

ARCHDIOCESE OF AGANA

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

YEARS ENDED JUNE 30, 2018 AND 2017

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Archbishop of Agana
Archdiocese of Agana:

We have reviewed the accompanying statements of financial position of Archdiocese of Agana (Organization) (a not-for-profit corporation) as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and related notes to the financial statements. 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'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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services (SSARs) promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants.

The SSARs require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, except for the matters discussed in the *Known Departure from Accounting Principles Generally Accepted in the United States of America*, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

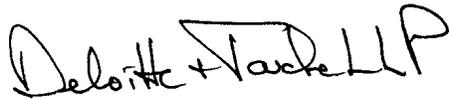
Known Departure from Accounting Principles Generally Accepted in the United States of America

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, and attendant net assets restrictions, if any, which constitute 92% and 93% of the Organization's total assets as of June 30, 2018 and 2017, respectively.

As discussed in note 9 to the financial statements, certain assets have not been included in the accompanying financial statements and the impact of this matter on those financial statements is uncertain.

Emphasis of Matter

As discussed in notes 9 and 12 to the financial statements, the Organization has indicated that it filed for bankruptcy and is subject to significant litigation. The financial statements do not include adjustments that might result from the ultimate outcome of this matter and any assets and liabilities subsequently discovered.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, stylized font.

February 7, 2019

ARCHDIOCESE OF AGANA

Statements of Financial Position

June 30, 2018 and 2017

(See Accompanying Independent Accountants' Review Report)

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current assets:		
Cash	\$ 5,990,044	\$ 4,309,587
Time certificates of deposit	1,381,757	1,849,021
Receivables:		
Trade	2,342,542	1,398,184
Related parties	68,442	29,304
Other	<u>236,259</u>	<u>976,865</u>
	2,647,243	2,404,353
Less: Allowance for doubtful accounts	<u>(1,489,351)</u>	<u>(1,368,171)</u>
Receivables, net	1,157,892	1,036,182
Materials and inventory, net	465,587	434,065
Prepaid expenses and other current assets	<u>219,097</u>	<u>360,329</u>
Total current assets	9,214,377	7,989,184
Restricted time certificates of deposit	283,338	240,188
Investments	1,984,709	2,616,422
Property, plant and equipment, net	51,450,631	52,744,889
Land	88,252,394	86,992,394
Other noncurrent assets	<u>-</u>	<u>27,585</u>
	<u>\$ 151,185,449</u>	<u>\$ 150,610,662</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Current portion of notes payable	\$ 3,113,343	\$ 1,152,710
Accounts payable	1,090,708	1,574,123
Accrued expenses and other current liabilities	1,953,453	948,243
Deferred revenues	<u>1,751,242</u>	<u>1,849,506</u>
Total current liabilities	7,908,746	5,524,582
Notes payable, net of current portion	11,696,975	14,926,375
Other noncurrent liabilities	<u>146,000</u>	<u>31,533</u>
Total liabilities	<u>19,751,721</u>	<u>20,482,490</u>
Commitments and contingencies		
Net assets:		
Permanently restricted	344,245	344,245
Temporarily restricted	1,827,029	1,469,456
Unrestricted	<u>129,262,454</u>	<u>128,314,471</u>
Total net assets	<u>131,433,728</u>	<u>130,128,172</u>
	<u>\$ 151,185,449</u>	<u>\$ 150,610,662</u>

See accompanying notes to financial statements.

