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, 2009 and 2008, 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, 2009 and 2008, 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.

Laney, Boteler & Killinger

Atlanta, Georgia
October 23, 2009

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ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA
Consolidated Statements of Financial Position

Assets

	June 30, 2009				June 30, 2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash and cash equivalents	$ 4,305,353	$ -	$ -	$ 4,305,353	$ 1,220,882	$ -	$ -	$ 1,220,882
Investments at fair value	46,874,211	9,156,549	30,544,555	86,575,315	73,110,180	461,452	31,162,358	104,733,990
Escrowed deposits	207,329			207,329	206,335			206,335
Accounts receivable	8,911,137			8,911,137	6,444,689			6,444,689
Pledges receivable	2,384,067			2,384,067	1,914,544			1,914,544
Loans receivable - parishes and agencies	81,604,290			81,604,290	74,515,022			74,515,022
Property and equipment, net	130,391,815			130,391,815	131,829,204			131,829,204
Other assets	5,843,272	-	-	5,843,272	3,346,375	-	-	3,346,375
Total assets	280,521,474	9,156,549	30,544,555	320,222,578	292,587,231	461,452	31,162,358	324,211,041

Liabilities and Net Assets

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Accounts payable and accrued expenses	16,690,158	-	-	16,690,158	10,160,163	-	-	10,160,163
Accounts payable-parishes and agencies	1,215,879			1,215,879	290,386			290,386
Custodial funds payable			5,129,814	5,129,814	-		6,077,515	6,077,515
Deposits payable	74,390,693			74,390,693	75,298,885			75,298,885
Interest rate swap liability	7,360,659			7,360,659	3,868,250			3,868,250
Deferred revenue	36,441,913			36,441,913	36,205,129			36,205,129
Demand notes payable	4,827,000			4,827,000	8,695,000			8,695,000
Bonds and notes payable	98,198,334	-	-	98,198,334	91,090,000	-	-	91,090,000
Total liabilities	239,124,636	-	5,129,814	244,254,450	225,607,813	-	6,077,515	231,685,328
Net assets								
Investment funds	20,427,428	-	-	20,427,428	31,378,640	-	-	31,378,640
Insurance funds	11,834,581			11,834,581	11,193,944			11,193,944
Plant funds	(12,813,706)			(12,813,706)	(8,516,573)			(8,516,573)
Undesignated	21,948,535			21,948,535	32,923,407			32,923,407
Restricted	-	9,156,549	25,414,741	34,571,290	-	461,452	25,084,843	25,546,295
Total net assets	41,396,838	9,156,549	25,414,741	75,968,128	66,979,418	461,452	25,084,843	92,525,713
Total liabilities and net assets	$280,521,474	$9,156,549	$30,544,555	$320,222,578	$292,587,231	$461,452	$31,162,358	$324,211,041

See notes to consolidated financial statements.

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA
Consolidated Statements of Activities

	Year Ended June 30, 2009				Year Ended June 30, 2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues								
Parishes and missions								
Contributions	$ 8,559,160	$ -	$ -	$ 8,559,160	$ 7,477,079	$ -	$ 74,149	$ 7,551,228
Assessments	20,654,606			20,654,606	18,536,865			18,536,865
Continuing care	9,059,669			9,059,669	9,012,380			9,012,380
Insurance premiums	24,532,420			24,532,420	24,662,833			24,662,833
Other contributions	71,673		329,898	401,571	354,132			354,132
Investment income	3,079,499	495,946		3,575,445	3,651,740			3,651,740
Other	813,148			813,148	900,668			900,668
Net assets released from restrictions	-	-	-	-	-	-	-	-
Total revenues	66,770,175	495,946	329,898	67,596,019	64,595,697	-	74,149	64,669,846
Expenses								
Administrative support	6,916,863			6,916,863	8,111,048			8,111,048
Pastoral	7,560,782			7,560,782	8,579,835			8,579,835
Education	11,532,876			11,532,876	11,281,836			11,281,836
Social services	1,935,286			1,935,286	2,019,831			2,019,831
Continuing care	8,587,318			8,587,318	8,329,996			8,329,996
Insurance services	20,894,557			20,894,557	21,544,294			21,544,294
Other	1,899,095	-	-	1,899,095	1,441,417	-	-	1,441,417
Total expenses	59,326,777	-	-	59,326,777	61,308,257	-	-	61,308,257
Change in net assets before capital additions (reductions)	7,443,398	495,946	329,898	8,269,242	3,287,440	-	74,149	3,361,589
Capital additions (reductions)								
Realized and unrealized loss on investments	(8,134,800)	(6,621,821)		(14,756,621)	(10,531,980)			(10,531,980)
Loss on interest rate swap agreements	(3,492,409)			(3,492,409)	(3,337,225)			(3,337,225)
Depreciation and amortization	(4,219,959)			(4,219,959)	(4,179,098)			(4,179,098)
Loss on disposal of property and equipment	(33,808)			(33,808)	(118,046)			(118,046)
Other SFAS 158 pension costs	(2,324,030)	-	-	(2,324,030)	(1,822,346)	-	-	(1,822,346)
Total capital additions (reductions)	(18,205,006)	(6,621,821)	-	(24,826,827)	(19,988,695)	-	-	(19,988,695)
Change in net assets	(10,761,608)	(6,125,875)	329,898	(16,557,585)	(16,701,255)	-	74,149	(16,627,106)
Reclassification of beginning net assets	(14,820,972)	14,820,972		-				-
Net assets at beginning of year	66,979,418	461,452	25,084,843	92,525,713	83,680,673	461,452	25,010,694	109,152,819
Net assets at end of year	$ 41,396,838	$ 9,156,549	$25,414,741	$ 75,968,128	$ 66,979,418	$461,452	$25,084,843	$ 92,525,713

