7 yrs	Not Redeemable	Not Redeemable
Fund of funds	Harvest MLP Income Fund, LLC	\$4,371,236	\$4,711,520	Energy-related and other C-Corporation energy infrastructure master limited partnerships	\$1,500,000	\$1,500,000	Monthly	N/A	30 days
Segregated portfolio company	ABS Offshore SPC Global Segregated Portfolio Class B	\$11,544,145	\$10,869,204	Diversified investment strategies throughout the global financial markets aimed at generating absolute returns with moderate risk	-	-	Quarterly	N/A	45 days prior to the last business day of each quarter
Segregated portfolio company	MDFLTD Cerberus Segregated Portfolio March 2009	\$29,433	\$77,903	Acquire, hold, and distribute the proceeds of investments in Cerberus International, Ltd.	-	-	Not Redeemable	Not Redeemable	Not Redeemable
Segregated portfolio company	MDFLTD HF Segregated Portfolio March 2009	\$17,759	\$97,611	Acquire, hold, and distribute the proceeds of investments in Highfields Capital, Ltd.	-	-	Not Redeemable	Not Redeemable	Not Redeemable

**Note 17- PRIOR PERIOD ADJUSTMENT**

Net assets as of the beginning of the June 30, 2017 fiscal year, as reported on the statement of activities for the year ended June 30, 2017, have been restated to reclassify \$1,997,245 of net assets related to Hurricane Katrina from temporarily restricted to unrestricted net assets. Expenses reflecting the use of contributions restricted for recovery from Hurricane Katrina were incurred in prior years, but the releases of the net assets from restriction were not recorded contemporaneously. Net assets as of the beginning of the June 30, 2017 fiscal year also have been restated to reclassify \$278,887 from temporarily restricted to unrestricted net assets related to the charitable remainder trust. These funds should have been released from restriction in a prior year. As a result of these corrections, unrestricted and temporarily restricted net assets as of July 1, 2016 were restated as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
<b>Net Assets:</b>				
Net assets as of July 1, 2016, as previously reported	\$ 54,563,320	\$ 13,334,491	\$ 14,142,363	\$ 82,040,174
Reclassification	<u>2,276,132</u>	<u>(2,276,132)</u>	<u>-</u>	<u>-</u>
Net assets as of July 1, 2016, as restated	56,839,452	11,058,359	14,142,363	82,040,174
Increase (decrease) in net assets for the year ended June 30, 2017	<u>(32,915)</u>	<u>1,823,995</u>	<u>1,156</u>	<u>1,792,236</u>
Net assets as of June 30, 2017, as restated	<u>\$ 56,806,537</u>	<u>\$ 12,882,354</u>	<u>\$ 14,143,519</u>	<u>\$ 83,832,410</u>

**Note 18 - SUBSEQUENT EVENT**

The Archdiocese became self-insured for health insurance as of July 1, 2018. All parishes, schools, and non-combined affiliated entities participate in the health insurance program, which includes enrollment of approximately 4,100. The Archdiocese is self-insured for claims up to \$10,000. The captive insurance company, ANOI, provides medical stop loss coverage for claims between \$10,000 and \$300,000 and aggregate stop-loss coverage for total claims in excess of 110% of expected claims. Additionally, the Archdiocese has purchased excess medical/pharmacy stop loss coverage for claims over \$300,000.

**SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN NET ASSETS -**  
**TEMPORARILY RESTRICTED**

**Roman Catholic Church of the Archdiocese of New Orleans**  
**Administrative Offices**

For the year ended June 30, 2018  
(with comparative totals for 2017)

