

Financial Report

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

June 30, 2017



Financial Report

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

June 30, 2017

TABLE OF CONTENTS

Roman Catholic Church of the Archdiocese of New Orleans Administrative Offices

June 30, 2017 and 2016

	<u>Page Number</u>
Financial Section	
Independent Auditor's Report	1 - 3
Exhibits	
A - Statements of Financial Position	4
B-1 - Statement of Activities, June 30, 2017	5 - 6
B-2 - Statement of Activities, June 30, 2016	7 - 8
C - Statements of Cash Flows	9 - 10
D - Notes to Financial Statements	11 - 49
Supplementary Information	
Schedules	
1 - Schedule of Changes in Net Assets - Temporarily Restricted	50
2 - Schedule of Changes in Net Assets - Permanently Restricted	51
3 - Schedule of Expenses - Program Services	52
4 - Schedule of Expenses - Supporting Services	53
5 - Schedule of Investment Balances by Classification	54
6 - Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer	55

TABLE OF CONTENTS (Continued)

Roman Catholic Church of the Archdiocese of New Orleans Administrative Offices

June 30, 2017 and 2016

	<u>Page Number</u>
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 <i>Government Auditing Standards</i>	56 - 57
Independent Auditor's Report on Compliance for the Major Federal Program, and Report on Internal Control Over Compliance Required by the Uniform Guidance	58 - 60
Schedule of Expenditures of Federal Award	61
Notes to Schedule of Expenditures of Federal Award	62
Schedule of Findings and Questioned Costs	63 - 67
Reports by Management	
Summary Schedule of Prior Audit Findings	68
Corrective Action Plan	69 - 70
Statewide Agreed-Upon Procedures (R.S. 24:513)	
Independent Accountant's Report on Applying Agreed-Upon Procedures	71 - 88

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, 2017 and 2016, 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, 2017 and 2016, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2017 the Administrative Offices adopted new accounting guidance, ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. Our opinion is not modified with respect to this matter.

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 is presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards*, 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, 2017, 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, 2017, except as to the
supplementary schedule of expenditures
of federal awards, which is as of December 29, 2017.

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

June 30, 2017 and 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 6,899,170	\$ 5,248,515
Grants receivable - FEMA	212,461	2,497,613
Accounts receivable from affiliates and other	4,207,232	3,645,493
Prepaid expenses	1,797,697	1,467,726
Loans receivable from affiliates - less allowance for doubtful receivables of \$10,800,803 and \$11,097,625 for 2017 and 2016, respectively	55,305,475	71,946,780
Investments	286,268,058	232,603,063
Land, buildings, and equipment - less accumulated depreciation of \$39,423,045 and \$37,299,030 for 2017 and 2016, respectively	75,035,899	77,212,519
Other assets	122,000	122,000
Beneficial interest in charitable remainder trust	487,437	429,556
Total assets	<u>\$ 430,335,429</u>	<u>\$ 395,173,265</u>

LIABILITIES AND NET ASSETS**Liabilities**

Accounts payable	\$ 1,462,399	\$ 2,858,843
Accrued expenses and other	3,337,256	4,066,673
Accrued liability for self-insured claims	949,186	1,284,299
Deposits payable to affiliates	149,873,450	115,749,156
Funds held for affiliates	103,929,966	86,854,026
Bonds payable, net	42,947,973	56,214,661
Accrued pension liability	44,002,789	46,105,433
Total liabilities	<u>346,503,019</u>	<u>313,133,091</u>

Commitments and Contingencies (Note 15)

-	-
---	---

Net Assets

Unrestricted	54,530,405	54,563,320
Temporarily restricted	15,158,486	13,334,491
Permanently restricted	14,143,519	14,142,363
Total net assets	<u>83,832,410</u>	<u>82,040,174</u>

Total liabilities and net assets	<u>\$ 430,335,429</u>	<u>\$ 395,173,265</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, 2017
(with comparative totals for 2016)

	2017			2016 Comparative Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue, Gains, and Other Support				
Assessments to affiliated entities for:				
Archdiocesan support	\$ 9,436,494			\$ 9,317,871
Priest health insurance and retirement	2,583,572			2,487,790
Insurance	16,456,205			15,390,638
Total assessments	28,476,271			27,196,299
Bad debt recovery	-			729,276
Contributions and grants	1,094,726	\$ 1,098,691	\$ 1,156	1,160,009
Rents and royalties	768,403			816,096
Spending distribution - investment income	3,573,000	790,000		3,722,000
Interest income - Deposit and Loan Fund	2,052,829			2,521,189
Fees collected and other revenue	5,081,447			4,993,688
Gain on sale of assets	1,308,886			2,692,467
Changes in value of charitable remainder trust		57,881		26,126
Net assets released from restrictions - satisfaction of program restrictions	1,708,145	(1,708,145)		-
Total revenue, gains, and other support	44,063,707	238,427	1,156	43,857,150
Expenses				
Program services:				
Christian formation	5,828,804			5,283,625
Clergy	9,286,057			8,296,390
Community services	86,126			95,864
Gifts and grants	1,436,932			280,163
Insurance	14,920,373			13,343,519
Pastoral services	2,981,760			3,017,186
Religious	211,113			219,454
Total program services expenses	34,751,165	-	-	30,536,201

**Exhibit B-1
(Continued)**

	2017			2016 Comparative Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Expenses (Continued)				
Supporting services:				
Administration	3,144,073			3,144,073
Financial services	11,223,913			11,223,913
Interest	3,138,468			3,138,468
Interest expense - Deposit and Loan Fund	1,568,899			1,568,899
Total supporting services expenses	19,075,353	-	-	19,075,353
Total expenses	53,826,518	-	-	53,826,518
Income (Loss) From Operations	(9,762,811)	238,427	1,156	(9,523,228)
Non-Operating Revenues (Expenses)				
Investment income (loss) - net	10,441,195	2,375,568		12,816,763
Less - spending distribution	(3,573,000)	(790,000)		(4,363,000)
Investment income (loss) - net of spending distribution	6,868,195	1,585,568	-	8,453,763
Grants and donations related to hurricanes	14,167,623			14,167,623
Distributions of grants and donations to affiliates	(14,294,894)			(14,294,894)
Loss on early extinguishment of debt	(1,328,839)			(1,328,839)
Total non-operating revenues (expenses) - net	5,412,085	1,585,568	-	6,997,653
Excess (Deficiency) of Revenue, Gains, and Other Support Over Expenses	(4,350,726)	1,823,995	1,156	(2,525,575)
Additional Minimum Pension Liability Adjustment	4,317,811			4,317,811
Increase (Decrease) in Net Assets	(32,915)	1,823,995	1,156	1,792,236
Net Assets				
Beginning of year	54,563,320	13,334,491	14,142,363	82,040,174
End of year	\$ 54,530,405	\$ 15,158,486	\$ 14,143,519	\$ 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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Revenue, Gains, and Other Support				
Assessments to affiliated entities for:				
Archdiocesan support	\$ 9,317,871			\$ 9,317,871
Priest health insurance and retirement	2,487,790			2,487,790
Insurance	<u>15,390,638</u>			<u>15,390,638</u>
Total assessments	27,196,299			27,196,299
Bad debt recovery	729,276			729,276
Contributions and grants	698,976	\$ 455,161	\$ 5,872	1,160,009
Rents and royalties	816,096			816,096
Spending distribution - investment income	3,240,000	482,000		3,722,000
Interest income - Deposit and Loan Fund	2,521,189			2,521,189
Fees collected and other revenue	4,993,688			4,993,688
Gain on sale of assets	2,692,467			2,692,467
Changes in value of split-interest agreement		26,126		26,126
Net assets released from restrictions - satisfaction of program restrictions	<u>1,482,034</u>	<u>(1,482,034)</u>		<u>-</u>
Total revenue, gains, and other support	<u>44,370,025</u>	<u>(518,747)</u>	<u>5,872</u>	<u>43,857,150</u>
Expenses				
Program services:				
Christian formation	5,283,625			5,283,625
Clergy	8,296,390			8,296,390
Community services	95,864			95,864
Gifts and grants	280,163			280,163
Insurance	13,343,519			13,343,519
Pastoral services	3,017,186			3,017,186
Religious	<u>219,454</u>			<u>219,454</u>
Total program services expenses	<u>30,536,201</u>	<u>-</u>	<u>-</u>	<u>30,536,201</u>

