

ARCHDIOCESE OF AGANA

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

YEARS ENDED JUNE 30, 2015 AND 2014

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Archbishop of Agana
Archdiocese of Agana:

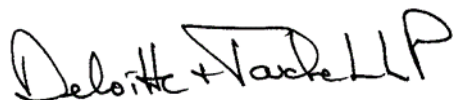
We have reviewed the accompanying statements of financial position of Archdiocese of Agana (Organization) (a not-for-profit corporation) as of June 30, 2015 and 2014, and the related statements of activities for the years then ended and the statement of cash flows for the year ended June 30, 2015. A 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 reviews, 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 90% and 91% of the Organization's total assets as of June 30, 2015 and 2014, respectively. Further, due to a lack of details of beginning net asset balances, we were unable to satisfy ourselves with respect to beginning balances as of June 30, 2014 and the impact of this matter on the statement of activities is unknown for the year ended June 30, 2014. A statement of cash flows for the year ended June 30, 2014 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 31, 2016

ARCHDIOCESE OF AGANA

Statements of Financial Position

June 30, 2015 and 2014

(See Accompanying Independent Accountants' Review Report)

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Current assets:		
Cash	\$ 4,693,923	\$ 4,112,440
Time certificates of deposit	2,579,369	3,168,414
Loans receivable	39,350	42,019
Receivables:		
Trade	1,312,161	1,177,330
Related parties	101,096	52,066
Other	236,538	106,516
	<u>1,649,795</u>	<u>1,335,912</u>
Less: Allowance for doubtful accounts	(705,156)	(553,896)
Receivables, net	<u>944,639</u>	<u>782,016</u>
Materials and inventory, net	215,163	128,676
Prepaid expenses and other current assets	<u>314,375</u>	<u>160,034</u>
Total current assets	8,786,819	8,393,599
Restricted time certificates of deposit	174,079	123,568
Investments	6,313,672	5,753,379
Property, plant and equipment, net	54,702,048	56,317,897
Land	86,989,489	86,961,867
Other noncurrent assets	<u>80,411</u>	<u>76,486</u>
	<u>\$ 157,046,518</u>	<u>\$ 157,626,796</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Current portion of notes payable	\$ 2,142,094	\$ 1,411,466
Accounts payable	681,085	642,342
Accrued expenses and other current liabilities	976,202	785,337
Deferred revenues	<u>2,055,708</u>	<u>1,872,613</u>
Total current liabilities	5,855,089	4,711,758
Notes payable, net of current portion	18,441,819	20,530,546
Deposits and other funds held for others	229,843	201,677
Other noncurrent liabilities	<u>189,151</u>	<u>134,299</u>
Total liabilities	<u>24,715,902</u>	<u>25,578,280</u>
Commitments		
Net assets:		
Permanently restricted	341,165	341,165
Temporarily restricted	2,546,699	1,351,616
Unrestricted	<u>129,442,752</u>	<u>130,355,735</u>
Total net assets	<u>132,330,616</u>	<u>132,048,516</u>
	<u>\$ 157,046,518</u>	<u>\$ 157,626,796</u>

See accompanying notes to financial statements.

ARCHDIOCESE OF AGANA

Statement of Activities Year Ended June 30, 2015 (See Accompanying Independent Accountants' Review Report)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Tuition and fees, net	\$ 16,675,949	\$ -	\$ -	\$ 16,675,949
Grants and contracts	914,704	-	-	914,704
Contributions and collections	5,530,775	1,109,419	-	6,640,194
Other income	1,492,933	-	-	1,492,933
Investment income:				
Net change in fair value of investments	529,775	68,426	-	598,201
Interest and dividends	109,707	17,238	-	126,945
Net investment income	639,482	85,664	-	725,146
Total revenues, gains and other support	25,253,843	1,195,083	-	26,448,926
Expenses and losses:				
Salaries and wages	10,637,532	-	-	10,637,532
Depreciation	3,032,649	-	-	3,032,649
Power and utilities	1,947,137	-	-	1,947,137
Employee benefits	1,785,749	-	-	1,785,749
Interest	888,407	-	-	888,407
Repairs and maintenance	865,130	-	-	865,130
Stipend	769,643	-	-	769,643
Supplies	765,789	-	-	765,789
Programs	754,255	-	-	754,255
Contractual services	599,836	-	-	599,836
Student	549,176	-	-	549,176
Insurance	499,821	-	-	499,821
Honorium	331,807	-	-	331,807
Rent	296,999	-	-	296,999
Communication	273,003	-	-	273,003
Provision for bad debts	252,116	-	-	252,116
Books and periodicals	230,596	-	-	230,596
Advertising	188,580	-	-	188,580
Professional services	179,259	-	-	179,259
Travel	174,260	-	-	174,260
Ground maintenance	110,410	-	-	110,410
Representation	106,404	-	-	106,404
St. John Paul the Great Seminary	105,274	-	-	105,274
Subsidy for Redemptoris Mater Seminary	77,935	-	-	77,935
Donations	72,647	-	-	72,647
Scholarships	29,351	-	-	29,351
Miscellaneous	662,924	-	-	662,924
Total expenses and losses	26,186,689	-	-	26,186,689
Other changes in net assets:				
Gain on disposal of fixed assets	19,863	-	-	19,863
Total change in net assets	(912,983)	1,195,083	-	282,100
Net assets at beginning of year	130,355,735	1,351,616	341,165	132,048,516
Net assets at end of year	\$ 129,442,752	\$ 2,546,699	\$ 341,165	\$ 132,330,616

