

CORPORATION OF THE CATHOLIC BISHOP OF JUNEAU

The Program and Administrative Office of
the Diocese of Juneau

FINANCIAL STATEMENTS

For the Years Ended June 30, 2014 and 2013

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

CHRISTINE E. HARRINGTON

Certified Public Accountant, LLC

329 Harbor Drive, Suite 210, P.O. Box 1328 Sitka, Alaska 99835 (907) 747-5500

To the Most Reverend Bishop Edward J Burns
Corporation of the Catholic Bishop of Juneau

Independent Auditor's Report

Report on the Financial Statements

I have audited the accompanying financial statements of the Corporation of the Catholic Bishop of Juneau, the Program and Administrative Office of the Diocese of Juneau (a nonprofit sole organization), which comprise the balance sheets as of June 30, 2014 and 2013 and the related statements of activities and changes in net assets, 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 control 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


My responsibility is to express an opinion on these financial statement based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit 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, I 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation of the Catholic Bishop of Juneau, the Program and Administrative Office of the Diocese of Juneau as of June 30, 2014 and 2013, 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.



Sitka, Alaska
November 28, 2014

**CORPORATION OF THE CATHOLIC BISHOP
OF JUNEAU**

LETTER TO THE BISHOP AND FINANCE COUNCIL

JUNE 30, 2014

CHRISTINE E. HARRINGTON

Certified Public Accountant, LLC

329 Harbor Drive, Suite 210, P.O. Box 1328 Sitka, Alaska 99835 (907) 747-5500

December 14, 2014

To the Most Reverend Bishop Edward J Burns and
the Finance Council of the Corporation of the
Catholic Bishop of Juneau

I have audited the financial statements of Corporation of the Catholic Bishop of Juneau (commonly referred to and known as the Diocese) for the year ended June 30, 2014, and have issued my report thereon dated November 28, 2014. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of my audit. I have communicated such information to you in my letter dated September 29, 2014 (a copy of which follows this report). Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Diocese are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during FY2014. I noted no transactions entered into by the organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. I noted no sensitive estimates affecting the financial statements for the year ending June 30, 2014.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. I did not propose any adjustments to the financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated November 28, 2014 (a copy of which follows on the Diocese letterhead).

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves the application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the organization's auditors. However, these discussions occurred in the normal course of our professional relationship and my responses were not a condition of my retention.

Other Matters

In the course of my audit, I noted other matters which I would like to bring to the attention of the Diocese. These matters do not affect my report on the financial statements of the Diocese.

Written Policies and Procedures for Finance

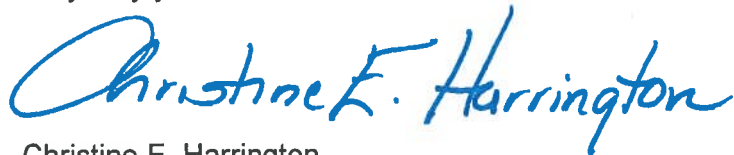
Written policies and procedures which document an organization's system of internal control are an important. By monitoring compliance with an organization's policies and procedures management and those charged with governance have a higher level of assurance that the organization's assets are safeguarded. In addition, errors in the financial records from whatever source are more likely to be discovered and corrected timely.

Corporation of the Catholic Bishop of Juneau
December 14, 2014
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I would encourage your organization to complete the process of adopting the policies and procedures document and to make monitoring of compliance to the document an ongoing activity for both management and the Finance Council

This information is intended solely for the use of the Most Reverend Bishop Edward J. Burns and the Finance Committee of the Diocese and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours



Christine E. Harrington
Certified Public Accountant LLC

CORPORATION OF THE CATHOLIC BISHOP OF JUNEAU
The Program and Administrative Office of the Diocese of Juneau
A Nonprofit Sole Corporation

