

ARCHDIOCESE OF AGANA

**FINANCIAL STATEMENTS AND INDEPENDENT
ACCOUNTANTS' REVIEW REPORT**

YEAR ENDED JUNE 30, 2014

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Finance Committee
Archdiocese of Agana:

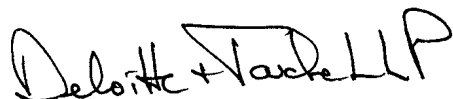
We have reviewed the accompanying statement of financial position of Archdiocese of Agana (Organization) (a not-for-profit corporation) as of June 30, 2014, and the related statement of activities for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, except for the matters discussed in the following paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Due to the exclusion of land and property, plant and equipment from the scope of our engagement, we did not perform review procedures on land and property, plant and equipment, which constitute 91% of the Organization's total assets as of June 30, 2014. Further, due to a lack of details of beginning net asset balances, we were unable to satisfy ourselves with respect to beginning balances and the impact of this matter on the statement of activities is unknown. A statement of cash flows has not been presented. Presentation of a statement of cash flows is required by accounting principles generally accepted in the United States of America.



October 22, 2015

ARCHDIOCESE OF AGANA

Statement of Financial Position

June 30, 2014

(See Accompanying Independent Accountants' Review Report)

ASSETS

Current assets:	
Cash	\$ 4,112,440
Time certificates of deposit	3,168,414
Current portion of investments	807,825
Loans receivable	42,019
Receivables:	
Trade	1,177,330
Related parties	52,066
Other	<u>106,516</u>
	1,335,912
Less: Allowance for doubtful accounts	<u>(553,896)</u>
Receivables, net	782,016
Materials and inventory, net	128,676
Prepaid expenses and other current assets	<u>160,034</u>
Total current assets	9,201,424
Restricted time certificates of deposit	123,568
Investments, net of current portion	4,945,554
Property, plant and equipment, net	56,317,897
Land	86,961,867
Other noncurrent assets	<u>76,486</u>
	<u>\$ 157,626,796</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Current portion of notes payable	\$ 1,411,466
Accounts payable	642,342
Accrued expenses and other current liabilities	785,337
Deferred revenues	<u>1,872,613</u>
Total current liabilities	4,711,758
Notes payable, net of current portion	20,530,546
Deposits and other funds held for others	201,677
Other noncurrent liabilities	<u>134,299</u>
Total liabilities	<u>25,578,280</u>
Commitments	
Net assets:	
Permanently restricted	341,165
Temporarily restricted	1,351,616
Unrestricted	<u>130,355,735</u>
Total net assets	<u>132,048,516</u>
	<u>\$ 157,626,796</u>

See accompanying notes to financial statements.

ARCHDIOCESE OF AGANA

Statement of Activities Year Ended June 30, 2014

(See Accompanying Independent Accountants' Review Report)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Tuition and fees	\$ 15,987,999	\$ -	\$ -	\$ 15,987,999
Grants and contracts	943,810	-	-	943,810
Contributions and collections	7,112,032	-	-	7,112,032
Other income	1,661,611	-	-	1,661,611
Investment income:				
Net change in fair value of investments	479,799	-	-	479,799
Interest and dividends	164,721	-	-	164,721
Net investment income	644,520	-	-	644,520
Total revenues, gains and other support	26,349,972	-	-	26,349,972
Expenses and losses:				
Salaries and wages	10,696,840	-	-	10,696,840
Depreciation	2,693,563	-	-	2,693,563
Power and utilities	1,968,455	-	-	1,968,455
Employee benefits	1,848,648	-	-	1,848,648
Supplies	1,011,599	-	-	1,011,599
Interest	955,835	-	-	955,835
Stipend	839,713	-	-	839,713
Repairs and maintenance	812,728	-	-	812,728
Insurance	658,499	-	-	658,499
Programs	645,064	-	-	645,064
Ground maintenance	484,661	-	-	484,661
Contractual services	463,006	-	-	463,006
Books and periodicals	331,969	-	-	331,969
Student	299,880	-	-	299,880
Honorium	298,024	-	-	298,024
Rent	268,669	-	-	268,669
Communication	241,205	-	-	241,205
Travel	233,250	-	-	233,250
Scholarships	171,067	-	-	171,067
Professional services	165,183	-	-	165,183
Advertising	163,045	-	-	163,045
Subsidy for Redemptoris Mater Seminary	125,838	-	-	125,838
Representation	114,213	-	-	114,213
Donations	104,021	-	-	104,021
Provision for bad debts	33,488	-	-	33,488
Miscellaneous	607,994	-	-	607,994
Total expenses and losses	26,236,457	-	-	26,236,457
Other changes in net assets:				
Gain on disposal of fixed assets	26,267	-	-	26,267
Total change in net assets	139,782	-	-	139,782
Net assets at beginning of year	130,215,953	1,351,616	341,165	131,908,734
Net assets at end of year	\$ 130,355,735	\$ 1,351,616	\$ 341,165	\$ 132,048,516

See accompanying notes to financial statements.

