ADMINISTRATIVE OFFICES
OF THE
ARCHDIOCESE OF ATLANTA

Consolidated Financial Statements
for the years ended
June 30, 2010 and 2009

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Contents

LANEY
BOTELER &
KILLINGER
Certified Public Accountants

Independent Auditors' Report

His Excellency
The Most Reverend
Wilton D. Gregory
Archbishop of Atlanta
Atlanta, Georgia

We have audited the accompanying consolidated statements of financial position of the Administrative Offices of the Archdiocese of Atlanta and subsidiaries as of June 30, 2010 and 2009, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Administrative Offices of the Archdiocese of Atlanta and subsidiaries as of June 30, 2010 and 2009, and the changes in their net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Administrative Offices of the Archdiocese of Atlanta changed its policy regarding consolidating its subsidiary Catholic Education of North Georgia, Inc.

Laney, Boteler & Killinger

Atlanta, Georgia
November 8, 2010

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA
Consolidated Statements of Financial Position
(Amounts in Thousands)

Assets

	June 30, 2010				June 30, 2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash and cash equivalents	$ 3,899	$ -	$ -	$ 3,899	$ 5,975	$ -	$ -	$ 5,975
Investments at fair value	27,303	15,188	48,708	91,199	33,553	13,148	39,874	86,575
Escrowed deposits	208			208	207			207
Accounts receivable	8,386			8,386	7,961			7,961
Pledges receivable	4,892			4,892	3,883			3,883
Bequests receivable	7,652			7,652				-
Loans receivable-parishes and agencies	78,151			78,151	77,123			77,123
Property and equipment, net	147,142			147,142	146,385			146,385
Other assets	6,471	-	-	6,471	6,398	-	-	6,398
Total assets	284,104	15,188	48,708	348,000	281,485	13,148	39,874	334,507

Liabilities and Net Assets

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Accounts payable and accrued expenses	18,097	-	-	18,097	20,506	-	-	20,506
Custodial funds payable			5,865	5,865			4,997	4,997
Deposits payable	58,040			58,040	56,473			56,473
Interest rate swap liability	10,337			10,337	7,361			7,361
Deferred revenue	42,669			42,669	43,469			43,469
Demand notes payable	220			220	4,827			4,827
Bonds and notes payable	94,358	-	-	94,358	98,198	-	-	98,198
Total liabilities	223,721	-	5,865	229,586	230,834	-	4,997	235,831
Net assets								
Investment funds	17,396	-	-	17,396	14,591	-	-	14,591
Insurance funds	16,047			16,047	11,835			11,835
Plant funds	1,635			1,635	4,392			4,392
Undesignated	25,305			25,305	19,833			19,833
Restricted	-	15,188	42,843	58,031	-	13,148	34,877	48,025
Total net assets	60,383	15,188	42,843	118,414	50,651	13,148	34,877	98,676
Total liabilities and net assets	$284,104	$15,188	$48,708	$348,000	$281,485	$13,148	$39,874	$334,507

See notes to consolidated financial statements.

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA
Consolidated Statements of Activities
(Amounts in Thousands)

	Year Ended June 30, 2010				Year Ended June 30, 2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues								
Parishes and missions								
Contributions	$ 8,238	$ -	$ -	$ 8,238	$ 8,559	$ -	$ -	$ 8,559
Assessments	21,636			21,636	20,654			20,654
Continuing care	9,837			9,837	9,060			9,060
Education	32,827			32,827	32,816			32,816
Insurance premiums	17,371			17,371	16,512			16,512
Other contributions	4,013	350	7,965	12,328	2,357	474	428	3,259
Investment income	2,519	796	1	3,316	2,159	1,937	1	4,097
Other	1,073			1,073	698			698
Net assets released from restrictions	3,181	(3,181)	-	-	1,429	(1,429)	-	-
Total revenues	100,695	(2,035)	7,966	106,626	94,244	982	429	95,655
Expenses								
Administrative support	7,204	-	-	7,204	6,917	-	-	6,917
Pastoral	7,793			7,793	7,561			7,561
Education	44,398			44,398	44,665			44,665
Social services	1,560			1,560	1,880			1,880
Insurance services	13,129			13,129	12,875			12,875
Continuing care	8,851			8,851	8,587			8,587
Other	2,040	-	-	2,040	1,899	-	-	1,899
Total expenses	84,975	-	-	84,975	84,384	-	-	84,384
Change in net assets before capital additions (reductions)	15,720	(2,035)	7,966	21,651	9,860	982	429	11,271
Capital additions (reductions)								
Realized and unrealized gain (loss) on investments	3,135	4,075	-	7,210	(6,521)	(8,256)	-	(14,777)
Loss on interest rate swap agreements	(2,976)			(2,976)	(3,492)			(3,492)
Depreciation and amortization	(5,543)			(5,543)	(5,420)			(5,420)
Loss on disposal of property and equipment	(105)			(105)	(34)			(34)
Other FASB ASC 715 pension costs	(499)	-	-	(499)	(2,324)	-	-	(2,324)
Total capital additions (reductions)	(5,988)	4,075	-	(1,913)	(17,791)	(8,256)	-	(26,047)
Change in net assets	9,732	2,040	7,966	19,738	(7,931)	(7,274)	429	(14,776)
Reclassification of beginning net assets	-	-	-	-	(14,821)	14,821	-	-
Net assets at beginning of year	50,651	13,148	34,877	98,676	73,403	5,601	34,448	113,452
Net assets at end of year	$60,383	$15,188	$42,843	$118,414	$50,651	$13,148	$34,877	$ 98,676

See notes to consolidated financial statements.