BALANCE SHEETS

June 30, 2014 and 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash	\$ 144,147	\$ 132,617
Accounts receivable	212,279	203,314
Investments		
Administrative Office - unrestricted	4,778,198	4,161,455
Administrative Office - temporarily restricted	132,850	116,763
Custodial funds (see Note 9)	2,648,663	2,349,157
Prepaid expenses	21,266	-
Notes receivable, current portion (see Note 2)	67,184	3,000
Total current assets	8,004,587	6,966,306
NOTES RECEIVABLE, net of current portion (see Note 2)	1,110,219	50,983
PROPERTY AND EQUIPMENT, net	549,784	571,582
OTHER ASSETS	44,144	41,766
Total assets	\$ 9,708,734	\$ 7,630,637
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 59,920	\$ 36,989
Insurance payable	49,206	60,352
Deferred revenue	170,000	150,000
Pass-through payables	18,923	34,000
Compensated absences	47,921	70,603
Custodial funds (see Note 9)	2,648,663	2,349,157
Total current liabilities	2,994,633	2,701,101
NET ASSETS		
Unrestricted		
Undesignated	4,217,349	2,649,398
Designated by the Finance Council	2,363,902	2,163,375
Total unrestricted	6,581,251	4,812,773
Temporarily restricted (see Note 3)	132,850	116,763
Total net assets	6,714,101	4,929,536
Total liabilities and net assets	\$ 9,708,734	\$ 7,630,637

The accompanying notes to financial statements are an integral part of these statements.

CORPORATION OF THE CATHOLIC BISHOP OF JUNEAU
The Program and Administrative Office of the Diocese of Juneau
A Nonprofit Sole Corporation

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Grants	\$ -	\$ 450,926	\$ 450,926	\$ -	\$ 445,000	\$ 445,000
Rental income	441,335	-	441,335	508,321	-	508,321
Assessments	131,588	-	131,588	131,639	-	131,639
Contributions and bequests	88,138	-	88,138	460,557	-	460,557
Investment income	633,751	16,087	649,838	389,396	9,973	399,369
Program fees	1,155	-	1,155	750	-	750
Faith-in-Action	-	150,000	150,000	-	100,000	100,000
Gain on sale of land	1,446,645	-	1,446,645	-	-	-
Other income	23,560	-	23,560	41,733	-	41,733
Total	2,766,172	617,013	3,383,185	1,532,396	554,973	2,087,369
Net assets released from restrictions	600,926	(600,926)	-	545,000	(545,000)	-
Total support, revenue, and net assets released from restrictions	3,367,098	16,087	3,383,185	2,077,396	9,973	2,087,369
Expenses						
Program services						
Pastoral	383,985	-	383,985	438,193	-	438,193
Property management	437,855	-	437,855	382,355	-	382,355
Education	183,687	-	183,687	154,402	-	154,402
Religious personnel development	202,008	-	202,008	96,736	-	96,736
Other programs	58,459	-	58,459	65,661	-	65,661
Total program services	1,265,994	-	1,265,994	1,137,347	-	1,137,347
Supporting services	312,626	-	312,626	330,892	-	330,892
Write-off of receivable	20,000	-	20,000	-	-	-
Total expenses	1,598,620	-	1,598,620	1,468,239	-	1,468,239
Change in net assets	1,768,478	16,087	1,784,565	609,157	9,973	619,130
Net assets at beginning of year	4,812,773	116,763	4,929,536	4,203,616	106,790	4,310,406
Net assets at end of year	\$ 6,581,251	\$ 132,850	\$ 6,714,101	\$ 4,812,773	\$ 116,763	\$ 4,929,536

The accompanying notes to financial statements are an integral part of these statements.

CORPORATION OF THE CATHOLIC BISHOP OF JUNEAU
The Program and Administrative Office of the Diocese of Juneau
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STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,784,565	\$ 619,130
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	21,798	19,009
Unrealized (gain) loss on investments	(332,707)	(157,070)
Write-off of receivable	20,000	-
(Increase) decrease in:		
Accounts receivable	(8,965)	(59,579)
Prepaid expenses	(21,266)	-
Other assets	(2,378)	-
Increase (decrease) in:		
Accounts payable	22,931	(24,412)
Insurance payable	(11,146)	33,990
Deferred revenue	20,000	50,000
Pass-through payables	(15,077)	33,055
Compensated absences	(22,682)	17,558
Net cash provided by operating activities	1,455,073	531,681
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) sale of investments, net	(300,123)	(547,536)
Purchase of property and equipment	-	(7,112)
Issuance of notes receivable	(1,200,000)	(56,733)
Payments received on notes receivable	56,580	2,750
Net cash used for investing activities	(1,443,543)	(608,631)
Net increase (decrease) in cash	11,530	(76,950)
Cash at beginning of year	132,617	209,567
Cash at end of year	\$ 144,147	\$ 132,617

The accompanying notes to financial statements are an integral part of these statements.