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, net	\$ 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

Statement of Cash Flows Year Ended June 30, 2015

	<u>2015</u>
Cash flows from operating activities:	
Change in net assets	\$ 282,100
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	3,032,649
Bad debts	252,116
Gain on sale of fixed assets	(19,863)
Interest and dividends reinvested	(126,945)
Net realized and unrealized investment gain	(598,201)
(Increase) decrease in assets:	
Loans receivable	2,669
Receivables	(414,739)
Materials and inventory	(86,487)
Prepaid expenses and other current assets	(154,341)
Other noncurrent assets	(3,925)
Increase (decrease) in liabilities:	
Accounts payable	38,743
Accrued expenses and other current liabilities	190,865
Deferred revenues	183,095
Deposits and other funds held for others	28,166
Other noncurrent liabilities	54,852
Net cash provided by operating activities	<u>2,660,754</u>
Cash flows from investing activities:	
Purchases of property and equipment	(1,424,559)
Proceeds from withdrawals and maturities of time certificate of deposits	538,534
Proceeds from sale and maturities of investments	164,853
Net cash used in investing activities	<u>(721,172)</u>
Cash flows from investing activities:	
Principal payments on loans payable	<u>(1,358,099)</u>
Change in cash and cash equivalents	581,483
Cash and cash equivalents at beginning of year	<u>4,112,440</u>
Cash and cash equivalents at end of year	\$ <u><u>4,693,923</u></u>
Supplemental disclosure on cash flow information:	
Cash paid during the year for interest	\$ <u><u>888,407</u></u>

See accompanying notes to financial statements.

ARCHDIOCESE OF AGANA

Notes to Financial Statements

June 30, 2015 and 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 comprised twenty-six parishes, nine schools and the Chancery. Total direct expenses of the schools for the years ended June 30, 2015 and 2014 are \$17,408,011 and \$17,461,930, respectively.

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

The Organization determined that one of the nine schools, St. Thomas Aquinas High School (the School), be closed as of June 30, 2015. The Organization is responsible for payment of the School's recorded liabilities of \$308,320 and a loan payable of \$2,167,339 as of June 30, 2015. Recorded liabilities at June 30, 2015 include an accrual for the School's closing costs.

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 local government and private contributions 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.

ARCHDIOCESE OF AGANA

Notes to Financial Statements

June 30, 2015 and 2014

(See Accompanying Independent Accountants' Review Report)

(2) Significant Accounting Policies, Continued

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 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, 2015 and 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.

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 all investments and to determine fair value disclosures. In accordance with FASB ASC 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: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury securities that are highly liquid and are actively traded in over-the-counter markets.
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

ARCHDIOCESE OF AGANA

Notes to Financial Statements

June 30, 2015 and 2014

(See Accompanying Independent Accountants' Review Report)

(2) Significant Accounting Policies, Continued

Investments, Continued

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment and estimation.

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, 2015 and 2014, the Organization has determined that all of its investments are Level 1 assets.

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

ARCHDIOCESE OF AGANA

Notes to Financial Statements
June 30, 2015 and 2014
(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.

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 \$670,000 in 2015 and \$619,000 in 2014. Included in revenue for the years ended June 30, 2015 and 2014 are collections for Peter's Pence of \$13,180 and \$14,571, Mission Sunday of \$15,041 and \$17,740, Holy Childhood of \$12,998 and \$16,276, St. Peter The Apostle of \$22,749 and \$0 and Good Friday of \$21,106 and \$27,687, respectively.

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.

(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, 2015 and 2014, investments at fair value are as follows:

ARCHDIOCESE OF AGANA

Notes to Financial Statements June 30, 2015 and 2014 (See Accompanying Independent Accountants' Review Report)

(3) Investments, Continued

	<u>2015</u>	<u>2014</u>
Cash deposits and money market funds	\$ 368,212	\$ 323,985
Common equities	2,355,359	2,395,624
Fixed income	678,366	65,680
Exchange-traded funds	199,263	-
Mutual funds	<u>2,712,472</u>	<u>2,968,090</u>
	<u>\$ 6,313,672</u>	<u>\$ 5,753,379</u>

The Organization's investments are restricted for future use unless being required to liquidate. The Organization currently does not have a plan or intent to so liquidate.