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Consolidated Statements of Cash Flows
(Amounts in Thousands)

	Year Ended June 30,	
	2010	2009
Cash flows from operating activities		
Change in net assets	$19,738	$(14,776)
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation and amortization	5,543	5,420
Amortization of entrance fees	(970)	(967)
Loss on disposal of property and equipment	105	34
Realized and unrealized (gain) loss on investments	(7,210)	14,777
Loss on interest rate swap agreements	2,976	3,492
Restricted contributions	(7,966)	(428)
In-kind contributions	(193)	(36)
Increase in accounts receivable	(599)	(2,638)
Increase in pledges receivable	(1,010)	(641)
Increase in bequest receivable	(7,652)	-
Increase in other assets	(11)	(2,507)
Increase (decrease) in accounts payable and accrued expenses	(2,265)	7,400
Deferred revenues	(1,037)	(14)
Net cash (used) provided by operating activities	(551)	9,116
Cash flows from investing activities		
Proceeds from sale and maturity of investments	75,125	91,720
Purchase of investments	(72,540)	(88,338)
Net increase in entrance fee escrow fund	(0)	(1)
Parish and mission loans	(19,015)	(32,070)
Parish and mission loan repayments	17,988	29,461
Proceeds from sale of property and equipment	35	9
Purchase of property and equipment	(6,273)	(9,547)
Net cash used by investing activities	(4,680)	(8,766)
Cash flows from financing activities		
Decrease in demand notes payable	(4,607)	(3,868)
Proceeds from bonds and notes payable	-	10,000
Payments on bonds and notes payable	(3,840)	(2,892)
Proceeds from residents entrance fees	1,203	1,707
Restricted contribution received	7,966	429
Parish and mission deposits received	32,260	24,856
Parish and mission deposits paid	(30,694)	(26,645)
Increase (decrease) in custodial funds payable	867	(927)
Net cash provided by financing activities	3,155	2,660
Net increase (decrease) in cash and cash equivalents	(2,076)	3,010
Cash and cash equivalents, beginning of the year	5,975	2,965
Cash and cash equivalents, end of the year	$ 3,899	$ 5,975

See notes to consolidated financial statements.

Note 1 - Summary of significant accounting policies

Basis of reporting

The accompanying consolidated financial statements include the accounts and transactions of the Administrative Offices of the Archdiocese of Atlanta and the accounts and transactions of the following separate legal entities which are affiliated with or related to the Administrative Offices of the Archdiocese of Atlanta:

AoA Properties Holding, Inc.
Catholic Construction Services, Inc.
Catholic Continuing Care Retirement Communities, Inc.
Catholic Education of North Georgia, Inc.
The Catholic Foundation of North Georgia, Inc.

Catholic Education of North Georgia, Inc. (CENGI) owns and operates six schools within the Archdiocese of Atlanta. Prior to 2010, the Archdiocese included in its consolidated financial statements substantially all of the CENGI assets, liabilities, capital expenses, and school subsidies, but did not include the school operations or the school operating assets and liabilities. Beginning in 2010, the Archdiocese began including the CENGI school operations and school operating assets and liabilities in its consolidated financial statements. The 2009 financial statements have been restated to include the operations and the operating assets and liabilities of the CENGI schools. Including the CENGI school operations in the consolidated financial statements increased the change in net assets by $1,607,726 and $1,781,016 in 2010 and 2009, respectively.

All of the consolidated organizations are collectively referred to in this report as the Archdiocese. All significant intercompany transactions have been eliminated in consolidation.

Subsidies to auxiliary services and programs are included but detailed operations of such subsidized activities are not included in the accounts of the Administrative Offices and, accordingly, are not included in the accompanying consolidated financial statements. Moreover, this report does not include the financial statements of the parishes and missions of the Archdiocese of Atlanta.

Revenues, expenses, gains, losses, and net assets of the Archdiocese are classified based on the existence or absence of donor-imposed restrictions and are reported as follows:

Unrestricted Net Assets

Unrestricted net assets are utilized to account for support from parishes and missions and other revenues that are unrestricted in nature. Donor-restricted contributions whose restrictions are met in the year of contribution are reported as unrestricted support.

Temporarily Restricted Net Assets

Temporarily restricted net assets are utilized to account for contributions that are donor-restricted for uses which have not yet been fulfilled either in time or by purpose.

Permanently Restricted Net Assets

Permanently restricted net assets are utilized to account for true endowments whereby the donor has permitted the Archdiocese to use the income for operations, but has prohibited the use of principal.

Income Taxes

The Archdiocese is a religious organization exempt from income taxes under Section 501(a) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Archdiocese considers all unrestricted highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments in marketable securities

The Archdiocese carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are recognized as changes in net assets in the periods they occur. Investment income and realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Accounts receivable

Accounts receivable are primarily due from Archdiocesean parishes, missions, and schools for insurance premiums and assessments owed to the Administrative Offices. The carrying amounts of receivables have been reduced by a valuation allowance of $1,773,000 and $503,000 at June 30, 2010 and 2009, respectively.