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

	Year Ended June 30, 2009	2008
Cash flows from operating activities		
Change in net assets	$(16,557,585)	$(16,627,106)
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation and amortization	4,219,959	4,179,098
Amortization of entrance fees	(966,700)	(1,082,739)
Loss on disposal of property and equipment	33,808	118,046
Realized and unrealized loss on investments	14,756,621	10,531,980
Loss on interest rate swap agreements	3,492,409	3,337,225
Restricted contributions	(329,898)	(74,149)
(Increase) decrease in accounts receivable	(2,668,168)	582,456
Increase in pledges receivable	(469,523)	(257,665)
Increase in other assets	(2,694,313)	(639,836)
Increase in accounts payable and accrued expenses	7,118,333	2,704,571
Net cash provided by operating activities	5,934,943	2,771,881
Cash flows from investing activities		
Proceeds from sale and maturity of investments	91,719,439	63,378,205
Purchase of investments	(88,317,385)	(64,340,135)
Net increase in entrance fee escrow fund	(994)	(40,105)
Parish and mission loans	(37,328,720)	(13,808,032)
Parish and mission loan repayments	30,239,452	15,099,370
Proceeds from sale of property and equipment	9,326	30,353
Purchase of property and equipment	(2,593,288)	(1,596,755)
Net cash used by investing activities	(6,272,170)	(1,277,099)
Cash flows from financing activities		
Decrease in demand notes payable	(3,868,000)	(6,268,000)
Proceeds from bonds and notes payable	10,000,000	-
Payments on bonds and notes payable	(2,891,666)	(2,215,000)
Proceeds from residents entrance fees	1,707,359	995,950
Restricted contribution received	329,898	74,149
Parish and mission deposits received	30,679,420	40,387,411
Parish and mission deposits paid	(31,587,612)	(35,501,618)
Decrease in custodial funds payable	(947,701)	(1,574,427)
Net cash provided (used) by financing activities	3,421,698	(4,101,535)
Net increase (decrease) in cash and cash equivalents	3,084,471	(2,606,753)
Cash and cash equivalents, beginning of the year	1,220,882	3,827,635
Cash and cash equivalents, end of the year	$ 4,305,353	$ 1,220,882

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements
June 30, 2009 and 2008

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.

All of the consolidated organizations are collectively referred to in this report as the Archdiocese. Catholic Education of North Georgia, Inc. operates various schools within the Archdiocese. The accompanying financial statements include operating subsidies provided to the schools but do not include the operating activities of the various schools. 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 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 $500,000 at June 30, 2009 and 2008.

Pledges receivable

Unconditional promises to give are recognized as pledges receivable and revenue in the period received.