ARCHDIOCESE OF AGANA

Statement of Activities
Year Ended June 30, 2018

(See Accompanying Independent Accountants' Review Report)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Tuition and fees	\$ 13,886,309	\$ -	\$ -	\$ 13,886,309
Offertory collections	4,308,767	-	-	4,308,767
Grants, fundraising and contributions	4,166,869	484,207	-	4,651,076
Other regular income	3,959,797	-	-	3,959,797
Investment income:				
Net change in fair value of investments	71,399	-	-	71,399
Interest and dividends	36,504	16,288	-	52,792
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>142,922</u>	<u>(142,922)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>26,572,567</u>	<u>357,573</u>	<u>-</u>	<u>26,930,140</u>
Expenses and losses:				
Salaries, wages and benefits	12,402,723	-	-	12,402,723
Depreciation	3,501,619	-	-	3,501,619
Supplies and other services	2,489,866	-	-	2,489,866
Utilities	2,296,173	-	-	2,296,173
Professional services	1,813,931	-	-	1,813,931
Repairs and maintenance	871,362	-	-	871,362
Interest	620,725	-	-	620,725
Insurance	569,287	-	-	569,287
Leadership development	385,153	-	-	385,153
Fundraising	306,338	-	-	306,338
Contributions and assessments	198,335	-	-	198,335
Cost of items sold	150,458	-	-	150,458
Other taxes	<u>27,066</u>	<u>-</u>	<u>-</u>	<u>27,066</u>
Total expenses and losses	<u>25,633,036</u>	<u>-</u>	<u>-</u>	<u>25,633,036</u>
Other changes in net assets:				
Gain on disposal of fixed assets	<u>8,452</u>	<u>-</u>	<u>-</u>	<u>8,452</u>
Total change in net assets	947,983	357,573	-	1,305,556
Net assets at beginning of year	<u>128,314,471</u>	<u>1,469,456</u>	<u>344,245</u>	<u>130,128,172</u>
Net assets at end of year	\$ <u><u>129,262,454</u></u>	\$ <u><u>1,827,029</u></u>	\$ <u><u>344,245</u></u>	\$ <u><u>131,433,728</u></u>

See accompanying notes to financial statements.

ARCHDIOCESE OF AGANA

Statement of Activities
Year Ended June 30, 2017

(See Accompanying Independent Accountants' Review Report)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support:				
Tuition and fees	\$ 14,386,849	\$ -	\$ -	\$ 14,386,849
Offertory collections	4,250,280	-	-	4,250,280
Grants, fundraising and contributions	2,927,205	66,109	3,080	2,996,394
Other regular income	3,049,880	-	-	3,049,880
Investment income:				
Net change in fair value of investments	280,844	20,366	-	301,210
Interest and dividends	105,421	10,044	-	115,465
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>916,909</u>	<u>(916,909)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>25,917,388</u>	<u>(820,390)</u>	<u>3,080</u>	<u>25,100,078</u>
Expenses and losses:				
Salaries, wages and benefits	12,125,686	-	-	12,125,686
Depreciation	4,458,475	-	-	4,458,475
Professional services	2,458,577	-	-	2,458,577
Supplies and other services	2,446,414	-	-	2,446,414
Utilities	2,036,679	-	-	2,036,679
Repairs and maintenance	878,771	-	-	878,771
Interest	802,812	-	-	802,812
Insurance	529,218	-	-	529,218
Leadership development	504,379	-	-	504,379
Fundraising	456,324	-	-	456,324
Contributions and assessments	339,053	-	-	339,053
Cost of items sold	<u>179,558</u>	<u>-</u>	<u>-</u>	<u>179,558</u>
Total expenses and losses	<u>27,215,946</u>	<u>-</u>	<u>-</u>	<u>27,215,946</u>
Other changes in net assets:				
Gain on disposal of fixed assets	<u>18,519</u>	<u>-</u>	<u>-</u>	<u>18,519</u>
Total change in net assets	<u>(1,280,039)</u>	<u>(820,390)</u>	<u>3,080</u>	<u>(2,097,349)</u>
Net assets at beginning of year	<u>129,594,510</u>	<u>2,289,846</u>	<u>341,165</u>	<u>132,225,521</u>
Net assets at end of year	\$ <u><u>128,314,471</u></u>	\$ <u><u>1,469,456</u></u>	\$ <u><u>344,245</u></u>	\$ <u><u>130,128,172</u></u>

See accompanying notes to financial statements.