Pledges and bequests receivable

Promises to give that are scheduled to be received after the end of the reporting period are shown as increases in temporarily restricted net assets and reclassified to unrestricted net assets when the purpose or time restriction is met. Promises to give subject to donor-imposed restrictions that the corpus is maintained permanently are recognized as increases in permanently restricted net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at the risk-free rate and carried at the present value of estimated future cash flows. Amortization of the discount is recorded as contribution revenue.

The Archdiocese uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting periods. Actual results could differ from the estimates.

Property and equipment

Property and equipment are recorded at cost if acquired by purchase and at fair market value at the date of receipt if acquired by gift. Maintenance and repairs are charged to operations and major improvements are capitalized. Upon retirement, sale or other disposition, the cost and accumulated depreciation are eliminated from the accounts and any gain or loss is included in the statements of activities. Property and equipment at June 30, 2010 and 2009, consisted of the following:

	2010	2009
Land	$ 21,713,219	$ 21,702,580
Land improvements	4,288,128	4,236,559
Buildings	139,793,647	139,963,892
Furniture and equipment	23,936,703	25,540,505
Automobiles	1,323,756	1,253,873
Construction in progress	4,657,029	-
	195,712,482	192,697,409
Less accumulated depreciation	(48,570,870)	(46,312,796)
Property and equipment, net	$147,141,612	$146,384,613

Depreciation is computed using the straight-line method over the following estimated useful lives:

Land improvements	15 years
Buildings	40-50 years
Furniture and equipment	3-10 years
Automobiles	5-7 years

Depreciation expense for 2010 and 2009 was $5,311,390 and $5,187,203, respectively.

Land, buildings and equipment are pledged in part to secure bonds payable (Note 5).

Construction in progress consists of costs incurred on construction projects that have not been completed and placed in service as of year-end. At June 30, 2010, construction in progress primarily consisted of renovations to an office building purchased by the Archdiocese in Smyrna, Georgia. The building was under renovation at June 30, 2010, and work is expected to be completed in February 2011.

Deferred charges

Costs incurred for issuance of bonds to finance schools and a life care facility are included in other assets in the consolidated statements of financial position and are being amortized over the term of the related bonds.

Contributions

Contribution revenues are recorded as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions that are not fulfilled in the accounting period. Contributions subject to donor-imposed restrictions are recorded as temporarily restricted support and are reclassified to unrestricted support when the donor-imposed restriction has been fulfilled or the stipulated time period has elapsed.

Revenue recognition - Catholic Continuing Care Retirement Communities, Inc.

Revenues for Catholic Continuing Care Retirement Communities, Inc. (CCCRC) are primarily generated from monthly fees for the independent living units, amortization of entrance fees, and monthly fees and per diem charges for assisted living units and skilled nursing beds. Additional revenue is also generated from ancillary services such as activity fees, additional housekeeping, guest meals, and beauty services.

Entrance fees that are expected to be non-refundable to the resident are recorded as deferred revenue and are amortized into revenue using the straight-line method over the estimated remaining life expectancy of the resident, as determined by actuarial life expectancy tables. The remaining life expectancy is re-evaluated annually and amortization periods adjusted accordingly. Entrance fees that are refundable to the resident to the extent of subsequent re-occupancy proceeds are recorded as deferred revenue and are amortized into revenue using the straight-line method over the estimated remaining useful life of the facility.

Residency agreements

All residents at Catholic Continuing Care Retirement Communities are required to sign a residency agreement that defines the terms of their residency at the Community. The residency agreement requires an entrance fee ranging from approximately $191,000 to $505,000. The entrance fee is 80%, 90%, or 95% refundable at the time the resident no longer lives at the Community. Except under special circumstances stipulated in the agreement, residents receive their refund after receipt of sufficient proceeds to fully refund the obligation from the next remarketing and occupancy of a similar residence.

Note 2 - Investments

At June 30, 2010 and 2009, investments consisted of the following:

	2010		2009	
	Fair Value	Cost	Fair Value	Cost
Short-term investments	$ 5,648,154	$ 5,648,154	$11,365,692	$11,365,692
U. S. Treasury obligations	19,595,322	19,119,108	18,280,527	18,184,506
Marketable equity securities	34,556,957	37,537,384	31,337,655	35,291,573
Equity mutual funds	15,211,850	15,692,011	11,190,509	13,742,862
Marketable debt securities	15,957,596	15,041,104	14,192,533	13,966,605
Debt mutual funds	229,282	216,174	208,399	207,000
	$91,199,161	$93,253,935	$86,575,315	$92,758,238

Note 3 - Pledges receivable

Pledges receivable of $4,892,000 and $3,883,000 at June 30, 2010 and 2009, respectively, represent unconditional promises to give. Substantially all of the pledges are due in less than one year. Pledges receivable at June 30, 2010 and 2009, have been reduced by a valuation allowance of $633,000 and $655,000, respectively.