**Exhibit B-2
(Continued)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Expenses (Continued)				
Supporting services:				
Administration	3,492,961			3,492,961
Financial services	11,950,162			11,950,162
Interest	2,813,529			2,813,529
Interest expense - Deposit and Loan Fund	1,274,043			1,274,043
	<u>19,530,695</u>	<u>-</u>	<u>-</u>	<u>19,530,695</u>
Total supporting services expenses				
	<u>50,066,896</u>	<u>-</u>	<u>-</u>	<u>50,066,896</u>
Total expenses				
Income (Loss) From Operations	<u>(5,696,871)</u>	<u>(518,747)</u>	<u>5,872</u>	<u>(6,209,746)</u>
Non-Operating Revenues (Expenses)				
Investment income (loss) - net	(1,061,259)	(858,289)		(1,919,548)
Less - spending distribution	(3,240,000)	(482,000)		(3,722,000)
	<u>(4,301,259)</u>	<u>(1,340,289)</u>	<u>-</u>	<u>(5,641,548)</u>
Investment income (loss) - net of spending distribution				
Grants and donations related to hurricanes	28,089,184			28,089,184
Distributions of grants and donations to affiliates	(27,349,715)			(27,349,715)
	<u>(3,561,790)</u>	<u>(1,340,289)</u>	<u>-</u>	<u>(4,902,079)</u>
Total non-operating revenues (expenses) - net				
Excess (Deficiency) of Revenue, Gains, and Other Support Over Expenses	(9,258,661)	(1,859,036)	5,872	(11,111,825)
Additional Minimum Pension Liability Adjustment	<u>(7,934,801)</u>			<u>(7,934,801)</u>
Increase (Decrease) in Net Assets	(17,193,462)	(1,859,036)	5,872	(19,046,626)
Net Assets				
Beginning of year	<u>71,756,782</u>	<u>15,193,527</u>	<u>14,136,491</u>	<u>101,086,800</u>
End of year	<u>\$ 54,563,320</u>	<u>\$ 13,334,491</u>	<u>\$ 14,142,363</u>	<u>\$ 82,040,174</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 1,792,236	\$ (19,046,626)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Federal grants restricted for building construction	-	(242,699)
Depreciation	2,124,014	2,059,838
Amortization of bond premium and debt issuance costs	57,066	44,506
Asset retirement obligation accretion	47,550	45,286
Provision for doubtful receivables	1,628,634	3,579,908
Net gain from sale of assets	(1,308,886)	(2,692,467)
Unrealized (gain) loss on investments	(7,073,850)	2,312,002
Loss on early extinguishment of debt	1,328,839	-
Increase (decrease) in accrued pension liability	(2,102,644)	9,259,543
Change in beneficial interest in charitable remainder trust	(57,881)	(26,126)
Contributions restricted for long-term investments	(1,156)	(5,872)
Changes in operating assets and liabilities:		
Decrease in grants, accounts and other receivables	1,723,413	4,213,089
Decrease (increase) in prepaid expenses	(329,971)	12,815
Decrease in accounts payable, accrued expenses, and other	(2,508,524)	(4,252,057)
Net cash used in operating activities	<u>(4,681,160)</u>	<u>(4,738,860)</u>

**Exhibit C
(Continued)**

	2017	2016
Cash Flows From Investing Activities		
Collection on loans to affiliates	50,656,938	77,205,572
Loans made to affiliates	(35,644,267)	(95,400,776)
Decrease (increase) in investments - net	(51,940,722)	29,673,585
Proceeds from sale of land, buildings, and equipment	1,694,384	3,193,962
Purchases of land, buildings, and equipment	(332,892)	(1,055,876)
Decrease in investments restricted for debt service	5,349,577	35,521
Net cash provided by (used in) investing activities	(30,216,982)	13,651,988
Cash Flows From Financing Activities		
Collection of federal grant funds restricted for building construction	-	417,234
Increase (decrease) in deposits payable to affiliates - net	34,124,294	(8,229,772)
Proceeds from bond issuance	44,327,407	-
Bond principal payments	(58,980,000)	(1,540,000)
Increase (decrease) in funds held for affiliates	17,075,940	(3,052,949)
Proceeds from permanently restricted contributions	1,156	5,872
Net cash provided by (used in) financing activities	36,548,797	(12,399,615)
Net Increase (Decrease) In Cash and Cash Equivalents	1,650,655	(3,486,487)
Cash and Cash Equivalents		
Beginning of year	5,248,515	8,735,002
End of year	\$ 6,899,170	\$ 5,248,515
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 3,305,376	\$ 2,805,948
Non-Cash Transaction		
Property repossession in partial satisfaction of affiliate loan receivable	\$ -	\$ 2,470,852
See notes to financial statements.		

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

June 30, 2017 and 2016

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, 2017 and 2016, 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, 2017 and 2016.

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

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, 2017 and 2016, 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.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Statements of Activities (Continued)

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.)

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 Statement 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 statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2017 and 2016, management of the Administrative Offices believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

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 statement of activities.

s. New Accounting Pronouncements - Debt Issuance Costs

In April 2015, the FASB issued ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, (ASU 2015-03). ASU 2015-03 requires that debt issuance costs be presented as a direct deduction from the carrying amount of the related debt liability, consistent with the presentation of debt discounts. Prior to the issuance of ASU 2015-03, debt issuance costs were required to be presented as a deferred charge asset, separate from the related debt liability. ASU 2015-03 does not change the recognition and measurement requirements for debt issuance costs. The Administrative Offices adopted ASU 2015-03 as of the end of fiscal 2017, and applied its provisions retrospectively. The adoption of ASU 2015-03 resulted in the reclassification of \$716,401 and \$2,146,345 of debt issuance costs, net of accumulated amortization, from other assets to debt within its statements of financial position as of June 30, 2017 and 2016, respectively, and the reclassification of the amortization of debt issuance costs of \$98,419 and \$103,800 from financial services expense to interest expense in the statements of activities for the years ended June 30, 2017 and 2016, respectively. Other than these reclassification, the adoption of ASU 2015-03 did not have an impact on the Administrative Office's financial statements.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

t. Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 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, 2017, which is the date the financial statements were available to be issued.

Note 3 - HURRICANE KATRINA AND RECOVERY

The June 30, 2017 and 2016 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 2017 and 2016 statements of activities reflect approximately \$14.2 million and \$27.6 million, respectively, of federal grant monies received and approximately \$14.2 million and \$27.3 million, respectively, of recovery-related expenses. The approximately \$250,000 of Federal grant monies received in excess of recovery-related expenses during the year ended June 30, 2016 was spent on non-combined affiliated entity capital projects which were recorded as part of land, buildings, and equipment.

Cumulatively, through June 30, 2017, the Administrative Offices has received approximately \$279 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 \$231 million was distributed to other non-combined affiliated entities and was recorded on the books of those entities. As of June 30, 2017, unrestricted net assets includes expenditures of federal grant monies of approximately \$43.3 million related to capital costs, net of accumulated depreciation. Remaining federal grant monies to be received as of June 30, 2017, totals approximately \$28 million.

Note 3 - HURRICANE KATRINA AND RECOVERY (Continued)

Temporarily restricted net assets consisting of non-federal donations related to Hurricane Katrina Recovery totaled \$1,997,245 as of June 30, 2017 and 2016.

The following table presents information related to Hurricane Katrina recovery for the years ended June 30, 2017 and 2016:

	2017	2016
Unrestricted revenues:		
Federal grant monies received	\$ 14,167,623	\$ 27,592,414
Unrestricted donations related to Hurricane Katrina	-	496,770
Total revenues related to Hurricane Katrina	\$ 14,167,623	\$ 28,089,184
Distributions - non-combined affiliated entities:		
Federal grant monies distributed to affiliates	\$ (14,167,623)	\$ (27,349,715)
Unrestricted donations received and distributed to affiliates	(127,271)	-
Total expenses related to Hurricane Katrina	\$ (14,294,894)	\$ (27,349,715)

Note 4 - LOANS RECEIVABLE FROM AFFILIATES

A summary of loans receivable from affiliates as of June 30, 2017 and 2016, is as follows:

	2017	2016
Parishes	\$ 37,624,062	\$ 38,666,099
Nursing homes	-	646,772
Archdiocesan-sponsored high schools	12,603,308	10,018,812
Real estate - affordable housing ministries	7,627,965	13,256,291
Real estate - housing ministry	145,687	10,291,602
Other school-related loans	176,843	376,843
Other	7,928,413	9,787,986
Total loans	66,106,278	83,044,405
Less allowance for doubtful receivables	(10,800,803)	(11,097,625)
Total loans - net	\$ 55,305,475	\$ 71,946,780

As of June 30, 2017 and 2016, 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, 2017 and 2016, is as follows:

	2017	2016
Balances on which interest is accrued	\$ 45,869,397	\$ 64,945,599
Balances on which interest is not accrued	20,236,881	18,098,806
Totals	\$ 66,106,278	\$ 83,044,405

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, 2017 and 2016, and consist of the following:

Note 5 - INVESTMENTS (Continued)