ARCHDIOCESE OF AGANA

Notes to Financial Statements

June 30, 2014

(See Accompanying Independent Accountants' Review Report)

(1) Organization and Purpose

Archdiocese of Agana (the Organization) with a legal title as Archbishop of Agana, a Corporation Sole, Anthony Sablan Apuron OFM Cap., D.D., incumbent, is a duly registered Guam corporation, chartered on January 24, 1969, under Charter No., D-680. Said corporation is a religious, non-stock corporation providing social and educational services to the people of Guam. The Organization comprises twenty-six parishes, nine schools and the Chancery. Total direct expenses of the schools for the year ended June 30, 2014 are \$17,461,930.

(2) Significant Accounting Policies

Accounting Standards

The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Organization's assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The three classes of net assets are as follows:

- Unrestricted
- Temporarily restricted
- Permanently restricted

The Organization has determined that all assets, revenues, expenses, gains and losses resulting from local government and private contributions and federal grants are unrestricted and temporarily restricted, respectively. The Organization has determined that property and equipment and related transfers and depreciation expense, are unrestricted. Assets that are subject to donor-imposed stipulations required to be maintained permanently are classified as permanently restricted. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Time Certificates of Deposit

For the purpose of the statement of financial position, cash is defined as cash on hand, cash in banks and time certificates of deposit with original maturities of three months or less. Time certificates of deposits with original maturities of more than three months are separately presented. As of June 30, 2014, the Organization has cash in bank accounts and time certificates of deposit in banks which exceeded federal depository insurance limits. The Organization has not experienced any losses in such accounts.

ARCHDIOCESE OF AGANA

Notes to Financial Statements
June 30, 2014

(See Accompanying Independent Accountants' Review Report)

(2) Significant Accounting Policies, Continued

Investments

Securities, which are primarily investments in stocks and mutual funds, are recorded at their fair values with fair value determined at quoted market prices. Investments are classified as long-term based on internal restrictions and future use restrictions.

Restricted Support

The Organization reports grants or gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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.

Receivables

Receivables are largely due from individuals on Guam. The Organization establishes an allowance for doubtful accounts based on the credit risk of specific customers, historical trends and other information. Amounts determined uncollectible are charged to bad debts and are added to the allowance. Bad debts are written off against the allowance account based on the specific identification method.

Inventory

Inventory consists of items purchased for resale at school bookstores and at various parishes. Inventory is valued at lower of cost (first-in, first-out) or market value.

Property, Plant and Equipment and Depreciation

The Organization's capitalization policy requires acquisitions of \$500 or more to be capitalized and depreciated over their estimated useful lives. Depreciation of property, plant and equipment is computed under the straight-line method over the following estimated useful lives of the respective assets:

<u>Description</u>	<u>Estimated Useful Life</u>
Buildings	25 - 40 years
Furniture and fixtures	5 - 7 years
Equipment	5 - 7 years
Transportation equipment	5 years
Computer equipment	3 years
Capital improvements	10 - 20 years
Leasehold improvements	10 - 20 years

Land

Land is recorded at cost or fair market value at date of receipt.

ARCHDIOCESE OF AGANA

Notes to Financial Statements
June 30, 2014

(See Accompanying Independent Accountants' Review Report)

(2) Significant Accounting Policies, Continued

Donated Property

Donated property is recorded at market value at the time of receipt.

Deferred Revenue

Deferred revenues include amounts received from tuition and fees prior to the end of the fiscal year that will be recognized in the subsequent accounting period.

Revenue Recognition

The Organization recognizes contributions and collections as revenues in the period received. Tuition and fees are recognized as revenues ratably over the school year to which they apply. Included in revenue for the year ended June 30, 2014 are collections for Peter's Pence of \$14,570 and Good Friday collection of \$27,687.

Advertising

The Organization expenses all advertising costs in the period costs are incurred.

Taxation

The Archdiocese is not subject to Guam income taxes or Guam gross receipts taxes.

For Guam income tax purposes, a tax year remains open to assessment and collection for three years after the later of the due date for filing a tax return or the date on which the tax payer files its return.

(3) Investments

Investments and related investment earnings are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. As of June 30, 2014, investments at fair value are as follows:

Current portion of investments:		
Cash deposits and money market funds	\$	323,985
Common equities		<u>483,840</u>
	\$	<u>807,825</u>
Noncurrent portion:		
Common equities	\$	1,911,784
Fixed income		65,680
Mutual funds		<u>2,968,090</u>
	\$	<u>4,945,554</u>

ARCHDIOCESE OF AGANA

Notes to Financial Statements
June 30, 2014

(See Accompanying Independent Accountants' Review Report)

(4) Property, Plant and Equipment

A summary of property, plant and equipment as of June 30, 2014 is as follows:

Buildings	\$ 74,090,495
Furniture and fixtures	2,852,752
Equipment	3,909,534
Transportation equipment	1,192,018
Computer equipment	178,762
Capital improvements	5,011,476
Leasehold improvements	243,167
Library books	<u>17,104</u>
	87,495,308
Less accumulated depreciation	<u>(31,524,093)</u>
	55,971,215
Construction in progress	<u>346,682</u>
	\$ <u>56,317,897</u>