Note 4 - Loans receivable and deposits payable

The amounts due from parishes relate primarily to interest-bearing loans made to the parishes and agencies by the Administrative Offices. Interest rates range from 0% to 6%. Loans receivable have been reduced by a $250,000 and $90,000 allowance for uncollectible loans at June 30, 2010 and 2009, respectively.

Notes to Consolidated Financial Statements
June 30, 2010 and 2009

The Archdiocese administers a deposit and loan plan for the parishes. Parishes may deposit any excess funds with the Administrative Office. The Administrative Office uses the funds on deposit to loan to other parishes. Interest on these deposits is credited at the rate of 3.75%.

Note 5 - Bonds and notes payable

Bonds and notes payable consist of the following at June 30, 2010 and 2009:

	2010	2009
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated February 1, 1999, and maturing April 1, 2024	$20,600,000	$21,700,000
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated February 1, 1999, and maturing April 1, 2024.	3,200,000	3,400,000
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated March 1, 1999, and maturing April 1, 2024.	13,700,000	14,500,000
Tax-Exempt Variable Rate Educational Facilities Revenue Bonds dated December 19, 2002, and maturing April 1, 2028.	19,035,000	19,275,000
Tax-Exempt Variable Rate Educational Facilities Revenue Bonds dated December 19, 2002, and maturing April 1, 2028.	6,840,000	6,940,000
Development Authority of Fulton County Tax-Exempt Variable Rate Revenue Bonds (CCCRC bonds) dated April 1, 2004, and maturing April 1, 2034.	22,150,000	22,550,000
Unsecured bank note payable in the original amount of $10,000,000 with interest at LIBOR plus 1.875%. The note requires monthly payments of $83,333 plus interest with a final balance of $6,833,333 due on June 30, 2012.	8,833,000	9,833,000
	$94,358,000	$98,198,000

Notes to Consolidated Financial Statements
June 30, 2010 and 2009

Maturities of bonds and notes payable are as follows:

Year Ending June 30,	Amount
2011	$ 3,950,000
2012	10,888,000
2013	3,155,000
2014	3,355,000
2015	3,455,000
2016-2034	69,555,000
	$94,358,000

All of the educational bonds require monthly or quarterly interest payments and mature in varying annual amounts through April 1, 2028. The bonds are secured by bank letters of credit and various school properties owned by Catholic Education of North Georgia, Inc. Interest on the bonds varies weekly. The rates at June 30, 2010, were .30% to .40%. As discussed in Note 6, the Archdiocese has entered into various interest rate swap agreements that provide for fixed rates of interest on the bonds.

The CCCRC bonds are secured by a bank letter of credit, a Keep Well agreement and substantially all of the CCCRC assets. The bonds are subject to a variable interest rate which was .32% at June 30, 2010. The entire principal balance of the bonds was originally due on April 1, 2034. During the year ended June 30, 2009, the letter of credit was amended to require annual principal payments beginning April 1, 2009. Under the Keep Well agreement, the Archdiocese of Atlanta has committed to fund any operating deficits, as defined in the agreement, of CCCRC up to $3,000,000.

At June 30, 2010, the Archdiocese had available five unsecured bank lines of credit totaling $37,000,000. Both of the notes are payable on demand and bear interest at LIBOR plus .70% to LIBOR plus 2.2% (1.05% to 2.55% at June 30, 2010). The total outstanding under the demand notes at June 30, 2010 and 2009, was $220,000 and $4,827,000, respectively. The Archdiocese is required to comply with various covenants in relation to the lines of credit. The Archdiocese is in compliance with these requirements as of June 30, 2010 and 2009.

Interest expense to the Archdiocese on bonds and demand notes payable and interest paid on deposits from parishes and agencies (Note 4) totaled $8,139,733 and $8,456,222 for the years ended June 30, 2010 and 2009, respectively. Cash payments for interest totaled $8,687,286 and $8,034,145 for fiscal years 2010 and 2009, respectively.

Notes to Consolidated Financial Statements
June 30, 2010 and 2009

Interest expense for the years ended June 30, 2010 and 2009, is reported in the statement of activities as follows:

	2010	2009
Interest included in subsidized school operations	$3,222,287	$3,506,487
Interest included in CCCRC operations	1,253,351	1,325,707
Interest charged against loan fund income (Note 4)	3,664,095	3,624,028
	$8,139,733	$8,456,222

Note 6 - Interest rate swap agreements

In order to mitigate its exposure to interest rate fluctuations, the Archdiocese entered into various interest rate swap agreements that provide for fixed rates of interest on the school bonds, CCCRC bonds and note payable (Note 5). The purpose of entering into these swaps is to eliminate long-term interest rate variability by converting LIBOR-based variable-rate payments to fixed-rate payments. The Archdiocese's interest rate swap agreements have been designed and qualify as cash flow hedging instruments. The fair value of the liabilities represent the discounted amount the Archdiocese would have to pay the bank to terminate the agreements before the respective balance sheet dates. The change in fair value of the interest rate swap agreements is recorded in the statement of activities as a gain or loss on interest rate swap agreements. The Archdiocese has no plans to terminate the interest rate swap agreements prior to the expiration date of the agreements.