(4) Property, Plant and Equipment

A summary of property, plant and equipment as of June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Buildings	\$ 74,166,194	\$ 74,090,495
Furniture and fixtures	2,989,114	2,852,752
Equipment	4,139,900	3,909,534
Transportation equipment	1,296,778	1,192,018
Computer equipment	169,294	178,762
Capital improvements	5,608,847	5,011,476
Leasehold improvements	-	243,167
Library books	<u>12,721</u>	<u>17,104</u>
	88,382,848	87,495,308
Less accumulated depreciation	<u>(34,093,966)</u>	<u>(31,524,093)</u>
	54,288,882	55,971,215
Construction in progress	<u>413,166</u>	<u>346,682</u>
	<u>\$ 54,702,048</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, 2015 and 2014, temporarily restricted net assets are as follows:

	<u>2015</u>	<u>2014</u>
Restricted fundraising, primarily capital related	\$ 2,253,280	\$ 1,022,522
Various scholarship, Catholic Education and Development Funds	242,718	278,452
Archdiocesan Education Endowment Foundation	<u>50,701</u>	<u>50,642</u>
	<u>\$ 2,546,699</u>	<u>\$ 1,351,616</u>

ARCHDIOCESE OF AGANA

Notes to Financial Statements June 30, 2015 and 2014 (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, 2015 and 2014, permanently restricted net assets are as follows:

	<u>2015</u>	<u>2014</u>
Archbishop Flores Scholarship	\$ 100,000	\$ 100,000
Ana and Leon Flores Scholarship	100,000	100,000
Helen LG Carriveau Memorial Scholarship	101,165	101,165
Bishop Baumgartner Memorial Scholarship	<u>40,000</u>	<u>40,000</u>
	\$ <u>341,165</u>	\$ <u>341,165</u>

(6) Notes Payable

At June 30, 2015 and 2014, notes payable of \$20,583,913 and \$21,942,012, respectively, represent amounts owed various financial institutions that consist of the following:

	<u>2015</u>	<u>2014</u>
Fourteen loans bearing interest ranging from 1.21% to 6.00% per annum, with monthly payments ranging from \$555 to \$30,000, due between August 2015 and November 2020. Loans are unsecured except for one collateralized by time certificates of deposit.	\$ 11,485,013	\$ 12,246,892
Seven loans bearing interest at 4.125% to 6.90% per annum, with monthly payments ranging from \$257 to \$10,745, maturity dates between November 2017 and August 2020. Three loans are collateralized by vehicles while the rest are collateralized by the Organization's assets.	5,458,826	5,575,679
Seven small business loans bearing interest from 3.32% to 4.00% per annum, with monthly payments of \$925 to \$6,916, maturity dates between March 2028 and September 2034, collateralized by deed of trust/mortgage on land.	2,645,149	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.	722,736	876,253
Other loans with various financial institutions, bearing interest ranging from 3.45% to 6.25% per annum, monthly payments of \$389 to \$23,184, maturity dates from September 2018 to March 2028. One loan is collateralized by a reserve deposit account, two loans are collateralized by vehicles and one loan is subject to the Organization's guarantee.	<u>272,189</u>	<u>385,322</u>
	\$ <u>20,583,913</u>	\$ <u>21,942,012</u>

ARCHDIOCESE OF AGANA

Notes to Financial Statements
June 30, 2015 and 2014
(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>	
2016	\$ 2,142,094
2017	4,008,981
2018	3,097,583
2019	4,107,171
2020	5,007,586
Thereafter	<u>2,220,498</u>
	\$ <u>20,583,913</u>

(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 years ended June 30, 2015 and 2014 was \$1,226,482 and \$1,339,238, respectively.

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

<u>Year ending June 30,</u>	
2016	\$ 484,000
2017	365,000
2018	198,000
2019	198,000
2020	<u>82,000</u>
	\$ <u>1,327,000</u>

(8) Retirement Plan

The Organization does not administer material formal retirement plans. The Organization 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 \$1,601,229 and \$1,642,315 as of June 30, 2015 and 2014, respectively, are not included in the accompanying financial statements.

(9) Subsequent Events

The Organization has considered subsequent events through October 31, 2016, the date upon which the financial statements were available to be issued.

ARCHDIOCESE OF AGANA

Notes to Financial Statements

June 30, 2015 and 2014

(See Accompanying Independent Accountants' Review Report)

(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.

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.

(12) Contingency

Subsequent to June 30, 2015, the Organization has become involved in existing or threatened litigation which could have a material impact on the accompanying financial statements. 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, 2015 and 2014, the Organization has guaranteed debt of \$1,901,089 and \$1,975,418, respectively, of the Catholic Social Service and \$2,732,562 and \$2,824,525, respectively, of the Catholic Cemeteries of Guam, Inc.