ARCHDIOCESE OF AGANA

Statements of Cash Flows
Years Ended June 30, 2018 and 2017
(See Accompanying Independent Accountants' Review Report)

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 1,305,556	\$ (2,097,349)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,501,619	4,458,475
Bad debts	101,000	102,856
Gain on sale of fixed assets	(8,452)	(17,384)
Interest and dividends reinvested	(52,792)	(125,509)
Net realized and unrealized investment gains	(71,399)	(288,091)
(Increase) decrease in assets:		
Receivables	(222,710)	(480,214)
Materials and inventory	(31,522)	9,071
Prepaid expenses and other current assets	141,232	87,470
Other noncurrent assets	27,585	32,525
Increase (decrease) in liabilities:		
Accounts payable	(483,415)	525,751
Accrued expenses and other current liabilities	1,005,210	(257,339)
Deferred revenues	(98,264)	300,979
Other noncurrent liabilities	114,467	(38,293)
Net cash provided by operating activities	5,228,115	2,212,948
Cash flows from investing activities:		
Purchases of property and equipment	(1,658,909)	(2,396,909)
Proceeds from withdrawals and maturities of time certificates of deposit	424,114	628,796
Proceeds from sale and maturities of investments	755,904	3,436,049
Net cash (used in) provided by investing activities	(478,891)	1,667,936
Cash flows from financing activities:		
Principal payments on loans payable	(3,068,767)	(3,887,800)
Change in cash and cash equivalents	1,680,457	(6,916)
Cash and cash equivalents at beginning of year	4,309,587	4,316,503
Cash and cash equivalents at end of year	\$ 5,990,044	\$ 4,309,587
Supplemental disclosure on cash flow information:		
Cash paid during the year for interest	\$ 620,725	\$ 802,812

Non-cash investing and financing transactions:

During the year ended June 30, 2018, the Organization received a donation of land and building of \$1,800,000 with an associated outstanding loan of \$201,952 and a related party payable of \$146,000.

See accompanying notes to financial statements.

ARCHDIOCESE OF AGANA

Notes to Financial Statements

June 30, 2018 and 2017

(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, Most Rev. Michael Jude Byrnes, Archbishop of Agana, with Special Faculties, 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 comprised twenty-six parishes, seven diocesan schools and the Chancery. Total direct expenses of the schools for the years ended June 30, 2018 and 2017 are \$16,396,023 and \$17,766,196, respectively.

The Organization does not include certain separate non-profit related entities such as Catholic Social Service, Catholic Cemeteries of Guam, Inc., Catholic Education Radio-Archdiocese of Agana, Kamalen Karidat and Redemptoris Mater Seminary. Related party transactions with these entities are generally not material to the accompanying financial statements with the exception of certain debt guarantees (notes 11 and 12).

The Organization has recorded buildings attendant to one school, Our Lady of Mt. Carmel, but does not record other related assets, liabilities and operations as the Organization is not legally responsible for that School's liabilities under the terms of an associated operating agreement.

(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 contributions are unrestricted or temporarily restricted. 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.

ARCHDIOCESE OF AGANA

Notes to Financial Statements
June 30, 2018 and 2017
(See Accompanying Independent Accountants' Review Report)

(2) Significant Accounting Policies, Continued

Cash and Cash Equivalents and Time Certificates of Deposit

For the purpose of the statements of financial position and cash flows, cash and cash equivalents are defined as cash on hand, cash in banks and time certificates of deposit with original maturities of three months or less. Time certificates of deposit with original maturities of more than three months are separately presented. As of June 30, 2018 and 2017, 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.

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.

The Organization has adopted the requirements of FASB ASC 320-958, *Investments-Not-For-Profit Entities*, which requires that equity securities that have readily determinable fair values and all investments in debt securities be measured at fair value in the statement of financial position.

The Organization uses fair value measurements to record fair value adjustments to investments and to determine fair value disclosures. In accordance with FASB Accounting Standards Codification (ASC) Topic 820 "*Fair Value Measurements and Disclosures*," the fair value of a financial instrument 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. Fair value is best determined based upon quoted market prices. FASB ASC 820 establishes a fair value hierarchy that prioritizes the use of inputs used in valuation methodologies into the following three levels:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization 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; and
- 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.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to FASB ASC 820. At June 30, 2018 and 2017, the Organization has determined that all of its investments are Level 1 assets.

ARCHDIOCESE OF AGANA

Notes to Financial Statements
June 30, 2018 and 2017
(See Accompanying Independent Accountants' Review Report)

(2) Significant Accounting Policies, Continued

Investments, Continued

If the Organization were to change its valuation inputs for measuring financial assets at fair value, either due to changes in current market condition or other factors, it may need to transfer those assets to another level in the hierarchy based on the new inputs used. The Organization would recognize these transfers at the end of the reporting period in which the transfers occurred. During the years ended June 30, 2018 and 2017, there were no transfers of financial assets between the hierarchy levels.