By using a derivative financial instrument to hedge its exposure to changes in interest rates, the Archdiocese exposes itself to credit and market risk. Credit risk is the failure of the counter party to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counter party owes the Archdiocese, which creates credit risk for the Archdiocese. When the fair value of a derivative contract is negative the Archdiocese owes the counter party and, therefore, it does not possess credit risk. The Archdiocese minimized the credit risk in derivative instruments by entering into transactions with high-quality counter parties.

Market risk is an adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate contracts is managed by establishing the monitoring parameters that limit the types and degree of market risk may be undertaken.

Notes to Consolidated Financial Statements
June 30, 2010 and 2009

The table below summarizes the swap information reported in the financial statements as of June 30, 2010 and 2009, and for the years then ended.

Issue	Effective Date	Expiration Date	Notional Amount		Fixed Interest Rate	Variable Interest Rate as of		Fair Value of Asset (Liability) in Statement of Financial Position		Gain (loss) on interest rate Swap Agreements in Statement of Activities	
			June 30,			June 30,		June 30,		June 30,	
			2010	2009		2010	2009	2010	2009	2010	2009
School Bonds	1/1/2004	10/1/2008	$ -	$ -	3.10%	0.00000%	0.00000%	$ -	$ -	$ -	$ 65,514
School Bonds	4/1/2004	10/4/2014	19,600,000	20,650,000	4.53%	0.20578%	0.25613%	(2,320)	(820,489)	818,169	92,847
School Bonds	1/1/2007	1/4/2010	-	26,230,000	3.87%	0.00000%	0.22400%	-	(481,624)	481,624	171,065
School Bonds	10/1/2008	10/1/2017	17,900,000	18,950,000	3.58%	0.20578%	0.25613%	(1,936,369)	(1,510,326)	(426,043)	(849,292)
CCCRC Bonds	5/15/2008	5/1/2017	22,150,000	22,550,000	3.90%	0.29467%	0.35633%	(2,442,953)	(1,538,887)	(904,066)	(697,537)
Note Payable	4/6/2009	6/30/2010	8,833,000	9,833,000	3.80%	2.22875%	2.19500%	(167,525)	5,627	(173,152)	5,627
School Bonds	1/4/2010	7/1/2020	25,910,000	26,230,000	3.25%	0.20578%	0.22400%	(3,304,103)	(1,447,654)	(1,856,449)	(1,605,895)
			94,393,000	124,443,00				(7,853,270)	(5,793,353)	(2,059,917)	(2,817,671)

The Archdiocese has also entered into additional interest rate swap agreements that have future effective dates as follows:

Issue	Effective Date	Expiration Date	Notional Amount		Fixed Interest Rate	Variable Interest Rate as of		Fair Value of Asset (Liability) in Statement of Financial Position		Gain (loss) on interest rate Swap Agreements in Statement of Activities	
			June 30,			June 30,		June 30,		June 30,	
			2010	2009		2010	2009	2010	2009	2010	2009
School Bonds	7/1/2010	10/1/2014	$ 19,600,000	$ 19,600,000	4.53%	0.20578%	0.25613%	$(2,483,171)	$(1,567,306)	$ (915,865)	$ (674,738)
Total			$113,993,000	$144,043,000				$(10,336,441)	$(7,360,659)	$(2,975,782)	$(3,492,409)

Note 7 - Contingencies

The Archdiocese has been named defendant in various civil lawsuits. The Archdiocese considers all of these suits to be without basis and plans to vigorously contest the claims. The likely outcome of the various lawsuits cannot be determined.

Note 8 - Endowment and designated investment funds

Permanently restricted net assets include 22 donor-restricted endowment funds. Unrestricted net assets include 18 funds that have been designated by the Archbishop (board-designated) to function as endowments. The donor-restricted endowment funds and the board designated funds are collectively referred to as endowment funds. The endowment funds are restricted or designated for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Archdiocese has interpreted Georgia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Archdiocese classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c)

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accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Archdiocese in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Archdiocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Archdiocese and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Archdiocese
7. The investment policies of the Archdiocese

Endowment net assets composition by type of fund as of June 30, 2010:

June 30, 2010	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds				
Campus ministry	$ (381)	$ 31,663	$ 135,000	$ 166,282
Community service	-	316,006	1,003,896	1,319,902
Dependent children	-	1,336,253	387,207	1,723,460
Education	(49,036)	9,667,393	32,115,065	41,733,422
Elderly	(1,118)	174,208	183,827	356,917
Operations	(184,973)	58,917	5,085,784	4,959,728
Parishes	(716)	30,942	274,409	304,635
Seminary	-	1,907,385	3,657,900	5,565,285
	(236,224)	13,522,767	42,843,088	56,129,631
Board-designated endowment funds				
Charitable gift annuity	383,301	-	-	383,301
Clergy welfare	111,650			111,650
Dependent children	114,436			114,436
Donor-advised fund	1,729,796			1,729,796
Education	1,564,743			1,564,743
Operations	1,274,210			1,274,210
Parishes	7,413,857			7,413,857
Retired priests	1,315,107			1,315,107
Seminary	3,489,223	-	-	3,489,223
	17,396,323	-	-	17,396,323
Total	$17,160,099	$13,522,767	$42,843,088	$73,525,954