	2017	2016
Pooled asset portfolio:		
Cash and cash equivalents	\$ 11,286,288	\$ 6,916,730
U.S. government and agency obligations	13,993,052	9,478,794
Corporate and foreign obligations	15,700,613	7,719,010
Collateralized mortgage obligations	848,052	1,194,605
Asset-backed securities	4,071,184	1,310,580
Corporate stocks	105,074,849	9,944,822
Mutual funds	7,351,400	76,483,833
Exchange traded funds	885,582	6,745,258
Common trust funds	-	16,588,191
Limited partnerships	16,266,850	10,609,076
Fund of funds	-	4,915,753
Hedge feeder fund	4,422,298	4,058,724
Segregated portfolio companies	11,044,718	9,916,740
Total pooled asset portfolio	190,944,886	165,882,116
Separately invested portfolio:		
Cash and cash equivalents	22,170,559	2,990,203
Brokered certificates of deposit	1,380,335	2,357,892
Commercial paper	4,992,849	-
Government and agency obligations	15,719,620	11,400,116
Corporate obligations	28,840,172	27,045,432
Investment in Catholic Umbrella Pool	703,297	697,224
Municipal obligations	21,500,450	21,081,117
Collateralized mortgage obligations	15,890	837,863
Asset-backed securities	-	311,100
Total separately invested portfolio	95,323,172	66,720,947
Totals	\$ 286,268,058	\$ 232,603,063

Note 5 - INVESTMENTS (Continued)

As of June 30, 2017 and 2016, investments are comprised of amounts owned by the Administrative Offices and funds held for others, as follows:

	2017	2016
Administrative Offices:		
Restricted for debt service	\$ 685,786	\$ 6,035,363
Other	182,737,305	143,214,968
	183,423,091	149,250,331
Funds held for others	102,844,967	83,352,732
Totals	\$ 286,268,058	\$ 232,603,063

Net investment income for the years ended June 30, 2017 and 2016, is comprised of the following:

	2017	2016
Interest, dividends, and realized gains (losses) - net	\$ 5,742,913	\$ 392,454
Unrealized gains (losses) - net	7,073,850	(2,312,002)
Total net investment income (loss)	\$ 12,816,763	\$ (1,919,548)

Investment income is reported net of investment fees. Investment fees were approximately \$716,000 and \$468,000 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, is summarized as follows:

	2017	2016
Administrative offices:		
Land	\$ 4,552,866	\$ 4,631,666
Buildings and improvements	34,274,998	34,081,131
Furniture and fixtures	1,542,608	1,324,783
Transportation equipment	137,046	137,046
	40,507,518	40,174,626
Less accumulated depreciation	(18,283,777)	(17,467,264)
Subtotals	22,223,741	22,707,362
Non-combined affiliated entities:		
Land	6,137,912	6,264,804
Buildings and improvements	64,444,650	64,444,650
	70,582,562	70,709,454
Less accumulated depreciation	(21,139,268)	(19,831,766)
Subtotals	49,443,294	50,877,688
Land held for future development (includes \$190,625 of land, the use of which is restricted)	3,368,864	3,627,469
Totals	\$ 75,035,899	\$ 77,212,519

Depreciation expense for the years ended June 30, 2017 and 2016 was \$2,124,014 and \$2,059,838 respectively, of which \$1,307,502 and \$1,305,031 related to non-combined affiliated entities, and is reported in the statements of activities by functional category as follows:

	2017	2016
Program services	\$ 343,526	\$ 324,365
Supporting services	1,780,488	1,735,473
Totals	\$ 2,124,014	\$ 2,059,838

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:

	2017	2016
Contribution receivable	\$ 1,064,012	\$ 984,549
Less discount to net present value	(576,575)	(554,993)
Beneficial interest in charitable remainder trust	\$ 487,437	\$ 429,556

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.

Note 8 - BONDS PAYABLE (Continued)

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 constitute 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.

The bonds require the Administrative Offices to maintain certain covenants under the terms of the bond agreement. As of June 30, 2017, management of the Administrative Offices was not aware of any violation of the covenants.

The aggregate maturities of the bonds payable as of June 30, 2017, are as follows:

<u>Years Ending June 30,</u>	
2018	\$ 1,255,000
2019	1,320,000
2020	1,385,000
2021	1,415,000
2022	1,485,000
2023 - 2037	<u>33,685,000</u>
Subtotal	40,545,000
Unamortized bond premium	3,119,374
Unamortized costs of issuance	<u>(716,401)</u>
	<u>\$ 42,947,973</u>

Note 9 - RETIREMENT PLANS

The Administrative Offices offers a 401(k) defined contribution plan (the "401(k) Plan") to its lay 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 16%. 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 \$410,000 and \$368,000 for the years ended June 30, 2017 and 2016, respectively.

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.

Note 9 - RETIREMENT PLANS (Continued)

The following table as of June 30, 2017 and 2016 sets forth the Plan's change in benefit obligation, change in Plan assets, and the funded status of the Plan:

	<u>2017</u>	<u>2016</u>
Change in benefit obligation:		
Projected benefit obligation - beginning of year	\$ (46,105,433)	\$ (36,845,890)
Service cost	(910,592)	(611,968)
Interest cost	(1,714,701)	(1,648,485)
Plan amendments	(669,809)	1,220,126
Actuarial gain (loss)	4,177,601	(9,560,490)
Benefits paid	<u>1,220,145</u>	<u>1,341,274</u>
 Projected benefit obligation - end of year	 <u>(44,002,789)</u>	 <u>(46,105,433)</u>
Change in plan assets:		
Fair value of plan assets - beginning of year	-	-
Employer contributions made	1,220,145	1,341,274
Benefits paid	<u>(1,220,145)</u>	<u>(1,341,274)</u>
 Fair value of plan assets - end of year	 <u>-</u>	 <u>-</u>
 Funded status - (deficit)	 <u>\$ (44,002,789)</u>	 <u>\$ (46,105,433)</u>
Amounts recognized in the statements of financial position consist of:		
Accrued pension liability	<u>\$ (44,002,789)</u>	<u>\$ (46,105,433)</u>
Unrestricted net assets		
Net loss - cumulative	\$ 12,104,665	\$ 17,103,529
Prior service cost (credit)	<u>510,010</u>	<u>(171,043)</u>
 Totals	 <u>\$ 12,614,675</u>	 <u>\$ 16,932,486</u>

Note 9 - RETIREMENT PLANS (Continued)

The actuarial present value of the projected benefit obligation was computed using a weighted-average discount rate of 3.930% and 3.780% as of June 30, 2017 and 2016, 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, 2017 and 2016, net periodic pension cost, included in Clergy expense in the statement of activities, includes the following components:

	2017	2016
Service costs - benefits earned during the periods	\$ 910,592	\$ 611,968
Interest cost on projected benefit obligation	1,714,701	1,648,485
Amortization of net loss	821,263	270,972
Amortization of prior service cost (credit)	(11,244)	134,591
Net periodic pension cost	\$ 3,435,312	\$ 2,666,016

The net periodic pension cost was computed using a weighted-average discount rate of 3.780% and 4.570% for the years ended June 30, 2017 and 2016, respectively.

The additional minimum pension liability adjustment, presented in the statement of activities, resulted in a gain of \$4,317,811 for the year ended June 30, 2017 and a loss of \$7,934,801 for the year ended June 30, 2016. The gain in 2017 was primarily due to actuarial gains attributable to an increase in the discount rate, whereas the loss in 2016 was primarily due to actuarial loss attributable to a decrease in the discount rate.

The Administrative Offices currently expects to make benefit payments and contributions to the Plan of approximately \$1,580,000 in fiscal year 2018.

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 \$485,087 and \$30,929, respectively.

Note 9 - RETIREMENT PLANS (Continued)

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, 2017, are as follows:

Years Ending June 30,	
2018	\$ 1,580,266
2019	1,699,784
2020	1,742,664
2021	1,798,205
2022	1,903,352
2023 - 2027	10,988,353
	\$ 19,712,624

Note 10 - NET ASSETS

Unrestricted net assets as of June 30, 2017 and 2016 were \$54,530,405 and \$54,563,320, respectively.

Temporarily restricted net assets as of June 30, 2017 and 2016 consist of the following:

	2017	2016
School Endowment	\$ 2,188,313	\$ 1,372,906
Infirm priests	7,016,343	6,622,393
Hurricane Katrina Recovery	1,997,245	1,997,245
Cathedral Capital Campaign	1,094,712	898,336
Margaret Lauer	766,324	708,443
Burses	489,557	352,678
Hector Ragas	356,790	334,314
Disaster Fund	498,748	322,295
Cummings land donation	127,125	127,125
Other - miscellaneous	623,329	598,756
Totals	\$ 15,158,486	\$ 13,334,491

Note 10 - NET ASSETS (Continued)

The following temporarily restricted net assets were released during the years ended June 30, 2017 and 2016, due to satisfaction of program restrictions:

	2017	2016
School Endowment	\$ 636,000	\$ 600,000
Infirm Priests	190,976	190,919
Burses	130,000	130,000
Disaster Fund	635,000	-
Other - miscellaneous	116,169	561,115
Totals	\$ 1,708,145	\$ 1,482,034

Permanently restricted net assets as of June 30, 2017 and 2016 consist of endowment funds and are held as follows:

	2017	2016
School Endowment	\$ 11,152,537	\$ 11,152,537
Burses	1,990,982	1,989,826
St. Louis Cathedral	1,000,000	1,000,000
Totals	\$ 14,143,519	\$ 14,142,363

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, 2017, the Administrative Offices had \$791,121 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, 2017 and 2016, is \$42,947,973 and 56,214,661, 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.