(5) Temporarily and Permanently Restricted Net Assets

The Organization's temporarily restricted net assets consist mainly of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the related donation be used for a specific purpose. As of June 30, 2014, temporarily restricted net assets are as follows:

Restricted fundraising, primarily capital related	\$ 1,022,522
Various scholarship, Catholic Education and Development Funds	278,452
Archdiocesan Education Endowment Foundation	<u>50,642</u>
	\$ <u>1,351,616</u>

The Organization's permanently restricted net assets consist of scholarship funds in which the donor-imposed stipulations are required to be maintained permanently. As of June 30, 2014, permanently restricted net assets are as follows:

Archbishop Flores Scholarship	\$ 100,000
Ana and Leon Flores Scholarship	100,000
Helen LG Carriveau Memorial Scholarship	101,165
Bishop Baumgartner Memorial Scholarship	<u>40,000</u>
	\$ <u>341,165</u>

ARCHDIOCESE OF AGANA

Notes to Financial Statements
June 30, 2014

(See Accompanying Independent Accountants' Review Report)

(6) Notes Payable

At June 30, 2014, notes payable of \$21,942,012 represent amounts owed various financial institutions that consist of the following:

Fifteen loans bearing interest ranging from 1.21% to 6.00% per annum, with monthly payments ranging from \$555 to \$30,000, due between September 2014 and February 2020. Loans are collateralized by the Organization's assets.	\$ 12,246,892
Six loans bearing interest at 4.125% to 6.25% per annum, with monthly payments ranging from \$925 to \$10,745, maturity dates between November 2017 and August 2019. Four loans are collateralized by real property and improvements, personal property including but not limited to receivables, inventory, furniture, furnishings, equipment and other personal property of the Organization.	5,575,679
Seven small business loans bearing interest from 3.32% to 4% per annum, with monthly payments of \$641 to \$6,916, maturity dates between March 2028 and September 2034, collateralized by deed of trust/mortgage on land.	2,857,956
Two loans bearing interest between 4.70% and 5.13% per annum, with monthly payments ranging from \$2,996 to \$12,262, due in February 2016 and March 2016. Both loans are collateralized by a lien on the Organization's assets.	876,253
Four loans with various financial institutions, bearing interest ranging from 4% to 7.25% per annum, monthly payments of \$305 to \$2,086, maturity dates from June 2022 to March 2028. One loan is collateralized by a reserve deposit account.	<u>385,322</u>
	\$ <u>21,942,012</u>

Principal payments for subsequent years ending June 30 are as follows:

<u>Year</u>	
2015	\$ 1,411,466
2016	4,348,297
2017	3,347,997
2018	2,531,261
2019	5,541,687
Thereafter	<u>4,761,304</u>
	\$ <u>21,942,012</u>

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Notes to Financial Statements
June 30, 2014

(See Accompanying Independent Accountants' Review Report)

(7) Lease Commitments

The Organization leases land and structures to private companies under leases expiring at various times through 2019. Leases call for a fixed minimum rental amount. One lease agreement also requires payment of additional rent above the fixed minimum based on a percentage of the tenant's gross rent from any subleases. Rental income for the year ended June 30, 2014 was \$1,339,238.

Approximate minimum future rental income under long-term leases excluding unexercised renewal options, is as follows:

Year ending June 30,

2015	\$	411,000
2016		484,000
2017		365,000
2018		198,000
2019		198,000
Thereafter		<u>82,000</u>
	\$	<u>1,738,000</u>

(8) Retirement Plan

The Organization does not administer material formal retirement plans. The Archdiocese however assists in administering a trust that was established to fund certain clergy retirement benefits. The Organization does not contribute to this trust. Total trust assets of \$1,642,315 as of June 30, 2014, are not included in the accompanying financial statements.

(9) Subsequent Events

The Organization has considered subsequent events through October 22, 2015, the date upon which the financial statements were available to be issued.

(10) Fair Value of Financial Instruments

Many of the Organization's financial instruments lack an available trading market as characterized by a willing buyer and a willing seller engaging in an exchange transaction.

Estimated fair values have been determined by the Organization using the best available data.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash, Time Certificates of Deposit and Accounts and Loans Receivable

For cash, time certificates of deposit, loans receivable and accounts receivable, the carrying amount is a reasonable estimate of fair value. The carrying amount of cash, time certificates of deposit and accounts receivable approximate fair value based on the short-term nature of the assets.

ARCHDIOCESE OF AGANA

Notes to Financial Statements

June 30, 2014

(See Accompanying Independent Accountants' Review Report)

(10) Fair Value of Financial Instruments, Continued

Investments

Investments are carried at fair market value based on quoted market prices.

Accounts Payable, Accrued Expenses, Notes Payable and Other Current Liabilities

For accounts payable, accrued expenses and other current liabilities, the carrying amount is a reasonable estimate of fair value due to the short-term nature of the liabilities. The carrying amount of notes payable is a reasonable estimate of fair value as they frequently reprice and are at standard current commercial terms.

(11) Related Parties

Amounts due to related parties are non-interest bearing and are due from non-profit corporations affiliated with the Archdiocese.