The asset 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.

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, mainly from schools, 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 - 50 years
Furniture and fixtures	5 - 10 years
Equipment	5 - 10 years
Transportation equipment	5 years
Computer equipment	3 - 5 years
Capital improvements	10 - 20 years
Leasehold improvements	10 - 20 years

ARCHDIOCESE OF AGANA

Notes to Financial Statements
June 30, 2018 and 2017
(See Accompanying Independent Accountants' Review Report)

(2) Significant Accounting Policies, Continued

Land

Land is recorded at cost or fair market value at date of receipt. While the Archdiocese has taken reasonable steps to record all land to which it holds title in the accompanying financial statements, it is in the process of verifying that all land has been recorded and the values that should be assigned to those assets. Attendant adjustments, if any, that result will be recorded upon completion of this process.

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. Tuition and fees are recorded net of applicable discounts and scholarships of \$736,047 in 2018 and \$1,135,239 in 2017. Included in revenue for the year ended June 30, 2017 are collections for Peter's Pence of \$14,744, Mission Sunday of \$15,145, Holy Childhood of \$22,980, St. Peter The Apostle of \$14,711 and Good Friday of and \$19,829, respectively. In 2018, these collections are recorded as custodial funds and are included in the accrued expenses and other current liabilities in the accompanying 2018 financial statements.

Advertising

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

Taxation

The Organization 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.

ARCHDIOCESE OF AGANA

Notes to Financial Statements
June 30, 2018 and 2017
(See Accompanying Independent Accountants' Review Report)

(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. Gains, including interest and dividends, and losses on investments are reported 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. As of June 30, 2018 and 2017, investments at fair value are as follows:

	<u>2018</u>	<u>2017</u>
Cash deposits and money market funds	\$ 462,292	\$ 504,259
Common equities	751,880	1,370,110
Fixed income	320,691	335,757
Exchange-traded funds	2,245	4,703
Mutual funds	<u>447,601</u>	<u>401,593</u>
	<u>\$ 1,984,709</u>	<u>\$ 2,616,422</u>

(4) Property, Plant and Equipment

A summary of property, plant and equipment as of June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Buildings	\$ 75,310,122	\$ 75,641,346
Fixed equipment and machinery	1,258,385	1,080,977
Transportation equipment	1,320,761	1,335,501
Capital improvements	7,650,403	7,373,107
Equipment and furnishings	8,677,517	8,327,400
Library books and others	<u>168,625</u>	<u>276,302</u>
	94,385,813	94,034,633
Less accumulated depreciation	<u>(43,897,741)</u>	<u>(41,431,451)</u>
	50,488,072	52,603,182
Construction in progress	<u>962,559</u>	<u>141,707</u>
	<u>\$ 51,450,631</u>	<u>\$ 52,744,889</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, 2018 and 2017, temporarily restricted net assets are as follows:

	<u>2018</u>	<u>2017</u>
Restricted fundraising, primarily capital related	\$ 1,390,830	\$ 1,083,097
Various scholarship, Catholic Education and Development Funds	385,292	335,513
Archdiocesan Education Endowment Foundation	<u>50,907</u>	<u>50,846</u>
	<u>\$ 1,827,029</u>	<u>\$ 1,469,456</u>

ARCHDIOCESE OF AGANA

Notes to Financial Statements
June 30, 2018 and 2017
(See Accompanying Independent Accountants' Review Report)

(5) Temporarily and Permanently Restricted Net Assets, Continued

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, 2018 and 2017, permanently restricted net assets are as follows:

	<u>2018</u>	<u>2017</u>
Archbishop Flores Scholarship	\$ 100,000	\$ 100,000
Ana and Leon Flores Scholarship	100,000	100,000
Helen LG Carriveau Memorial Scholarship	104,245	104,245
Bishop Baumgartner Memorial Scholarship	<u>40,000</u>	<u>40,000</u>
	<u>\$ 344,245</u>	<u>\$ 344,245</u>

(6) Notes Payable

At June 30, 2018 and 2017, notes payable of \$14,810,318 and \$16,079,085, respectively, represent amounts owed various financial institutions that consist of the following:

	<u>2018</u>	<u>2017</u>
Eleven unsecured loans bearing interest ranging from 4.00% to 5.50% per annum, with monthly payments ranging from \$1,082 to \$26,596, due between December 2018 and November 2020.	\$ 10,512,439	\$ 11,383,641
Loans with various financial institutions, bearing interest ranging from 3.37% to 6.00% per annum, monthly payments of from \$3,582 to \$11,568, maturity dates between August 2020 and December 2023. One loan is subject to the Organization's guarantee, one is collateralized by a lien on the Organization's assets, and one is collateralized by the Organization's building.	2,581,352	2,634,553
Five small business loans bearing interest from 3.32% to 4.00% per annum, with monthly payments of \$2,091 to \$6,916, maturity dates between April 2028 and July 2034, collateralized by a deed of trust/mortgage on land.	1,686,616	2,029,698
Four loans collateralized by vehicles with various financial institutions bearing interest at 4.00% to 6.90% per annum, with monthly payments ranging from \$257 to \$389, maturity dates between September 2019 and December 2020.	<u>29,911</u>	<u>31,193</u>
	<u>\$ 14,810,318</u>	<u>\$ 16,079,085</u>

ARCHDIOCESE OF AGANA

Notes to Financial Statements
June 30, 2018 and 2017
(See Accompanying Independent Accountants' Review Report)

(6) Notes Payable, Continued

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

<u>Year ending June 30,</u>	
2019	\$ 3,113,343
2020	4,616,893
2021	5,849,115
2022	141,402
2023	140,188
Thereafter	<u>949,377</u>
	\$ <u>14,810,318</u>

(7) Lease Commitments

The Organization leases land and structures to private companies under leases expiring at various times through 2047. 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 years ended June 30, 2018 and 2017 was \$1,312,020 and \$1,098,690, respectively.

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

<u>Year ending June 30,</u>	
2019	\$ 628,000
2020	511,000
2021	430,000
2022	312,000
2023	151,000
Thereafter	<u>4,422,000</u>
	\$ <u>6,454,000</u>

(8) Retirement Plan

On January 18, 2018, the Organization established a retirement savings plan for its priests and lay personnel, who are eligible to enter the plan upon date of hire. The Organization contributes \$50 monthly for each priest. Each priest may contribute an amount up to an established threshold. The related assets are held in trust by an external party.

The Organization also 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 \$1,676,350 and \$1,632,340 as of June 30, 2018 and 2017, respectively, are not included in the accompanying financial statements. As discussed in note 9, subsequent to June 30, 2018, the trust assets are reported as custodial assets in the Organization financial statements.

ARCHDIOCESE OF AGANA

Notes to Financial Statements
June 30, 2018 and 2017

(See Accompanying Independent Accountants' Review Report)

(9) Subsequent Events

The Organization has considered subsequent events through February 7, 2019, the date upon which the financial statements were available to be issued.

The Organization filed for bankruptcy on January 16, 2019. In preparation for its filing, the Organization recorded in its financial statements the retirement plan's trust assets of \$1,620,031 and other previously undisclosed custodial, unrestricted and restricted assets of \$120,288, \$25,136, and \$18,748, respectively. These assets were not presented in the financial statements as of June 30, 2018.

(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 Receivable

For cash, time certificates of deposit 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.

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. In 2018, land and building of \$1,800,000 with an associated outstanding loan of \$201,952 and a related party payable of \$146,000 were donated by Kamalen Karidat to the Organization. Subsequent to June 30, 2018, the land and building were sold.

ARCHDIOCESE OF AGANA

Notes to Financial Statements
June 30, 2018 and 2017
(See Accompanying Independent Accountants' Review Report)

(12) Contingency

The Organization is involved in litigation which could have a material impact on the accompanying financial statements. The Organization has also filed for bankruptcy. No provision has been made in the financial statements with respect to these matters as the ultimate outcome is presently undeterminable.

As of June 30, 2018 and 2017, the Organization has guaranteed debt of \$2,182,328 and \$2,284,273, respectively, of the Catholic Social Service and \$2,436,959 and \$2,537,117, respectively, of the Catholic Cemeteries of Guam, Inc.