CORPORATION OF THE CATHOLIC BISHOP OF JUNEAU
The Program and Administrative Office of the Diocese of Juneau
A Nonprofit Sole Corporation

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2014 and 2013

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Corporation of the Catholic Bishop of Juneau, the Program and Administrative Office of the Diocese of Juneau (the Administrative Office) encompasses the various institutions and organizations which are fiscally responsible to the Bishop of Juneau, Alaska. The Administrative Office is a nonprofit sole corporation set up to provide support and services for the parishes, school and other religious activities within its Southeast Alaska boundaries.

Basis of Accounting

The financial statements of the Administrative Office include assets, liabilities, net assets and financial activities for those departments and activities for which the Catholic Bishop of the Diocese of Juneau exercises fiscal and operational control. Various religious orders, lay societies and religious organizations, which operate within the Diocese of Juneau (Diocese), are not fiscally responsible to the Bishop. Separately incorporated parishes and their related institutions have not been included in the accompanying financial statements.

The financial statements of the Administrative Office have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-205 *Presentation of Financial Statements* and 958-210-45-1 *Other Presentation Matters*. Under FASB ASC 958-210-45-1, the Administrative Office is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets are net assets that are not subject to donor-imposed stipulations or restrictions. Temporarily restricted net assets are net assets subject to donor-imposed stipulations that will be met either by actions of the Administrative Office or the passage of time. Permanently restricted net assets represent resources whose use is limited by donor-imposed restrictions that require the net assets to be maintained permanently. Temporarily restricted net assets are described in Note 2. The Administrative Office had no permanently restricted net assets at June 30, 2014 and 2013.

Revenue Recognition

Revenue consists of grants, rent, assessments, administrative fees, investment income and contributions.

The Administrative Office considers grants from various religious organizations as subject to the provisions of FASB ASC 958-210-45-1 *Other Presentation Matters* and FASB ASC 958-605-25 *Revenue Recognition*. The guidance of FASB ASC 958-605, *Revenue Recognition*, is followed to determine whether the Administrative Office's grant programs are contributions or exchange transactions for purposes of presentation in the accompanying financial statements.

CORPORATION OF THE CATHOLIC BISHOP OF JUNEAU
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NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Contributions are recognized in the period the commitment is made. Contributions of assets other than cash are recorded at estimated fair value at the date of gift. Conditional pledges are not recognized until the conditions on which they depend are substantially met. Pledges receivable are stated at the present value of the expected future cash flows; discounts are amortized to contribution revenue consistent with donor restrictions.

The Administrative Office reports cash, grant funds, and other assets as temporarily restricted support if they are received with stipulations from a donor, grantor, or other outside party that limit their use. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. However, any advance grant payments received but not used in accordance with the requirements of the grant are reflected as deferred revenue until the restriction has been released.

Management's Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounts Receivable

Accounts receivable consist of reimbursements, and uncollected annual parish assessments and Faith-in-Action assessments levied on each parish in the Diocese. The Administrative Office considers all amounts collectible and no reserve for doubtful accounts has been established.

Notes Receivable

Notes receivable are stated at unpaid principal balances. Interest on notes receivable is recognized over the terms of the notes and is calculated using the simple-interest method on principal amounts outstanding. Notes receivable are individually reviewed for collectability. Management considers notes receivable not paid in full by the contractual due date as past due. The Administrative Office considers all notes receivable amounts collectible and no reserve for losses has been established.

Property and Equipment

Property and equipment are recorded at cost or, in the case of donated property and equipment, at estimated fair value at date of receipt. Depreciation is calculated by the straight-line method over the useful lives of the assets. Costs for repairs and maintenance are charged to operating expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

The Diocese owns many fixed assets, consisting of land, buildings, equipment, and vehicles throughout Southeast Alaska. The values of many of these assets were not historically recorded in the financial records of the Administrative Office. The Administrative Office has recreated the book value of the assets by considering the original cost, or value at date of donation, and what the accumulated depreciation should have been.

CORPORATION OF THE CATHOLIC BISHOP OF JUNEAU
The Program and Administrative Office of the Diocese of Juneau
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NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are carried in the balance sheets at market value. Unrealized gains and losses, due to changes in market value, are reflected in the statements of activities and changes in net assets.