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June 30, 2009	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds				
Campus ministry	$ -	$ 25,393	$ 35,000	$ 60,393
Community service		259,637	1,000,000	1,259,637
Dependent children		1,149,717	387,207	1,536,924
Education	(59,442)	6,982,584	24,328,737	31,251,879
Elderly	(9,968)	148,094	183,827	321,953
Operations	(410,241)	50,584	5,052,100	4,692,443
Parishes		7,117	231,873	238,990
Seminary	-	1,794,947	3,657,900	5,452,847
	(479,651)	10,418,073	34,876,644	44,815,066
Board-designated endowment funds				
Charitable gift annuity	-	-	-	-
Clergy welfare	99,117			99,117
Dependent children	723,741			723,741
Donor-advised fund				
Education	1,200,859			1,200,859
Operations	1,658,739			1,658,739
Parishes	6,577,417			6,577,417
Retired priests	1,166,216			1,166,216
Seminary	3,164,549	-	-	3,164,549
	14,590,638	-	-	14,590,638
Total	$14,110,987	$10,418,073	$34,876,644	$59,405,704

Changes in endowment net assets for the years ended June 30, 2010 and 2009:

June 30, 2009	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$33,891,045	$ 2,847,358	$34,447,623	$ 71,186,026
Net asset reclassification based on change in law	(14,820,972)	14,820,972	-	-
Endowment net assets, after reclassification	19,070,073	17,668,330	34,447,623	71,186,026
Contributions		25,900	428,465	454,365
Transfers to increase board designated funds	398,240			398,240
Investment return				
Investment income	511,434	1,422,571	556	1,934,561
Net realized and unrealized depreciation	(3,124,332)	(8,235,426)		(11,359,758)
Appropriation of endowment net assets for expenditure	(2,264,777)	(942,953)		(3,207,730)
Reclassification of donor restricted endowment funds with deficiencies	(479,651)	479,651	-	-
Endowment net assets, end of year	$14,110,987	$10,418,073	$34,876,644	$59,405,704

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June 30, 2010	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$14,110,987	$10,418,073	$34,876,644	$59,405,704
Contributions	2,048,972	4,420	7,965,857	10,019,249
Transfers to increase board designated funds	303,218			303,218
Investment return				
Investment income	340,864	1,025,816	587	1,367,267
Net realized and unrealized appreciation	1,460,967	4,057,755		5,518,722
Appropriation of endowment net assets for expenditure	(1,348,336)	(1,739,870)		(3,088,206)
Restoration of deficiencies in donor-restricted endowment funds	243,427	(243,427)	-	-
Endowment net assets, end of year	$17,160,099	$13,522,767	$42,843,088	$73,525,954

The Archdiocese has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Archdiocese must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy the endowment assets are invested in a manner that is intended to produce a reasonable rate of return under current market conditions with minimal risk.

The Archdiocese's spending policy reflects the fundamental objective of preserving and enhancing the resources of the Archdiocese, both at present and in the future. Current spending and the long term objectives of preserving and enhancing the assets are balanced by considerations given to reasonable expectations of investment returns, contributions, operating expenses, and inflation. The Archdiocese has a policy of appropriating for distribution each year amounts that are required to be distributed under the terms of donor-restricted endowment agreements and amounts needed to fund and subsidize Archdiocesan programs and agencies. In establishing this policy, the Archdiocese considered the long-term expected return on its endowment. Accordingly, over the long term, the Archdiocese expects the current spending policy to allow its endowment to grow at a rate that will maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

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Note 9 - Restrictions on net assets

Temporarily restricted net assets and permanently restricted net assets, including donor-restricted endowment funds, are available for the following purposes at June 30, 2010 and 2009:

	June 30, 2010			June 30, 2009		
	Temporarily Restricted	Permanently Restricted	Total	Temporarily Restricted	Permanently Restricted	Total
Campus ministry	$ 31,663	$ 135,000	$ 166,663	$ 25,393	$ 35,000	$ 60,393
College Catholic Centers	-	-	-	211,452	-	211,452
Community service	316,006	1,003,896	1,319,902	259,637	1,000,000	1,259,637
Dependent children	1,336,253	387,207	1,723,460	1,149,717	387,207	1,536,924
Education	9,667,393	32,115,065	41,782,458	6,982,584	24,328,737	31,311,321
Elderly	174,208	183,827	358,035	148,094	183,827	331,921
Operations	58,917	5,085,784	5,144,701	50,584	5,052,100	5,102,684
Parishes	30,942	274,409	305,351	7,117	231,873	238,990
Retired Priests	250,000	-	250,000	250,000	-	250,000
School operations	1,415,546	-	1,415,546	2,268,828	-	2,268,828
Seminary	1,907,385	3,657,900	5,565,285	1,794,947	3,657,900	5,452,847
	$15,188,313	$42,843,088	$58,031,401	$13,148,353	$34,876,644	$48,024,997

Note 10 - Financial Instruments

The Financial Accounting Standards Board (FASB) requires disclosure about financial instruments and related off-balance sheet risk and concentrations of credit risk. The activity of the Administrative Offices of the Archdiocese of Atlanta and its subsidiaries is primarily with the parishes and missions within the Archdiocese, which covers approximately fifty percent of the State of Georgia. The accounts, pledges, and loans receivable from parishes and bonds, notes and mortgages payable are all associated with the parishes or other Archdiocesan activities. Any off-balance sheet risk or credit risk is dependent on the financial support of the parishioners to their local parish and the parishes subsequent support of the Archdiocese.