	<u>School Endowment</u>	<u>Infirm Priests</u>	<u>Burses</u>	<u>Disaster Fund</u>	<u>Cummings Land Donation</u>	<u>Cathedral Capital Campaign</u>	<u>Hector Ragas</u>	<u>Margaret Lauer</u>	<u>Others</u>	<u>2018 Totals</u>	<u>2017 Totals</u>
Balances, beginning of year, as restated	\$ 2,188,313	\$ 7,016,343	\$ 489,557	\$ 498,748	\$ 127,125	\$ 1,094,712	\$ 356,790	\$ 487,437	\$ 623,329	\$ 12,882,354	\$ 11,058,359
Additions:											
Investment earnings:											
Realized gains	430,754	121,636	78,508	-	-	59,937	6,961	-	8,308	706,104	472,573
Unrealized gains	756,991	215,488	138,974	-	-	104,844	12,329	-	14,711	1,243,337	1,902,995
Changes in value of charitable remainder trust	-	-	-	-	-	-	-	92,810	-	92,810	57,881
Contributions and grants	-	228,508	-	1,696,632	-	-	-	-	42,640	1,967,780	1,098,691
Total additions	1,187,745	565,632	217,482	1,696,632	-	164,781	19,290	92,810	65,659	4,010,031	3,532,140
Deductions:											
Net assets released from restrictions - satisfaction of program restrictions	686,180	197,248	127,337	1,753,265	-	-	-	-	119,558	2,883,588	1,708,145
Net change	501,565	368,384	90,145	(56,633)	-	164,781	19,290	92,810	(53,899)	1,126,443	1,823,995
Balances, end of year	\$ 2,689,878	\$ 7,384,727	\$ 579,702	\$ 442,115	\$ 127,125	\$ 1,259,493	\$ 376,080	\$ 580,247	\$ 569,430	\$ 14,008,797	\$ 12,882,354

**SCHEDULE OF CHANGES IN NET ASSETS -**  
**PERMANENTLY RESTRICTED**

**Roman Catholic Church of the Archdiocese of New Orleans**  
**Administrative Offices**

For the year ended June 30, 2018  
(with comparative totals for 2017)

	<u>School Endowment</u>	<u>Burses Fund</u>	<u>St. Louis Cathedral</u>	<u>2018 Totals</u>	<u>2017 Totals</u>
Balances, beginning of year	\$ 11,152,537	\$ 1,990,982	\$ 1,000,000	\$ 14,143,519	\$ 14,142,363
Additions - contributions	-	787	-	787	1,156
Balances, end of year	<u>\$ 11,152,537</u>	<u>\$ 1,991,769</u>	<u>\$ 1,000,000</u>	<u>\$ 14,144,306</u>	<u>\$ 14,143,519</u>

**SCHEDULE OF EXPENSES -**  
**PROGRAM SERVICES**

**Roman Catholic Church of the Archdiocese of New Orleans**  
**Administrative Offices**

For the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Christian Formation:</b>		
Campus ministry	\$ 570,875	\$ 526,980
Office of Catholic Schools	2,587,544	2,756,142
Catholic Youth Organization	1,701,841	1,756,471
Director's office	17,018	15,526
Religious education office	582,093	573,754
Respect life office	78,633	73,835
Eucharistic adoration office	133,620	126,096
	<u>\$ 5,671,624</u>	<u>\$ 5,828,804</u>
Totals		
<b>Clergy:</b>		
Clergy programs	\$ 6,713,092	\$ 6,680,979
Permanent diaconate	178,075	151,034
Priest personnel office	111,768	126,466
Vocation office	2,349,834	2,327,578
	<u>\$ 9,352,769</u>	<u>\$ 9,286,057</u>
Totals		
<b>Community Services:</b>		
Seaman's Center	<u>\$ 82,566</u>	<u>\$ 86,126</u>
<b>Gifts and Grants:</b>		
Donations	<u>\$ 3,672,904</u>	<u>\$ 1,436,932</u>
<b>Pastoral Services:</b>		
Bishop Perry Center	\$ 1,809	\$ 39,053
Black Catholics office	115,772	141,322
Catholic Counseling Services	222,617	-
Cenacle Retreat House	957,349	935,295
Chaplains	472,983	476,263
Director's office	146,085	147,455
Ecumenical office	11,722	7,684
Family Life Apostolate	534,092	590,704
Hispanic Apostolate	458,578	428,633
Office of Worship	190,677	170,672
Spirituality Center	47,165	44,679
Courage Ministry	325	-
	<u>\$ 3,159,174</u>	<u>\$ 2,981,760</u>
Totals		
<b>Religious:</b>		
Director's office	<u>\$ 208,205</u>	<u>\$ 211,113</u>