Income Taxes

The Diocese is organized under Section 501(c)(3) of the Internal Revenue Code as a nonprofit, tax-exempt organization. The Diocese is not classified as a private foundation.

The Administrative Office follows the provisions of FASB ASC Section 740 regarding certain treatment and disclosures of income tax matters. FASB ASC 740 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. For tax-exempt entities like the Diocese, their tax-exempt status itself is deemed to be an uncertainty, since events could potentially occur to jeopardize their tax-exempt status. FASB ASC 740 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. As of June 30, 2014, the Administrative Office does not have a liability for unrecognized tax benefits.

Reclassifications

Certain prior year balances have been reclassified to conform to the current year presentation.

NOTE 2 – NOTES RECEIVABLE

Following is a summary of the notes receivable at June 30:

	2014	2013
Note receivable from selling land. Fixed interest rate of 3.29%, quarterly principal and interest payments of \$25,281 due through September 2028.	\$ 1,146,652	\$ -
Note receivable from a parish for building renovations. Interest free monthly payments of \$250 due through June 2031.	30,751	53,983
	1,177,403	53,983
Less current portion	(67,184)	(3,000)
	\$ 1,110,219	\$ 50,983

Interest income on notes receivable for the years ended June 30, 2014 and 2013 was \$22,494 and \$0-, respectively.

CORPORATION OF THE CATHOLIC BISHOP OF JUNEAU
The Program and Administrative Office of the Diocese of Juneau
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NOTES TO FINANCIAL STATEMENTS

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

The Administrative Office has received donations to fund priests' education. These funds are classified as temporarily restricted until they have been used as specified by the donors. The restricted amounts for June 30, 2014 and 2013 were \$132,850 and \$116,763, respectively.

NOTE 4 – DESIGNATED NET ASSETS

The Diocese Finance Council has designated a portion of its net assets. These designations consist of the following at June 30:

	2014	2013
Priests' retirement	\$1,680,327	\$1,544,121
Hoonah building	4,403	12,896
Michael H. Kenny Memorial Fund	1,085	10,146
Charitable works	678,087	596,212
	\$ 2,363,902	\$ 2,163,375

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation are as follows at June 30:

	2014	2013	Depreciable Lives
Land	\$ 563,036	\$ 563,036	N/A
Buildings	364,021	364,021	18-40
Equipment and furniture	128,359	128,359	5-7
Vehicles	62,965	62,965	5-7
	1,118,381	1,118,381	
Accumulated depreciation	(568,597)	(546,799)	
Property and equipment, net	\$ 549,784	\$ 571,582	

Depreciation expense for fiscal years 2014 and 2013 was \$21,798 and \$19,009, respectively.

In 1909 the Catholic Church was gifted land in Skagway, Alaska. The Corporation of the Catholic Bishop of Juneau was later incorporated in 1952. Since it was unreasonable to determine the value of the land when it was donated, this land was not capitalized. When the land was sold in fiscal year 2014, the Administrative Office recorded the sale, net expenses of \$253,355, as a gain on sale of land.

CORPORATION OF THE CATHOLIC BISHOP OF JUNEAU
The Program and Administrative Office of the Diocese of Juneau
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NOTES TO FINANCIAL STATEMENTS

NOTE 6 – CASH AND INVESTMENTS

Cash

Cash includes deposits in checking accounts and cash on hand. The Administrative Office has concentrated its credit risk for cash by maintaining deposits in financial institutions, which may at times exceed amounts covered by insurance provided by the United States Federal Deposit Insurance Corporation (FDIC). The Administrative Office has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

Investments

The available-for-sale investments and certain cash equivalents of the Administrative Office and its custodial funds are held by a national investment firm and managed by an investment adviser. Investments are stated at market values, which are determined based on per-unit values as of fiscal year-end. Cost and fair value of the investments consist of the following at June 30, 2014:

	<u>Cost</u>	<u>Unrealized Gains (Losses)</u>	<u>Fair Value</u>
Exchange traded funds	\$ 1,973,259	\$ 396,454	\$ 2,369,713
Stocks	460,045	(50,450)	409,595
Mutual funds	2,810,995	1,745,777	4,556,772
Money market	<u>223,631</u>	<u>-</u>	<u>223,631</u>
Total	<u>\$ 5,467,930</u>	<u>\$ 2,091,781</u>	<u>\$ 7,559,711</u>