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.

Note 14 - ENDOWMENT (Continued)

Endowment fund net asset composition by type of fund as of June 30, 2017 and 2016, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Fund Net Assets</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
	<u>\$ -</u>	<u>\$ 3,772,582</u>	<u>\$ 14,143,519</u>	<u>\$ 17,916,101</u>
<u>June 30, 2016</u>				
Donor-restricted Endowments:				
School Endowment Funds	\$ -	\$ 1,372,906	\$ 11,152,537	\$ 12,525,443
Other	-	1,251,014	2,989,826	4,240,840
	<u>\$ -</u>	<u>\$ 2,623,920</u>	<u>\$ 14,142,363</u>	<u>\$ 16,766,283</u>

Changes in endowment fund net assets for the years ended June 30, 2017 and 2016 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, 2015	\$ -	\$ 4,042,528	\$ 14,136,491	\$ 18,179,019
Contributions	-	-	5,872	5,872
Investment earnings:				
Realized losses	-	(105,831)	-	(105,831)
Unrealized losses	-	(582,777)	-	(582,777)
Net asset releases	-	(730,000)	-	(730,000)
Net assets, June 30, 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	<u>\$ -</u>	<u>\$ 3,772,582</u>	<u>\$ 14,143,519</u>	<u>\$ 17,916,101</u>

Note 14 - ENDOWMENT (Continued)

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, 2017 and 2016, 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.

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 via the cooperative lending program (see Note 2e) to individual church parishes for capital expenditures. As of June 30, 2017, such commitments totaled approximately \$67,000,000.

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, 2017, \$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, 2017, \$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, 2017, \$3,715,000 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, 2017, \$3,290,000 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, 2017, \$4,000,000 of this investment was funded.

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. As of June 30, 2017 and 2016 the project debt balances were approximately \$40,027,000 and \$32,501,000, respectively. During 2017, most of the subordinated debt was refinanced with a \$12,000,000 loan from the Whitney National Bank. The Administrative Offices has agreed to guarantee the \$12,000,000 loan. As of June 30, 2017 and 2016, the total balances on the subordinated debt were \$933,329 and \$10,448,843, 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.

Note 15 - COMMITMENTS AND CONTINGENCIES (Continued)

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.

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 \$703,000 and \$697,000 as of June 30, 2017 and 2016, 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.

Note 15 - COMMITMENTS AND CONTINGENCIES (Continued)

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 \$949,000 and \$1,284,000 as of June 30, 2017 and 2016, 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.

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 \$283,000 and \$303,000 as of June 30, 2017 and 2016, respectively.

Estimated asset retirement obligations of approximately \$999,000 and \$951,000 as of June 30, 2017 and 2016, 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:

Note 16 - FAIR VALUE MEASUREMENTS (Continued)

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.

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, 2017 and 2016.

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.

Note 16 - FAIR VALUE MEASUREMENTS (Continued)

Government agency mortgage obligations, municipal obligations, corporate and foreign obligations, collateralized mortgage obligations, asset-backed securities, 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.

Common trust funds, segregated portfolio companies, hedge feeder funds, fund of funds, and limited partnerships - Valued, as a practical expedient, using the net asset values reported by the investees. The net asset values are determined based on the fair values of the underlying investments of the funds, companies, or partnerships. Common trust funds are included in level 2 of the fair value hierarchy. Depending on restrictions on withdrawals from the investment, the Administrative Offices' investments in segregated portfolio companies, the hedge feeder fund, funds of funds, and limited partnerships are included in level 2 or level 3 of the fair value hierarchy.

Brokered certificates of deposit - Valued based on amounts reported by Interactive Data Corporation which uses modeling techniques which integrate observed transactions data, credit quality, perceived market movements, and other relevant information and included in level 2 of the fair value hierarchy.

Corporate obligation-bond-related portfolio - Valued by the Administrative Offices at par and classified within 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.

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.

Note 16 - FAIR VALUE MEASUREMENTS (Continued)

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

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, 2017 and 2016, 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, 2017 and 2016 are comprised of and determined, as follows:

June 30, 2017 Description	Total Assets and Liabilities Measured At Fair Value	Quoted Prices In Active Markets (Level 1)	Based on	
			Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Portfolio A				
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	

Note 16 - FAIR VALUE MEASUREMENTS (Continued)

June 30, 2017 Description	Total Assets and Liabilities Measured At Fair Value	Quoted Prices In Active Markets (Level 1)	Based on Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<u>Portfolio A (Continued)</u>				
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		
Mutual funds				
Real estate	7,351,400	7,351,400		
Exchange traded funds				
World bond	885,582	885,582		
Limited partnerships				
Siguler Guff Distressed Opportunity Fund III, LP	2,321,927			\$ 2,321,927
Siguler Guff Distressed Opportunity Fund IV, LP	2,650,424			2,650,424
Siguler Guff Distressed Real Estate Opportunity Fund II, LP	3,630,274			3,630,274
Venture Investment Associates Energy III, L.P.	2,952,705			2,952,705
Harvest MLP Income Fund, L.L.C.	4,711,520		4,711,520	
Hedge feeder fund				
Rimrock High Income PLUS (Cayman) Fund, Ltd.	4,422,298			4,422,298
Segregated portfolio companies				
ABS Offshore SPC Global Segregated Portfolio Class B	10,869,204		10,869,204	
MDFLTD Cerberus March 2009 Segregated Portfolio	77,903			77,903
MDFLTD HF March 2009 Segregated Portfolio	97,611			97,611
Total Portfolio A	190,944,886	137,424,850	37,366,894	16,153,142

Note 16 - FAIR VALUE MEASUREMENTS (Continued)

June 30, 2017 Description	Total Assets and Liabilities Measured At Fair Value	Quoted Prices In Active Markets (Level 1)	Based on	
			Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<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 (a)	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	<u>93,934,089</u>	<u>21,484,773</u>	<u>72,449,316</u>	<u>-</u>
<u>Bond-related portfolio</u>				
Money market fund	685,786	685,786	-	-
Total bond-related portfolio	<u>685,786</u>	<u>685,786</u>	<u>-</u>	<u>-</u>
<u>Investment in Catholic Umbrella Pool</u>	<u>703,297</u>		<u>703,297</u>	
Total investments	<u>\$ 286,268,058</u>	<u>\$ 159,595,409</u>	<u>\$ 110,519,507</u>	<u>\$ 16,153,142</u>
(a) Based on Moody's bond credit rating.				
<u>Beneficial Interest in</u>				
<u>Charitable Remainder Trust</u>	<u>\$ 487,437</u>	<u>\$ -</u>	<u>\$ 487,437</u>	<u>\$ -</u>
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	<u>\$ 45,001,343</u>	<u>\$ -</u>	<u>\$ 44,002,789</u>	<u>\$ 998,554</u>

Note 16 - FAIR VALUE MEASUREMENTS (Continued)

June 30, 2016 Description	Total Assets and Liabilities Measured At Fair Value	Quoted Prices In Active Markets (Level 1)	Based on	
			Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<u>Portfolio A</u>				
Cash and money market funds	\$ 6,916,730	\$ 6,916,730		
Government obligations	5,781,154	5,781,154		
Government agency mortgage obligations	3,697,640		\$ 3,697,640	
Corporate obligations (a)				
Aa2	343,229		343,229	
Aa3	178,654		178,654	
A1	231,034		231,034	
A2	46,648		46,648	
A3	804,108		804,108	
Baa1	574,707		574,707	
Baa2	1,565,704		1,565,704	
Baa3	2,589,471		2,589,471	
Ba1	836,990		836,990	
Ba2	164,066		164,066	
Ba3	209,120		209,120	
B1	85,823		85,823	
B2	68,568		68,568	
Caa1	20,888		20,888	
Collateralized mortgage obligations (a)				
Aaa	401,137		401,137	
Aa2	260,089		260,089	
Aa3	96,502		96,502	
A2	215,485		215,485	
Baa1	49,138		49,138	
Baa2	121,540		121,540	
Baa3	50,714		50,714	
Asset-backed securities (a)				
Aaa	641,221		641,221	
Aa1	68,539		68,539	
Aa3	266,923		266,923	
A1	147,892		147,892	
A2	186,005		186,005	
Corporate stock				
Basic Industries	344,340	344,340		
Capital Goods	643,770	643,770		
Consumer Durables	1,564,044	1,564,044		
Consumer Non-Durables	118,427	118,427		
Consumer Services	1,438,328	1,438,328		
Energy	472,322	472,322		
Finance	2,892,993	2,892,993		
Health Care	708,178	708,178		
Miscellaneous	192,289	192,289		
Public Utilities	803,554	803,554		
Technology	766,577	766,577		