**SCHEDULE OF EXPENSES -**  
**SUPPORTING SERVICES**

**Roman Catholic Church of the Archdiocese of New Orleans**  
**Administrative Offices**

For the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Administration:</b>		
Archbishop - household	\$ 191,942	\$ 148,283
Archbishop - office	300,834	332,096
Archives	382,714	450,694
Communications and public relations	490,759	492,292
Former archbishops	102,682	89,008
National and regional fees	289,577	286,091
Racial Harmony	31,509	37,786
Tribunal - first instance	272,108	324,869
Tribunal - second instance	170,682	172,240
Vicar General	153,834	151,121
Victims Assistance Office	127,038	94,415
Development activities	565,797	565,178
	<u>\$ 3,079,476</u>	<u>\$ 3,144,073</u>
<b>Totals</b>		
	<u>\$ 3,079,476</u>	<u>\$ 3,144,073</u>
<b>Financial Services:</b>		
Accounting office	\$ 470,614	\$ 418,314
Accounting services	97,477	-
Bad debt expense	658,585	1,628,634
Building office	416,033	436,403
Depreciation	1,757,049	1,752,907
Howard Avenue building services	1,244,715	1,176,133
Human resources and employee benefits	344,139	338,406
In-house legal department	132,261	135,155
Internal audit department	286,426	292,453
Internet services	3,329,304	3,101,451
Office of Chief Administrative Officer	644,430	675,986
Office of Chief Financial Officer	408,763	533,003
Property and general costs	331,801	390,044
Walmsley Avenue building services	487,498	472,295
	<u>\$ 10,609,095</u>	<u>\$ 11,351,184</u>
<b>Totals</b>		
	<u>\$ 10,609,095</u>	<u>\$ 11,351,184</u>

**SCHEDULE OF INVESTMENT BALANCES BY CLASSIFICATION****Roman Catholic Church of the Archdiocese of New Orleans  
Administrative Offices**

June 30, 2018

	<u>Investment Pool</u>	<u>Non-pooled Investments</u>	<u>Equity In CUP</u>	<u>Restricted For Debt Service</u>	<u>Totals</u>
Operating fund	\$ 91,204,358	\$ 82,123,343	\$ 631,522	\$ 994,782	\$ 174,954,005
Funds held for others	<u>118,288,685</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,288,685</u>
Total investments	<u>\$ 209,493,043</u>	<u>\$ 82,123,343</u>	<u>\$ 631,522</u>	<u>\$ 994,782</u>	<u>\$ 293,242,690</u>

**SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER  
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

**Roman Catholic Church of the Archdiocese of New Orleans  
Administrative Offices**

For the year ended June 30, 2018

**Agency Head Name:** Archbishop Gregory M. Aymond

**Purpose**

Salary	\$	0
Benefits - insurance		0
Benefits - retirement		0
Benefits - other		0
Car allowance		0
Vehicle provided by government		0
Per diem		0
Reimbursements		0
Travel		0
Registration fees		0
Conference travel		0
Continuing professional education fees		0
Housing		0
Unvouchered expenses		0
Special meals		0
		<hr/>
	\$	<u>0</u>

Note: No public funds were used to pay the Archbishop's salary, benefits, or any other compensation during the year ended June 30, 2018.

**SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Most Reverend Gregory M. Aymond,  
Archbishop of the Roman Catholic Church of  
The Archdiocese of New Orleans,  
New Orleans, Louisiana.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Roman Catholic Church of the Archdiocese of New Orleans Administrative Offices (the "Administrative Offices"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 27, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Administrative Offices' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Administrative Offices' internal control. Accordingly, we do not express an opinion on the effectiveness of the Administrative Offices' internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Administrative Offices' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Administrative Offices' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Administrative Offices' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants.

New Orleans, Louisiana,  
November 27, 2018.

**INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE FOR THE MAJOR FEDERAL  
PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Most Reverend Gregory M. Aymond,  
Archbishop of the Roman Catholic Church of  
The Archdiocese of New Orleans,  
New Orleans, Louisiana.

**Report on Compliance for the Major Federal Program**

We have audited the Roman Catholic Church of the Archdiocese of New Orleans Administrative Offices' (the "Administrative Offices") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Administrative Offices' major federal program for the year ended June 30, 2018. The Administrative Offices' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal award applicable to its federal program.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Administrative Offices' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Administrative Offices' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Administrative Offices' major federal program. However, our audit does not provide a legal determination of the Administrative Offices' compliance.