Cost and fair value of the investments consist of the following at June 30, 2013:

	<u>Cost</u>	<u>Unrealized Gains (Losses)</u>	<u>Fair Value</u>
Exchange traded funds	\$ 1,427,338	\$ 190,563	\$ 1,617,901
Stocks	396,840	(86,965)	309,875
Mutual funds	3,541,539	353,676	3,895,215
Money market	<u>804,384</u>	<u>-</u>	<u>804,384</u>
Total	<u>\$ 6,170,101</u>	<u>\$ 457,274</u>	<u>\$ 6,627,375</u>

The following schedule summarizes the investment income in the statements of activities and changes in net assets:

	<u>2014</u>	<u>2013</u>
Interest and dividend income	\$ 317,131	\$ 242,299
Net realized and unrealized gain (loss) on investments	<u>332,707</u>	<u>157,070</u>
	<u>\$ 649,838</u>	<u>\$ 399,369</u>

CORPORATION OF THE CATHOLIC BISHOP OF JUNEAU
The Program and Administrative Office of the Diocese of Juneau
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NOTES TO FINANCIAL STATEMENTS

NOTE 6 – CASH AND INVESTMENTS (continued)

Investment revenues are reported net of related expenses. Investment advisory fees amounted to \$35,197 and \$30,152 in the fiscal years ended June 30, 2014 and 2013, respectively.

NOTE 7 – FAIR VALUE MEASUREMENT

FASB ASC 820 *Fair Value Measurement and Disclosure* defines fair value as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. FASB ASC 820 also establishes a three level fair value hierarchy that describes the inputs that are used to measure assets and liabilities. The three levels include Level 1 (quoted prices in active markets for identical assets), Level 2 (significant other observable inputs), and Level 3 (significant unobservable inputs).

Fair values of assets measured on a recurring basis at June 30, 2014 are as follows:

	Fair Value	Level 1	Level 2	Level 3
Investments:				
Exchange traded funds	\$ 2,369,713	\$ 2,369,713	\$ -	\$ -
Stocks	409,595	409,595	-	-
Mutual funds	4,556,772	4,556,772	-	-
Money market	223,631	223,631	-	-
Custodial funds' investments	<u>(2,648,663)</u>	<u>(2,648,663)</u>	-	-
Total	<u>\$ 4,911,048</u>	<u>\$ 4,911,048</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values of assets measured on a recurring basis at June 30, 2013 are as follows:

	Fair Value	Level 1	Level 2	Level 3
Investments:				
Exchange traded funds	\$ 1,617,901	\$ 1,617,901	\$ -	\$ -
Stocks	309,875	309,875	-	-
Mutual funds	3,895,215	3,895,215	-	-
Money market	804,384	804,384	-	-
Custodial funds' investments	<u>(2,349,157)</u>	<u>(2,349,157)</u>	-	-
Total	<u>\$ 4,278,218</u>	<u>\$ 4,278,218</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 8 – LEASES

The Administrative Office leases office space in its St. Ann and Crimont buildings to both a related party and unaffiliated entities. The cost and accumulated depreciation of these buildings as of June 30, 2014 is \$292,173 and \$139,870, respectively. Rental income was \$423,835 and \$444,821 for the years ended

CORPORATION OF THE CATHOLIC BISHOP OF JUNEAU
The Program and Administrative Office of the Diocese of Juneau
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NOTES TO FINANCIAL STATEMENTS

NOTE 8 – LEASES (continued)

June 30, 2014 and 2013, respectively. Minimum future rent income for fiscal year 2015, based on current leases, is \$424,258.

The Administrative Office also used to lease property in Skagway, Alaska. Rental income of \$48,000 was received from the Skagway lease for the year ended June 30, 2013. The Skagway property was sold during fiscal year 2014.