The Archdiocese places its cash and investments with various financial institutions. However, at times during the year, cash balances exceed the federally insured limits of the Federal Deposit Insurance Corporation. Other financial instruments are reported at amounts which the Archdiocese believes are not materially different from fair value.

Note 11 - Fair value measurements

Generally accepted accounting principles require that certain assets and liabilities be measured at fair value on a recurring basis. For the Archdiocese, the assets and liabilities that are adjusted to fair value on a recurring basis are investments in marketable securities, pledges and bequests receivable, charitable gift annuities payables and interest rate swap agreements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of

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observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 - Valuations based on unadjusted quoted prices for identical instruments in active markets that are available as of the measurement date

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Cash and cash equivalents, accounts receivable, loans receivable, accounts payable, and deposits payable - carrying amounts approximate fair value based upon the nature of the instrument.

Pledges receivable are valued at estimated net realizable value discounted to present value at 3.75%. Change in value includes changes in discount and adjustments to the allowance for uncollectible pledges.

Interest rate swap - fair value determined using a discounted cash flow method based on forward interest rates and expected cash flows.

The following table presents the Archdiocese's fair value hierarchy for the financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2010 and 2009:

June 30, 2010	Total	Level 1	Level 2	Level 3
Investments				
Short-term investments	$ 5,648,154	$ 5,648,154	$ -	$ -
U. S. Treasury obligations	19,595,322	15,231,254	4,364,068	-
Marketable equity securities	34,556,957	34,556,957	-	-
Equity mutual funds	15,211,850	15,211,850	-	-
Marketable debt securities	15,957,596	2,572,631	13,384,965	-
Debt mutual funds	229,282	229,282	-	-
	$91,199,161	$73,450,128	$17,749,033	$ -
Receivables				
Pledges	$4,892,499	$ -	$ -	$ 4,892,499
Bequest	7,652,172	-	-	7,652,172
	$12,544,671	$ -	$ -	$12,544,671
Charitable gift annuities payable	$ 49,732	$ -	$ -	$ 49,732
Interest rate swap liability	$10,336,441	$ -	$ -	$10,336,441

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June 30, 2009	Total	Level 1	Level 2	Level 3
Investments				
Short-term investments	$11,365,692	$11,365,692	$ -	$ -
U.S. Treasury obligations	18,280,527	15,625,627	2,654,900	-
Marketable equity securities	31,337,655	31,337,655	-	-
Equity mutual funds	11,190,509	11,190,509	-	-
Marketable debt securities	14,192,533	-	14,192,533	-
Debt mutual funds	208,399	208,399	-	-
	$86,575,315	$69,727,882	$16,847,433	$ -
Receivables				
Pledges	$ 3,882,559	$ -	$ -	$3,882,559
Bequest	-	-	-	-
	$ 3,882,559	$ -	$ -	$3,882,559
Charitable gift annuities payable	$ 20,375	$ -	$ -	$ 20,375
Interest rate swap liability	$ 7,360,659	$ -	$ -	$7,360,659

The following is a reconciliation of the change in fair value for the year ended June 30, 2010 and 2009 for Level 3:

	Year Ended June 30, 2010	Year Ended June 30, 2009
Interest rate swap liability		
Liability at beginning of year	$ 7,360,659	$3,868,250
Change in value	2,975,782	3,492,409
Liability at end of year	$10,336,441	$7,360,659
Pledges receivable		
Receivable at beginning of year	$ 3,882,559	$3,241,356
New pledges received	5,424,876	6,523,583
Payments on pledges	(4,676,849)	(4,795,626)
Change in value of pledges	261,913	(1,086,754)
Receivable at end of year	$ 4,892,499	$3,882,559
Bequest receivable		
Receivable at beginning of year	$ -	$ -
New bequest received	7,652,172	-
Receivable at end of year	$7,652,172	$ -
Charitable gift annuities payable		
Payable at beginning of year	$ 20,375	$ -
New contracts issued	30,193	21,127
Payments made to annuitants	(5,364)	(752)
Change in value of charitable gift annuities	4,528	-
Payable at end of year	$ 49,732	$ 20,375

The change in value of the interest rate swap agreements in 2010 and 2009, is attributable to the revaluation of the interest rate swap agreements based on the current market conditions and is included in the change in net assets for the years ended June 30, 2010 and 2009.

Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amount that the Archdiocese could realize in a current market exchange.

Note 12 - Retirement plans

Clergy retirement plan

On July 1, 1969, the Archdiocese adopted a retirement plan which covers all priests within the Archdiocese. The Archdiocese funding policy is to make contributions to the plan at such times and in such amounts required to keep the plan actuarially sound. Benefits are based on years of service. Contributions are intended to provide not only for benefits attributed to service to-date, but also for those expected to be earned in the future. The Archdiocese expects to contribute approximately $910,000 to the Plan during the fiscal year ending June 30, 2011.