Note 16 - FAIR VALUE MEASUREMENTS (Continued)

June 30, 2016 Description	Total Assets and Liabilities Measured At Fair Value	Quoted Prices In Active Markets (Level 1)	Based on Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<u>Portfolio A (Continued)</u>				
Mutual funds				
U.S. large blend	20,705,037	20,705,037		
Foreign large blend	24,302,995	24,302,995		
Real estate	16,096,805	16,096,805		
Diversified emerging markets	15,378,996	15,378,996		
Exchange traded funds				
World bond	6,745,258	6,745,258		
Common trust fund				
SSgA S&P MidCap 400 Index Securities Lending QP Common Trust Fund	16,588,191		16,588,191	
Limited partnerships				
Siguler Guff Distressed Opportunity Fund III, LP	2,538,205			\$ 2,538,205
Siguler Guff Distressed Opportunity Fund IV, LP	2,721,974			2,721,974
Siguler Guff Distressed Real Estate Opportunity Fund II, LP	3,327,591			3,327,591
Venture Investment				
Associates Energy III, L.P.	2,021,306			2,021,306
Harvest MLP Income Fund, L.L.C.	4,915,753			4,915,753
Hedge feeder fund				
Rimrock High Income PLUS (Cayman) Fund, Ltd.	4,058,724			4,058,724
Segregated portfolio companies				
ABS Offshore SPC Global Segregated Portfolio Class B MDFLTD Cerberus March 2009	9,702,742		9,702,742	
Segregated Portfolio MDFLTD HF March 2009	94,319			94,319
Segregated Portfolio	119,679			119,679
Total Portfolio A	165,882,116	105,871,797	40,212,768	19,797,551

Note 16 - FAIR VALUE MEASUREMENTS (Continued)

June 30, 2016 Description	Total Assets and Liabilities Measured At Fair Value	Quoted Prices In Active Markets (Level 1)	Based on Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<u>Portfolio B</u>				
Money market fund	1,394,563	1,394,563		
Brokered certificates of deposit	1,862,497		1,862,497	
Collateralized mortgage obligations (a)				
Aaa	252,944		252,944	
Aa1	57,254		57,254	
A1	502,610		502,610	
Baa3	25,055		25,055	
Government agency mortgage obligations	3,498,017		3,498,017	
Corporate obligations (a)				
Aaa	60,174		60,174	
Aa1	1,056,150		1,056,150	
Aa2	113,731		113,731	
Aa3	2,029,469		2,029,469	
A1	5,218,110		5,218,110	
A2	1,897,158		1,897,158	
A3	2,852,658		2,852,658	
Baa1	1,005,250		1,005,250	
Baa2	550,080		550,080	
Government agency obligations	5,524,345		5,524,345	
Municipal obligations (a)				
Aaa	678,644		678,644	
Aa1	2,978,514		2,978,514	
Aa2	5,396,099		5,396,099	
Aa3	4,646,565		4,646,565	
A1	727,398		727,398	
A2	510,945		510,945	
A3	534,253		534,253	
Asset-backed securities (a)				
Aaa	110,286		110,286	
Total Portfolio B	43,482,769	1,394,563	42,088,206	-

Note 16 - FAIR VALUE MEASUREMENTS (Continued)

June 30, 2016 Description	Total Assets and Liabilities Measured At Fair Value	Quoted Prices In Active Markets (Level 1)	Based on	
			Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<u>Portfolio C</u>				
Money market fund	112,352	112,352		
Brokered certificates of deposit	495,395		495,395	
Corporate obligations (a)				
Aa1	151,536		151,536	
Aa3	805,336		805,336	
A1	2,766,631		2,766,631	
A2	1,366,574		1,366,574	
A3	1,816,910		1,816,910	
Baa1	501,817		501,817	
Ba2	301,773		301,773	
Government agency obligations	959,172		959,172	
Government agency mortgage obligations	1,418,582		1,418,582	
Municipal obligations (a)				
Aaa	301,287		301,287	
Aa1	1,991,916		1,991,916	
Aa2	1,798,743		1,798,743	
Aa3	813,328		813,328	
A1	347,929		347,929	
A2	103,939		103,939	
A3	251,557		251,557	
Asset-backed securities (a)				
Aa3	200,814		200,814	
Total Portfolio C	<u>16,505,591</u>	<u>112,352</u>	<u>16,393,239</u>	<u>-</u>
<u>Bond-related portfolio</u>				
Money market fund	1,483,288	1,483,288		
Corporate obligation (a)				
Aa2	4,552,075		4,552,075	
Total bond-related portfolio	<u>6,035,363</u>	<u>1,483,288</u>	<u>4,552,075</u>	<u>-</u>
<u>Investment in Catholic Umbrella Pool</u>				
Total investments	<u>\$ 232,603,063</u>	<u>\$ 108,862,000</u>	<u>\$ 103,943,512</u>	<u>\$ 19,797,551</u>
(a) Based on Moody's bond credit rating.				
<u>Beneficial Interest in</u>				
Charitable Remainder Trust	\$ 429,556	\$ -	\$ 429,556	\$ -
<u>Liabilities, at Fair Value</u>				
Asset Retirement Obligation - included in accrued expenses and other	\$ 951,004			\$ 951,004
Accrued Pension Liability	46,105,433		46,105,433	
Total liabilities	<u>\$ 47,056,437</u>	<u>\$ -</u>	<u>\$ 46,105,433</u>	<u>\$ 951,004</u>

Note 16 - FAIR VALUE MEASUREMENTS (Continued)

The table below sets forth a summary of changes in the fair value of the Administrative Offices' Level 3 assets and liability for the years ended June 30, 2017 and 2016.

	Limited Partnerships		Fund of Funds	Hedge Feeder Fund	Segregated Portfolio Companies		Totals	Asset Retirement Obligation			
	Siguler Guff Distressed Opportunity Fund III, L.P.	Siguler Guff Distressed Opportunity Fund IV, L.P.			Siguler Guff Distressed Real Estate Opportunity Fund II, L.P.	Venture Investment Associates Energy III, L.P.			Kayne Anderson MLP Fund, L.P.	Harvest MLP Income Fund, L.L.C.	Rimrock High Income Plus (Cayman) Fund, Ltd
Balance July 1, 2015	\$ 3,490,714	\$ 3,819,213	\$ 1,784,746	\$ 1,332,543	\$ 9,834,996		\$ 4,292,826	\$ 183,679	\$ 201,049	\$ 24,939,766	\$ 905,718
Purchases and capital contributions		140,000	1,417,500	840,000		\$ 4,000,000				6,397,500	
* Income, gains, and (losses)	(20,551)	(147,525)	125,345	(151,237)	(3,569,036)	915,753	(234,102)	(19,395)	(14,125)	(3,114,873)	
Exchanges in and (out)										-	
Sales and distributions	(931,958)	(1,089,714)			(6,265,960)			(69,965)	(67,245)	(8,424,842)	
Accretion										-	45,286
Balance June 30, 2016	2,538,205	2,721,974	3,327,591	2,021,306	-	4,915,753	4,058,724	94,319	119,679	19,797,551	951,004
Purchases and capital contributions		140,000	82,500	1,050,000		\$ -				1,272,500	
* Income, gains, and (losses)	721,009	1,309,447	425,029	(118,601)	-	(204,233)	363,574	5,161	6,470	2,507,856	
Exchanges in and (out)										-	
Sales and distributions	(937,287)	(1,520,997)	(204,846)		-			(21,577)	(28,538)	(2,713,245)	
Transfer to Level 2 due to expiration of restrictions						(4,711,520)				(4,711,520)	
Accretion										-	47,550
Balance June 30, 2017	\$ 2,321,927	\$ 2,650,424	\$ 3,630,274	\$ 2,952,705	\$ -	\$ -	\$ 4,422,298	\$ 77,903	\$ 97,611	\$ 16,153,142	\$ 998,554

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, 2017 and 2016, respectively.