NOTE 9 – CUSTODIAL FUNDS

The Administrative Office holds funds on behalf of parishes and groups in the Diocese. These funds are invested in the same manner as the Administrative Office’s investments. The custodial funds held by the Administrative Office consist of the following at June 30:

	2014	2013
Shrine of St. Therese	\$ 939,481	\$ 853,429
Shrine of St. Therese Endowment	1,112,883	967,463
Cathedral Parish - Juneau	324,763	288,899
Holy Family Mission - Metlakatla	183,076	156,970
St. Therese Parish - Skagway	71,496	67,488
St. Rose Parish - Wrangell	16,964	14,908
	<u>\$ 2,648,663</u>	<u>\$ 2,349,157</u>

NOTE 10 – EMPLOYEE BENEFITS

The Administrative Office is insured under a self-insurance program, Alaska Catholic Conference of Bishops, Insurance Division (ACCB), in cooperation with the Archdiocese of Anchorage and the Diocese of Fairbanks for health and dental care. The ACCB is a member of a medical self-insurance pool, the RETA Trust. The plan is administered by Benefit Allocation Systems. All regular, full-time employees are eligible to participate in the program. The Administrative Office pays the majority of the premium for eligible employees.

The Administrative Office provides life and long-term disability insurance for each full-time employee. Long-term disability insurance is available to employees who have worked thirty-six months or more.

Each regular full-time employee who has been employed for thirty-six months or more is eligible to participate in the Administrative Office 403(b) Employer Contribution Plan. The Administrative Office contributes 10% of an eligible employee’s gross wages. The Administrative Office contributed \$23,266 and \$22,498 during the years ended June 30, 2014 and 2013, respectively.

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The Program and Administrative Office of the Diocese of Juneau
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NOTES TO FINANCIAL STATEMENTS

NOTE 11 – RELATED PARTY TRANSACTIONS

The operating director of the Administrative Office is also a member of the Board of Directors of Catholic Community Service. The Administrative Office and Catholic Community Service have ongoing operating transactions. The Administrative Office received (paid) the following amounts from (to) Catholic Community Service:

	2014	2013
Rent	\$ 301,913	\$ 354,706
Workers' compensation insurance	31,807	189,774
Vehicle insurance	27,275	23,991
Property insurance	13,112	25,006
Additional insurance and miscellaneous	-	517
Subsidy	(140,217)	(137,082)
	\$ 233,890	\$ 456,912

At June 30, 2014 and 2013 the Administrative Office had accounts receivable from Catholic Community Service of \$68,045 and \$100, respectively.

At June 30, 2014 and 2013 the Administrative Office had a non-interest bearing note receivable of \$30,751 and \$53,983, respectively, from a parish in the Diocese. During fiscal year 2014, \$20,000 of the note receivable was forgiven by the Administrative Office. In addition to this note receivable, the Administrative Office had accounts receivable from the parish of \$48,469 and \$2,590 as of June 30, 2014 and 2013, respectively.

NOTE 12 – POST EMPLOYMENT BENEFITS

Retired Diocesan priests who have worked in the Diocese for ten full years or more are entitled to receive the same salary and vacation pay as that of a priest in active ministry. A retired priest not living in a residence owned by the Diocese shall receive a living allowance of \$350 per month, his rent (up to \$900 per month), and a vehicle allowance of \$300 per month, paid by the Administrative Office.

The Administrative Office will pay Medicare Supplement premiums for retired priests who are eligible to receive Medicare. The Administrative Office also reimburses retired priests for any deductibles that are not covered by the Medicare Supplement policy.

The Administrative Office will pay life insurance premiums for retired priests. The Finance Council has designated a portion of unrestricted net assets for the payment of benefits for retired priests.

The Administrative Office has not accrued postemployment benefits because the amount cannot be reasonably estimated.

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NOTES TO FINANCIAL STATEMENTS

NOTE 13 – CONTINGENT LIABILITIES

Debt of Individual Parishes

The Diocese, through its civil corporation, is responsible for certain debts undertaken directly by parishes of the Diocese. The aggregate debt of the parishes guaranteed by the Diocese as of June 30, 2014 and 2013 is \$750,483 and \$904,079, respectively. Based upon past performance and the ability of the parishes to continue to meet their debt obligations on a current basis, the Diocese believes it will not be required to make debt payments on their behalf.

Legal Proceedings

In the normal course of operations the Administrative Office is subject to litigation from time to time, but defends its rights vigorously, and obtains insurance coverage for potential claims arising as a result of litigation.

NOTE 14 – SUBSEQUENT EVENTS

In October 2014 the Business Manager of the Administrative Office became the Interim Executive Director of Catholic Community Service.

The Administrative Office's management has evaluated subsequent events through the date of the Independent Auditor's Report, which is commensurate with the date the financial statements were available to be issued.