The annual measurement date is June 30, for the pension benefits. The following table provides further information about the Archdiocese's clergy retirement plan:

	2010	2009
Obligation and Funded Status		
Projected benefit obligation	$(13,107,816)	$(11,771,707)
Plan assets at fair value	6,945,467	6,288,173
Funded status	$ (6,162,349)	$ (5,483,534)
Accumulated benefit obligation	$13,107,816	$11,771,707
Employer contributions	716,974	1,512,500
Benefits paid	850,619	657,215

Amounts recognized in the consolidated statement of financial position:

	2010	2009
Noncurrent liabilities	$6,162,349	$5,483,534

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Amounts recognized in the consolidated statements of activities:

	2010	2009
Service cost with interest	$ 351,465	$ 318,651
Interest cost	742,598	706,118
Expected return on plan assets	(445,579)	(459,590)
Amortization of prior service cost	247,986	147,288
Net periodic pension cost (income)	$ 896,470	$ 712,467
Other changes in net assets		
Actuarial (gain) loss	$1,092,665	$1,021,260
Amortization of prior service cost	(445,579)	(459,590)
	$ 647,086	$ 561,670

The estimated net loss and prior service cost that will be amortized from changes in unrestricted net assets into net periodic benefit cost in 2011 are $269,076 and $0, respectively.

The following assumptions were used in accounting for the plan:

	2010	2009
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	6.0%	6.5%
Expected return on plan assets	7.5%	7.5%
Future cost of living adjustments	3.0%	3.0%
Weighted-average assumptions used to determine the net periodic benefit obligations:		
Discount rate	6.5%	7.0%
Expected return on plan assets	7.5%	7.5%
Future cost of living adjustments	3.0%	3.0%

Retirement age: Age based retirement rates are given below:

Age	Probability of Retirement
65	33.33%
66-74	15.00%
75+	100.00%

Mortality rates (per 1,000 lives): RP-2000 combined mortality table

Age	Male	Female
20	0.35	0.19
35	0.77	0.48
50	2.14	1.68
60	6.75	5.06

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Disability: Rates varying by age and service:

Age	Male	Female
N/A	N/A	N/A

The Archdiocese's overall investment strategy is to achieve a mix of investments for long-term growth and near-term benefit payments with a diversification of asset types, fund strategies, and fund managers. The target allocation for plan assets is 65% equity securities and 35% corporate bonds and U.S. Treasury securities.

The fair values of the Archdiocese's pension plan assets at June 30, 2010 and 2009, by asset category as follows:

June 30, 2010	Total	Level 1	Level 2	Level 3
Short-term investments	$ 280,447	$ 280,447	$ -	$ -
U.S. Treasury obligations	1,324,955	1,118,541	206,414	-
Marketable debt securities	859,192	-	859,192	-
Marketable equity securities	3,578,520	3,578,520	-	-
Equity mutual funds	902,353	902,353	-	-
	$6,945,467	$5,879,861	$1,065,606	$ -

June 30, 2009	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 11,405	$ 11,405	$ -	$ -
Short-term investments	233,057	233,057	-	-
U.S. Treasury obligations	862,539	684,482	178,057	-
Marketable debt securities	910,461	-	910,461	-
Marketable equity securities	3,562,792	3,562,792	-	-
Equity mutual funds	707,919	707,919	-	-
	$6,288,173	$5,199,655	$1,088,518	$ -

The Archdiocese's expected rate of return on plan assets is determined by the plan assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

No plan assets are expected to be returned to the Archdiocese during the fiscal year ending June 30, 2011.

The following benefits are expected to be paid:

Year Ending June 30,	Amount
2011	$ 766,528
2012	772,083
2013	785,719
2014	801,755
2015	818,033
2016 - 2020	4,300,377
	$8,244,495

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Billings to the parishes and agencies and related pension and administrative expenses, excluding the effects of adopting FASB ASC 715, for clergy retirement are reported in insurance revenues and expenses as follows:

	Year Ended June 30,	
	2010	2009
Pension contributions and administrative expenses	$ 896,470	$ 712,467
Billings to parishes and agencies	(551,974)	(512,500)
	$ 344,496	$ 199,967

Lay employee retirement plan

Effective July 1, 1982, the Archdiocese amended its plan to change from a defined benefit retirement plan to a defined contribution plan. The plan covers all lay employees within the Archdiocese. Contributions to the amended plan are predetermined amounts based on compensation paid to each lay employee. Benefits under the amended plan are computed based on the pension fund assets. The defined benefit plan was terminated during the year ended June 30, 2009.

The parishes and agencies were billed for their respective share of pension and administrative costs which are included in insurance revenue and expenses as follows:

	Year Ended June 30,	
	2010	2009
Pension contributions and administrative expenses	$ 3,154,443	$ 1,702,163
Billings to parishes and agencies	(3,784,171)	(3,648,173)
	$ (629,728)	$(1,946,010)

Note 13 - Fund raising cost

The Archdiocese incurred fund raising cost related to the annual appeal campaign of $374,000 in 2010 and $350,000 in 2009.

Note 14 - Subsequent events

Management has evaluated subsequent events through November 30, 2010, which is the date the financial statement were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2010.