Category of Investment		Fair Value		Investment Strategy	Unfunded Commitments		Redemption Frequency (If Currently Eligible)	Redemption Restrictions and Terms	Redemption Notice Period
		June 30, 2017	June 30, 2016		June 30, 2017	June 30, 2016			
Common trust	SSgA S & P Mid Cap 400 Index Securities Lending QP Common Trust Fund	-	\$16,588,191	Approximates the performance of the S & P Mid Cap 400 Index over the long term	-	-	Daily	N/A	N/A
Hedge feeder fund	Rimrock High Income PLUS (Cayman) Fund, Ltd	\$4,422,298	\$4,058,724	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	2 year lockup, 10% holdback on redemption	120 days prior to the last day of the 4th quarter
Limited partnership	Venture Investment Associates Energy III, L.P.	\$2,952,705	\$2,021,306	Energy-related private equity partnerships or similar entities	\$3,710,000	\$4,760,000	Not Redeemable	Not Redeemable	Not Redeemable
Limited partnership	Siguler Guff Distressed Opportunity Fund III, L.P.	\$2,321,927	\$2,538,205	Securities of companies undergoing financial distress, operating difficulties, or restructuring	\$210,000	\$210,000	Not Redeemable	Not Redeemable	Not Redeemable
Limited partnership	Siguler Guff Distressed Opportunity Fund IV, L.P.	\$2,650,424	\$2,721,974	Securities of companies undergoing financial distress, operating difficulties, or restructuring	\$340,000	\$480,000	Not Redeemable	Not Redeemable	Not Redeemable

Note 16 - FAIR VALUE MEASUREMENTS (Continued)

Category of Investment		Fair Value		Investment Strategy	Unfunded Commitments		Redemption Frequency (If Currently Eligible)	Redemption Restrictions and Terms	Redemption Notice Period
		June 30, 2017	June 30, 2016		June 30, 2017	June 30, 2016			
Limited partnership	Siguler Guff Distressed Real Estate Opportunity Fund II, LP	3,630,274	\$3,327,591	Securities of real estate companies investing in high quality properties appraising below market value due to mismanagement or high vacancy	\$1,285,000	\$1,367,500	Not Redeemable	Not Redeemable	Not Redeemable
Fund of funds	Harvest MLP Income Fund, LLC	\$4,711,520	4,915,753	Energy-related and other C-Corporation energy infrastructure master limited partnerships	\$1,500,000	1,500,000	Monthly	Penalty of 1% if less than 12 months of initial investment	30 Days
Segregated portfolio company	ABS Offshore SPC Global Segregated Portfolio Class B	\$10,869,204	\$9,702,742	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	\$77,903	\$94,319	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	\$97,611	\$119,679	Acquire, hold, and distribute the proceeds of investments in Highfields Capital, Ltd.	-	-	Not Redeemable	Not Redeemable	Not Redeemable

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, 2017
(with comparative totals for 2016)

	School Endowment	Infirm Priests	Burses	Disaster Fund	Cummings Land Donation	Cathedral Capital Campaign	Hector Ragas	Margaret Lauer	Hurricane Katrina Recovery	Others	2017 Totals	2016 Totals
Balances, beginning of year	\$ 1,372,906	\$ 6,622,393	\$ 352,678	\$ 322,295	\$ 127,125	\$ 898,336	\$ 334,314	\$ 708,443	\$ 1,997,245	\$ 598,756	\$ 13,334,491	\$ 15,193,527
Additions:												
Investment earnings:												
Realized gains (losses)	289,039	81,287	53,196	-	-	38,686	4,728	-	-	5,637	472,573	(135,142)
Unrealized gains (losses)	1,162,368	330,348	213,683	-	-	157,690	17,748	-	-	21,158	1,902,995	(723,147)
Changes in value of charitable remainder trust	-	-	-	-	-	-	-	57,881	-	-	57,881	26,126
Contributions and grants	-	173,291	-	811,453	-	-	-	-	-	113,947	1,098,691	455,161
Total additions	1,451,407	584,926	266,879	811,453	-	196,376	22,476	57,881	-	140,742	3,532,140	(377,002)
Deductions:												
Net assets released from restrictions - satisfaction of program restrictions	636,000	190,976	130,000	635,000	-	-	-	-	-	116,169	1,708,145	1,482,034
Net change	815,407	393,950	136,879	176,453	-	196,376	22,476	57,881	-	24,573	1,823,995	(1,859,036)
Balances, end of year	\$ 2,188,313	\$ 7,016,343	\$ 489,557	\$ 498,748	\$ 127,125	\$ 1,094,712	\$ 356,790	\$ 766,324	\$ 1,997,245	\$ 623,329	\$ 15,158,486	\$ 13,334,491

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, 2017
(with comparative totals for 2016)

	<u>School Endowment</u>	<u>Burses Fund</u>	<u>St. Louis Cathedral</u>	<u>2017 Totals</u>	<u>2016 Totals</u>
Balances, beginning of year	\$ 11,152,537	\$ 1,989,826	\$ 1,000,000	\$ 14,142,363	\$ 14,136,491
Additions - contributions	<u>-</u>	<u>1,156</u>	<u>-</u>	<u>1,156</u>	<u>5,872</u>
Balances, end of year	<u>\$ 11,152,537</u>	<u>\$ 1,990,982</u>	<u>\$ 1,000,000</u>	<u>\$ 14,143,519</u>	<u>\$ 14,142,363</u>

SCHEDULE OF EXPENSES -
PROGRAM SERVICES

Roman Catholic Church of the Archdiocese of New Orleans
Administrative Offices

For the years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Christian Formation:		
Campus ministry	\$ 526,980	\$ 532,010
Office of Catholic Schools	2,756,142	2,268,609
Catholic Youth Organization	1,756,471	1,666,750
Director's office	15,526	16,389
Religious education office	573,754	570,867
Respect life office	73,835	71,017
Eucharistic adoration office	126,096	157,983
Totals	<u>\$ 5,828,804</u>	<u>\$ 5,283,625</u>
Clergy:		
Clergy programs	\$ 6,680,979	\$ 5,789,964
Permanent diaconate	151,034	162,771
Priest personnel office	126,466	126,782
Vocation office	2,327,578	2,216,873
Totals	<u>\$ 9,286,057</u>	<u>\$ 8,296,390</u>
Community Services:		
Seaman's Center	\$ 86,126	\$ 95,864
Gifts and Grants:		
Donations	<u>\$ 1,436,932</u>	<u>\$ 280,163</u>
Pastoral Services:		
Bishop Perry Center	\$ 39,053	\$ 118,013
Black Catholics office	141,322	138,820
Cenacle Retreat House	935,295	1,012,086
Chaplains	476,263	470,863
Director's office	147,455	139,833
Ecumenical office	7,684	15,214
Family Life Apostolate	590,704	410,170
Hispanic Apostolate	428,633	481,354
Office of Worship	170,672	164,612
Spirituality Center	44,679	49,109
Courage Ministry	-	17,112
Totals	<u>\$ 2,981,760</u>	<u>\$ 3,017,186</u>
Religious:		
Director's office	<u>\$ 211,113</u>	<u>\$ 219,454</u>

SCHEDULE OF EXPENSES -
SUPPORTING SERVICES

Roman Catholic Church of the Archdiocese of New Orleans
Administrative Offices

For the years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Administration:		
Archbishop - household	\$ 148,283	\$ 160,036
Archbishop - office	332,096	388,506
Archives	450,694	426,260
Communications and public relations	492,292	506,596
Former archbishops	89,008	121,742
National and regional fees	286,091	286,405
Racial Harmony	37,786	35,719
Tribunal - first instance	324,869	325,719
Tribunal - second instance	172,240	175,298
Vicar General	151,121	129,100
Victims Assistance Office	94,415	98,666
Development activities	<u>565,178</u>	<u>838,914</u>
Totals	<u>\$ 3,144,073</u>	<u>\$ 3,492,961</u>
Financial Services:		
Accounting office	\$ 418,314	\$ 382,089
Bad debt expense	1,628,634	3,579,908
Building office	436,403	415,463
Depreciation	1,752,907	1,459,423
Howard Avenue building services	1,176,133	1,146,109
Human resources and employee benefits	338,406	262,700
In-house legal department	135,155	116,333
Internal audit department	292,453	322,147
Internet services	3,101,451	2,419,777
Office of Chief Administrative Officer	675,986	651,330
Office of Chief Financial Officer	533,003	467,667
Property and general costs	262,773	283,838
Walmsley Avenue building services	<u>472,295</u>	<u>443,378</u>
Totals	<u>\$ 11,223,913</u>	<u>\$ 11,950,162</u>

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

June 30, 2017

	<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	\$ 88,099,919	\$ 93,934,089	\$ 703,297	\$ 685,786	\$ 183,423,091
Funds held for others	<u>102,844,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,844,967</u>
Total investments	<u>\$ 190,944,886</u>	<u>\$ 93,934,089</u>	<u>\$ 703,297</u>	<u>\$ 685,786</u>	<u>\$ 286,268,058</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
New Orleans, Louisiana**

For the year ended June 30, 2017

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/>
	\$	<hr/> 0

Note: No public funds were used to pay the Archbishop's salary, benefits, or any other compensation during the year ended June 30, 2017.

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, 2017, 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, 2017.

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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness. (See item 2017-001).

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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2017-002.

Administrative Offices' Response to Findings

The Administrative Offices' response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Administrative Offices' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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, 2017.

**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, 2017. 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, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-004. Our opinion on the major federal program is not modified with respect to this matter.