## Opinion on Each Major Federal Program

In our opinion, the Administrative Offices complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

## Report on Internal Control Over Compliance

Management of the Administrative Offices is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Administrative Offices' internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Administrative Offices' internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants.

New Orleans, Louisiana,  
November 27, 2018.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARD**

**Roman Catholic Church of the Archdiocese of New Orleans  
Administrative Offices**

For the year ended June 30, 2018

<u>Federal Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Provided to Subrecipients</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Homeland Security Passed Through the Louisiana Governor's Office of Homeland Security and Emergency Preparedness</b>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1603-DR-LA		<u>\$ 4,060,978</u>
Total expenditures of federal award			<u>\$ -</u>	<u>\$ 4,060,978</u>

See notes to schedule of expenditures of federal award.

**NOTES TO SCHEDULE OF EXPENDITURES**  
**OF FEDERAL AWARD**

**Roman Catholic Church of the Archdiocese of New Orleans**  
**Administrative Offices**

For the year ended June 30, 2018

**Note 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal award includes the federal award activity of Roman Catholic Church of the Archdiocese of New Orleans Administrative Offices (the "Administrative Offices") under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, the amount presented in the schedule may differ from the amount presented in, or used in the preparation of, the financial statements.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditure of federal award is presented on the accrual basis of accounting and in accordance with the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Grant revenues are recorded for financial reporting purposes when the Administrative Offices has met the qualifications for the respective grants.

**Note 3 - INDIRECT COST RATE**

The Administrative Offices has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Roman Catholic Church of the Archdiocese of New Orleans  
Administrative Offices**

For the year ended June 30, 2018

**Section I - Summary of Auditor's Results**

a) Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be a material weakness?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

b) Federal Awards

Internal control over major federal program:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be a material weakness?  Yes  None reported

Type of auditor's report issued on compliance for major federal programs: unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?  Yes  No

**Section I - Summary of Auditor's Results (Continued)**

c) Identification of major federal program:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
97.036	U.S. Department of Homeland Security Passed Through the Louisiana Governor's Office of Homeland Security and Emergency Preparedness Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between

Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee?  Yes  No

**Section II - Financial Statement Findings**

**Internal Control Over Financial Reporting**

No findings.

**Compliance**

No findings.

**Section III - Federal Awards Findings and Questioned Costs**

**Internal Control**

No findings.

**Compliance**

No findings.

**REPORTS BY MANAGEMENT**



## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

### **Roman Catholic Church of the Archdiocese of New Orleans Administrative Offices**

For the year ended June 30, 2018

#### **Finding 2017-001 Internal Control Over Financial Reporting**

**Condition** - An adjustment was required to the Administrative Offices' books and records to properly account for the receipt of a duplicate reimbursement.

**Recommendation** - A system should be implemented to improve tracking of reimbursement requests and receipts so that if a duplicate reimbursement is received, it would be identified as such and accounted for properly.

**Current Status** - Resolved.

#### **Finding 2017-002 Compliance**

**Condition** - An invoice was erroneously submitted twice for reimbursement under the Federal award program.

**Recommendation** - A system should be implemented which requires that only copies of an original invoice are submitted for reimbursement and that a notation is made on the original invoice indicating that it was submitted for reimbursement and the date of the submission to minimize the risk that an invoice will be erroneously submitted a second time for reimbursement. Reimbursement requests should be carefully reviewed before submission.

**Current Status** - Resolved.

**Finding 2017-003 Federal Awards Findings and Questioned Costs - Internal Control**

**Condition** - The Administrative Offices' internal controls failed to identify or prevent the duplicate submission of an invoice for reimbursement under the Federal award program.

**Recommendation** - A system should be implemented which requires that only copies of an original invoice are submitted for reimbursement and that a notation is made on the original invoice indicating that it was submitted for reimbursement and the date of the submission to minimize the risk that an invoice will be erroneously submitted a second time for reimbursement. Reimbursement requests should be carefully reviewed before submission.

**Current Status** - Resolved.

**Finding 2017-004 Federal Awards Findings and Questioned Costs - Compliance**

**Condition** - An invoice was erroneously submitted twice for reimbursement to GOHSEP. Since GOHSEP had previously provided reimbursement in response to the original submission, the second submission represented a request for reimbursement of unallowable costs.