The Administrative Offices' response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. The Administrative Offices' response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control over compliance, as described as item 2017-003 in the accompanying schedule of findings and questioned costs, that we consider to be a material weakness.

The Administrative Offices' response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. The Administrative Offices' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Bougeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
December 29, 2017.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARD

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

For the year ended June 30, 2017

<u>Federal Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
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)	97.036	1603-DR-LA	<u>\$ 14,167,623</u>
Total expenditures of federal award			<u>\$ 14,167,623</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, 2017

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, 2017. 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. The Administrative Offices has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

Note 3 - SUBRECIPIENT PAYMENTS

The Administrative Offices did not pass through awards to subrecipients during fiscal year 2017.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

For the year ended June 30, 2017

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 programs: unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance? 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: \$425,029

Auditee qualified as a low-risk auditee? Yes No

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements**

Internal Control Over Financial Reporting

**2017-001 Adjustment Related to Duplicate Receipt of Reimbursement - Disaster Grants
- Public Assistance (Presidentially Declared Disasters) CFDA No. 97.036
(Repeat of Finding 16-01)**

Criteria - Internal controls over financial reporting should prevent, or detect and correct, a material misstatement of the financial statements.

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

Context - Isolated.

Cause - The Administrative Offices' internal controls did not detect that an electronic funds transfer received represented a duplicate reimbursement of an invoice which was erroneously included on two separate reimbursement requests submitted to the Louisiana Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), the pass through agency.

Effect - The internal control failure resulted in an overstatement of income and an understatement of liabilities in the Administrative Offices' accounting books and records.

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements (Continued)**

Internal Control Over Financial Reporting (Continued)

**2017-001 Adjustment Related to Duplicate Receipt of Reimbursement - Disaster Grants
- Public Assistance (Presidentially Declared Disasters) CFDA No. 97.036
(Repeat of Finding 16-01) (Continued)**

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.

Views of responsible officials and planned corrective actions - See Corrective Action Plan.

Compliance

2017-002 See 2017-004 below.

Section III - Federal Awards Findings and Questioned Costs

Internal Control

**2017-003 Unallowable Costs Were Submitted for Reimbursement Under Funding for
Disaster Grants - Public Assistance (Presidentially Declared Disasters) CFDA
No. 97.036**

Criteria - Internal controls over compliance should prevent, or detect and correct, a material noncompliance with a type of compliance requirement of a federal program.

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

Context - See 2017-004 below.

Cause - See 2017-004 below.

Effect - See 2017-004 below.

Section III - Federal Awards Findings and Questioned Costs (Continued)

Internal Control (Continued)

2017-003 Unallowable Costs Were Submitted for Reimbursement Under Funding for Disaster Grants - Public Assistance (Presidentially Declared Disasters) CFDA No. 97.036 (Continued)

Recommendation - See 2017-004 below.

Views of responsible officials and planned corrective actions - See Corrective Action Plan.

Compliance

Questioned
Costs

2017-004 Unallowable Costs Were Submitted for Reimbursement Under Funding for Disaster Grants - Public Assistance (Presidentially Declared Disasters) CFDA No. 97.036

\$809,989

Criteria - Only allowable costs should be submitted for reimbursement under the Federal award program.

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

Context - As part of our tests of internal control and compliance with the requirements of the Federal award program, we tested 62 out of 136 reimbursement requests submitted to GOHSEP, which totaled 86% of the Federal award expenditures for the year ended June 30, 2017 for compliance with requirements of the award. We identified one instance of a submission of unallowable costs for reimbursement. No other instances of unallowable costs submitted for reimbursement were noted.

Cause - The Administrative Offices' internal controls did not detect that an individual invoice for expenditures was erroneously submitted to GOHSEP on two separate reimbursement requests.

Effect - A weakness in the Administrative Offices' internal controls over the submission of invoices for reimbursement to GOHSEP resulted in the submission of a request for reimbursement for unallowed costs, which was processed and paid by GOHSEP.

Section III - Federal Awards Findings and Questioned Costs (Continued)

Compliance (Continued)

2017-004 Unallowable Costs Were Submitted for Reimbursement Under Funding for Disaster Grants - Public Assistance (Presidentially Declared Disasters) CFDA No. 97.036 (Continued)

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.

Views of responsible officials and planned corrective actions - See Corrective Action Plan.

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, 2017

Finding 16-01 Internal Control Over Financial Reporting

Condition - An adjustment was required to correct the accounting for a duplicate payment of grant funds.

Recommendation - Departments within the organization should be advised of the importance of communicating on a timely basis with the accounting department regarding events or occurrences which may have an effect on the accounting records. Specifically, communication by the Building Office with the accounting department regarding any unusual or duplicate payments received for project work order reimbursements should be documented.

Current Status - Unresolved (See Finding 2017-001). Management has a year-end closing process that includes contacting departments within the organization to ensure that the Accounting Office is aware of events or occurrences that affect the accounting records. The Accounting Office formalized and reinforced the year-end interview process with departments to identify unusual or extraordinary transactions to ensure that they are recorded in a timely manner. Unfortunately, this year-end interview process did not identify a duplicate request and receipt of a reimbursement. See Corrective Action Plan 2017-001.



CORRECTIVE ACTION PLAN

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

For the year ended June 30, 2017

The Roman Catholic Church of the Archdiocese of New Orleans Administrative Offices respectfully submits the following corrective action plan for the year ended June 30, 2017.

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

Audit Period: July 1, 2016 - June 30, 2017.

The findings from the schedule of findings and questioned costs for the year ended June 30, 2017 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS - FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESSES

2017-001 Adjustment Related to Duplicate Receipt of 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.

Action Taken - We concur with the recommendation. When the major federal program ends a review of all reimbursements will be conducted and any discrepancies related to reimbursements will be corrected. However, individual projects within the program can cross fiscal years, therefore, final adjustments might not be recorded in the correct period. The Building Office will now submit a schedule of submitted reimbursement requests to the Accounting Office. The Accounting Office will review and compare this schedule to a separate schedule of reimbursement receipts to ensure accuracy and confirm that duplicate requests for reimbursement have not been submitted.

504-861-6236

Fax: 504-861-6202

accounting@archdiocese-no.org

7887 Walmsley Ave.

New Orleans, La. 70125

2017-002 Unallowable Costs Were Submitted for Reimbursement

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.

Action Taken - See 2017-001 above.

FINDINGS - FEDERAL AWARD

MATERIAL WEAKNESSES

2017-003 Unallowable Costs Were Submitted for Reimbursement

See 2017-002 above.

2017-004 Unallowable Costs Were Submitted for Reimbursement

See 2017-002 above.

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, 2017. Management of the Administrative Offices is responsible for those C/C areas identified in the SAUP's.

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 and associated findings are as follows:

Written Policies and Procedures

- 1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:**

We obtained the Administrative Offices' Accounting Manual.

- a) Budgeting, including preparing, adopting, monitoring, and amending the budget.**

Written Policies and Procedures (Continued)

The Administrative Offices does not have written policies or procedures that address preparing, adopting, monitoring, or amending the budget; however, the Administrative Offices only receives governmental funding for Disaster Grants - Public Assistance (Presidentially Declared Disasters) ("Disaster Grants") from the U.S. Department of Homeland Security passed through by the Louisiana Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) on behalf of certain of its affiliates for whom the grants have been awarded. The grants are only for reimbursements of expenditures made by or on behalf of such affiliates and are based on a budget that is approved by the Federal Emergency Management Agency prior to any expenditures.

- b) 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.**

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. All purchases for which reimbursement is requested under the Disaster Grants are reviewed by Louisiana GOHSEP before reimbursement is issued.

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

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

- d) Receipts, including receiving, recording, and preparing deposits.**

The Administrative Offices does not have written policies or procedures that address receiving, recording, or preparing deposits.

- e) Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.**

This procedure is not applicable as public funds were not used to pay for payroll or personnel costs.

Written Policies and Procedures (Continued)

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

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.

- g) Credit cards (and debit cards, fuel cards, P-cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.**

This procedure is not applicable as public funds were not used to pay for credit cards, debit cards, fuel cards, or P-cards.

- h) Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.**

This procedure is not applicable as public funds were not used for travel expense reimbursement.

- i) Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.**

This procedure is not applicable as the Administrative Offices is a nonprofit organization.

- j) Debt service, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.**

This procedure is not applicable because public funds were not used for debt service.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.**

We obtained the Bylaws of the Finance Council and noted that they stipulate that the Finance Council meet monthly, except in July and August, unless the Archbishop determines that a meeting is not necessary. We reviewed minutes of meetings of the Finance Council and noted that it met eight times during the year with a quorum at each meeting. While this did not comprise monthly meetings, the meeting schedule was in compliance with the Bylaws, as meetings were not deemed necessary for the two additional months during which meetings were not held.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).**

This procedure is not applicable since public funds were received for reimbursement of preapproved expenditures only. Budget-to-actual comparisons are not applicable for these reimbursements.