**Recommendation** - A system should be implemented which requires that only copies of an original invoice are submitted for reimbursement and that a notation is made on the original invoice indicating that it was submitted for reimbursement and the date of the submission to minimize the risk that an invoice will be erroneously submitted a second time for reimbursement. Reimbursement requests should be carefully reviewed before submission.

**Current Status** - Resolved.



## **CORRECTIVE ACTION PLAN**

### **Roman Catholic Church of the Archdiocese of New Orleans Administrative Offices**

For the year ended June 30, 2018

The Roman Catholic Church of the Archdiocese of New Orleans Administrative Offices respectfully submits the following corrective action plan for the year June 30, 2018.

Name and address of the independent public accounting firm: Bourgeois Bennett, L.L.C., 111 Veterans Memorial Blvd., Suite 1700, Metairie, LA 70005-3028.

#### **FINANCIAL STATEMENT FINDINGS**

No findings.

#### **FEDERAL AWARD FINDINGS**

No findings.

If the U.S. Department of Homeland Security Federal Emergency Management Agency has any questions regarding this plan, please call Kenneth Jayroe at (504) 564-3126.

**STATEWIDE AGREED-UPON PROCEDURES (R.S. 24:513)**

**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**

To the Most Reverend Gregory M. Aymond,  
Archbishop of the Roman Catholic Church of  
The Archdiocese of New Orleans,  
New Orleans, Louisiana.

We have performed the procedures enumerated below, which were agreed to by the Roman Catholic Church of the Archdiocese of New Orleans Administrative Offices (the "Administrative Offices") and the Louisiana Legislative Auditor (LLA), on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the year ended June 30, 2018. Management of the Administrative Offices is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures, associated findings, and *management's responses* are as follows:

**Written Policies and Procedures**

- 1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):**

We obtained the Administrative Offices' Accounting Manual.

**Written Policies and Procedures (Continued)**

- a) Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.**

We observed that the Administrative Offices does not have written policies or procedures that address the initiation of purchases, additions to the vendor list, preparation and approval process of purchase requisitions and purchase orders, compliance with public bid law, or the maintenance of all bid and price quotes documentation related to the Disaster Grants. We noted that all purchases for which reimbursement is requested under the Disaster Grants are reviewed by Louisiana GOHSEP before reimbursement is issued.

*The Administrative Offices' Accounting Manual will be revised to include written policies and procedures that address the initiation of purchases, addition of vendors, the approval process for purchases, compliance with public bid law and will provide guidance for the maintenance of all bid and price quotes documentation related to the Disaster Grants.*

- b) Disbursements, including processing, reviewing, and approving.**

We observed that the Administrative Offices' Accounting Manual contains written policies and procedures for the processing, reviewing, and approval of certain types of disbursements.

- c) Receipts/Collections, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).**

We observed that the Administrative Offices does not have written policies or procedures that address receiving, recording, preparing deposits, or determining the completeness of collections. We noted, however that all public funds are reimbursements received via electronic funds transfer.

*The Administrative Offices' Accounting Manual will be revised to include written policies and procedures that address the receiving, recording, preparing deposits, and determining the completeness of collections.*

- d) Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.**

We observed that the Administrative Offices does not have written policies or procedures that address the types of services requiring written contracts, standard terms and conditions, legal review, approval, or monitoring of contracts.

*The Administrative Offices' Accounting Manual will be revised to include written policies and procedures that address the types of services requiring written contracts, standard terms and conditions, legal review, approval, or monitoring of contracts.*

### **Other**

- 2. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.**

Management represented that there were no misappropriations of public funds. In addition, management signed a management representation letter stating there were no misappropriations of public funds.

- 3. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.**

The Administrative Offices does not have posted on its premises or website the notice required by R.S. 24:523.1.

*Notices required by R.S. 24:523.1 have been posted in the Accounting and Building Offices and on both offices' websites.*

*<https://nolacatholic.org/accounting-office>*

*<https://nolacatholic.org/building-office>*

We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

**(Continued)**

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing and not provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bougeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, Louisiana,  
November 27, 2018.