- 1. If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.**

This procedure is not applicable.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g., approval of contracts and disbursements) for at least one meeting during the fiscal period.**

This procedure is not applicable since there were no new contracts during the period which related to the use of public funds.

Bank Reconciliations

- 3. Obtain a listing of the entity's bank accounts from management and management's representation that the listing is complete.**

We obtained a listing of Administrative Offices bank accounts from management for the fiscal period and noted that public funds are received in one specific bank account. We also obtained management's representation that the listing is complete.

- 4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than five accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:**

- a) Bank reconciliations have been prepared;**

No exceptions were noted.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and**

No exceptions were noted.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than six months as of the end of the fiscal period.**

There were no reconciling items related to public funds which were outstanding for more than six months as of the end of the fiscal period.

Collections

- 5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.**

This procedure is not applicable because all public funds are received via electronic funds transfer.

- 6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than five locations). For each cash collection location selected:**

Collections (Continued)

- a) **Obtain existing written documentation (e.g., insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.**

This procedure is not applicable because all public funds are received via electronic funds transfer.

- b) **Obtain existing written documentation (e.g., sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity's has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.**

This procedure is not applicable as all public funds are received via electronic funds transfer.

- c) **Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:**

1. **Using the entity's collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.**

This procedure is not applicable as all public funds are received via electronic funds transfer.

2. **Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.**

This procedure is not applicable as all public funds are received via electronic funds transfer.

Collections (Continued)

- 7. Obtain existing written documentation (e.g., policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.**

The Administrative Offices does not have written documentation of the process designed to determine completeness of collections of public funds.

Disbursements - General (excluding credit card/debit card/fuel card/P-card purchases or payments)

- 8. Obtain a listing of the entity's disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.**

We obtained a listing of all disbursements related to the use of public funds and a representation from management that the listing is complete.

- 9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g., purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:**

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.**

All disbursements qualifying for reimbursement from public funds were for the payment of construction costs and related professional services; therefore, purchase orders were not applicable.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.**

This procedure is not applicable since expenditures qualifying for reimbursement from public funds were not of the type for which purchase orders are used.

Disbursements - General (excluding credit card/debit card/fuel card/P-card purchases or payments) (Continued)

- c) Payments for purchases were not processed without an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.**

We selected 25 disbursements and obtained supporting documentation. All payments were supported by an approved invoice. Purchase orders and receiving reports were not applicable as all payments were for construction costs and related services.

- 10. Using the entity's documentation (e.g., electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.**

The Administrative Offices does not have written documentation addressing the addition of vendors to the purchasing/disbursement system.

- 11. Using the entity's documentation (e.g., electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.**

The Administrative Offices does not have written documentation which addresses this.

- 12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review the entity's documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.**

Through inquiry of management and observation, we verified that a limited supply of unused checks is maintained in a locked location in the accounting department at the Administrative Offices, with access restricted to those persons that do not have signatory authority.

- 13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.**

Disbursements - General (excluding credit card/debit card/fuel card/P-card purchases or payments) (Continued)

Through inquiry of Administrative Offices management, we verified that neither a signature stamp nor a signature machine is used by the Administrative Offices.

Through inquiry of signers, we verified that signed checks are maintained under the control of the signer or authorized user until mailed.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

- 14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers, and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.**

This procedure is not applicable as credit cards, debit cards, fuel cards, or P-cards are not used for purchases which are eligible for reimbursement from public funds.

- 15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year.**

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.**

This procedure is not applicable as credit cards, debit cards, fuel cards, or P-cards are not used for purchases which are eligible for reimbursement from public funds.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.**

This procedure is not applicable as credit cards, debit cards, fuel cards, or P-cards are not used for purchases which are eligible for reimbursement from public funds.

Credit Cards/Debit Cards/Fuel Cards/P-Cards (Continued)

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e., each of the 10 cards should have one month of transactions subject to testing).

a) For each transaction, report whether the transaction is supported by:

1. An original itemized receipt (i.e., identifies precisely what was purchased).

This procedure is not applicable as credit cards, debit cards, fuel cards, or P-cards are not used for purchases which are eligible for reimbursement from public funds.

2. Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

This procedure is not applicable as credit cards, debit cards, fuel cards, or P-cards are not used for purchases which are eligible for reimbursement from public funds.

3. Other documentation that may be required by written policy (e.g., purchase order, written authorization).

This procedure is not applicable as credit cards, debit cards, fuel cards, or P-cards are not used for purchases which are eligible for reimbursement from public funds.

b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e., transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

This procedure is not applicable as credit cards, debit cards, fuel cards, or P-cards are not used for purchases which are eligible for reimbursement from public funds.

Credit Cards/Debit Cards/Fuel Cards/P-Cards (Continued)

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g., cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

This procedure is not applicable as credit cards, debit cards, fuel cards, or P-cards are not used for purchases which are eligible for reimbursement from public funds.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

This procedure is not applicable as public funds are not utilized for travel expense reimbursement.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

This procedure is not applicable as public funds are not utilized for travel expense reimbursement.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

Travel and Expense Reimbursement (Continued)

This procedure is not applicable as public funds are not utilized for travel expense reimbursement.

b) Report whether each expense is supported by:

- 1. An original itemized receipt that identifies precisely what was purchased. (Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.)**

This procedure is not applicable as public funds are not utilized for travel expense reimbursement.

- 2. Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).**

This procedure is not applicable as public funds are not utilized for travel expense reimbursement.

- 3. Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).**

This procedure is not applicable as public funds are not utilized for travel expense reimbursement.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g., hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.**

This procedure is not applicable as public funds are not utilized for travel expense reimbursement.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.**

This procedure is not applicable as public funds are not utilized for travel expense reimbursement.

Contracts

- 20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.**

We obtained a listing of all contracts in effect during the year ended June 30, 2017 which relate to the use of public funds. We also obtained management's representation that the listing is complete.

- 21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:**

We selected the five contract vendors paid the most money and the related contracts and invoices and performed the following:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.**

For each contract selected, we verified that there is a written contract supporting the services arrangement and the amount paid.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:**

- 1. If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).**

We confirmed that each of the five contracts selected was subject to the Louisiana Public Bid Law and that the Administrative Offices complied with all legal requirements.

- 2. If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.**

This procedure is not applicable as all contracts selected were subject to Louisiana Public Bid Law.

Contracts (Continued)

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.**

The contracts were amended, as follows:

- Contract #1 - original bid \$7,261,155, amended to \$7,509,661
- Contract #2 - original bid \$660,200, amended to \$1,011,155
- Contract #3 - original bid \$10,722,000, amended to \$11,144,620
- Contract #4 - original bid \$15,725,000, amended to \$16,346,805
- Contract #5 - original bid \$12,791,000, amended to \$13,333,136

There was no evidence that amendments were contemplated in the contract terms; however, each contract was for construction and change orders are common.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.**

For the largest payments from each of the five contracts selected, we obtained supporting invoices, compared the invoices to the contract terms, and verified that the invoice and related payments complied with the terms and conditions of the contracts.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g.; Lawrason Act or Home Rule Charter).**

This procedure is not applicable as no policy or law requires board approval.

Payroll and Personnel

- 22. Obtain a listing of employees with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials obtain their personnel files, and:**

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.**

This procedure is not applicable as public funds were not used for payroll or personnel costs.

Payroll and Personnel (Continued)

- b) **Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.**

This procedure is not applicable as public funds were not used for payroll or personnel costs.

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:**

- a) **Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).**

This procedure is not applicable as public funds were not used for payroll or personnel costs.

- b) **Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.**

This procedure is not applicable as public funds were not used for payroll or personnel costs.

- c) **Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.**

This procedure is not applicable as public funds were not used for payroll or personnel costs.

- 24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.**

This procedure is not applicable as public funds were not used for payroll or personnel costs.

Payroll and Personnel (Continued)

- 25. Obtain supporting documentation (e.g., cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.**

This procedure is not applicable as public funds were not used for payroll or personnel costs.

Ethics (Excluding Nonprofits)

- 26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.**

This procedure is not applicable as the Administrative Offices is a nonprofit organization.

- 27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.**

This procedure is not applicable as the Administrative Offices is a nonprofit organization.

Debt Service (Excluding Nonprofits)

- 28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.**

This procedure is not applicable as the Administrative Offices is a nonprofit organization.

- 29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.**

Debt Service (Excluding Non-profits) (Continued)

This procedure is not applicable as the Administrative Offices is a nonprofit organization.

- 30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.**

This procedure is not applicable as the Administrative Offices is a nonprofit organization.

Other

- 31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation 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.

- 32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns 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.

- 33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.**

We did not observe or otherwise identify any exceptions regarding management's representations in the procedures above.

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.

A handwritten signature in black ink that reads "Bougeois Bennett, L.L.C." in a cursive script.

Certified Public Accountants.

New Orleans, Louisiana,
December 29, 2017.