Notes to Consolidated Financial Statements
June 30, 2009 and 2008

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, 2009 and 2008, consisted of the following:

	2009	2008
Land	$ 16,125,126	$ 15,740,213
Land improvements	1,177,636	612,130
Buildings	129,475,377	128,056,679
Furniture and equipment	23,605,408	23,181,887
Automobiles	519,278	482,697
Construction in progress	-	298,665
	170,902,825	168,372,271
Less accumulated depreciation	(40,511,010)	(36,543,067)
Property and equipment, net	$130,391,815	$131,829,204

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	5-10 years
Automobiles	5-7 years

Depreciation expense for 2009 and 2008 was $3,987,543 and $3,946,003, respectively.

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

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.

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, 2009 and 2008, investments consisted of the following:

	2009		2008	
	Fair Value	Cost	Fair Value	Cost
Short-term investments	$11,365,692	$11,365,692	$ 5,655,469	$ 5,655,469
U. S. Treasury obligations	18,280,526	18,184,506	18,510,713	18,493,341
Marketable equity securities	42,528,163	49,034,435	51,947,672	54,082,128
Marketable debt securities	14,400,934	14,173,605	28,620,136	28,913,916
	$86,575,315	$92,758,238	$104,733,990	$107,144,854

Notes to Consolidated Financial Statements
June 30, 2009 and 2008

Note 3 - Pledges receivable

Pledges receivable of $2,384,067 and $1,914,544 at June 30, 2009 and 2008, respectively, represent unconditional promises to give. Substantially all of the pledges are due in less than one year. Pledges receivable at June 30, 2009 and 2008, have been reduced by a valuation allowance of $500,000.

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 $90,000 allowance for uncollectible loans at June 30, 2009 and 2008.

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

	2009	2008
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated February 1, 1999, and maturing April 1, 2024	$21,700,000	$22,800,000
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated February 1, 1999, and maturing April 1, 2024.	3,400,000	3,600,000
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated March 1, 1999, and maturing April 1, 2024.	14,500,000	15,300,000
Tax-Exempt Variable Rate Educational Facilities Revenue Bonds dated December 19, 2002, and maturing April 1, 2028.	19,275,000	19,295,000
Tax-Exempt Variable Rate Educational Facilities Revenue Bonds dated December 19, 2002, and maturing April 1, 2028.	6,940,000	6,960,000

Notes to Consolidated Financial Statements
June 30, 2009 and 2008

	2009	2008
Development Authority of Fulton County Tax-Exempt Variable Rate Revenue Bonds (CCCRC bonds) dated April 1, 2004, and maturing April 1, 2034.	22,550,000	23,135,000
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.	9,833,334	-
	$98,198,334	$91,090,000

Maturities of bonds and notes payable are as follows:

Year Ending June 30,	Amount
2010	$ 3,820,000
2011	3,905,000
2012	10,878,334
2013	3,145,000
2014	3,345,000
2015-2034	73,105,000
	$98,198,334

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, 2009, were .27% to .47%. 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, 2009. 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.

Notes to Consolidated Financial Statements
June 30, 2009 and 2008

At June 30, 2009, the Archdiocese had available two unsecured bank lines of credit totaling $24,000,000. Both of the notes are payable on demand and bear interest at LIBOR plus 1.0% (1.31% at June 30, 2009). The total outstanding under the demand notes at June 30, 2009 and 2008, was $4,827,000 and $8,695,000, respectively.

Interest expense to the Archdiocese on bonds and demand notes payable and interest paid on deposits from parishes and agencies (Note 4) totaled $8,456,222 and $7,782,487 for the years ended June 30, 2009 and 2008, respectively. Cash payments for interest totaled $8,034,145 and $7,874,477 for fiscal years 2009 and 2008, respectively.

Interest expense for the years ended June 30, 2009 and 2008, is reported in the statement of activities as follows:

	2009	2008
Interest included in subsidized school operations	$3,506,487	$3,176,429
Interest included in CCCRC operations	1,325,707	1,313,154
Interest charged against loan fund income (Note 4)	3,624,028	3,292,904
	$8,456,222	$7,782,487

Note 6 - Interest rate swap agreements

In order to mitigate its exposure to interest rate fluctuations, the Archdiocese has 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 bonds and note outstanding at June 30, 2009 and 2008, are covered under interest rate swap agreements as follows:

Issue	Interest Rate	Effective Date	Expiration Date	Notional Amount
School Bonds	3.58%	October 1, 2008	October 1, 2017	$18,950,000
School Bonds	3.87%	January 1, 2007	January 4, 2010	26,230,000
School Bonds	4.53%	April 1, 2004	July 1, 2010	20,650,000
CCCRC Bonds	3.90%	May 15, 2008	May 1, 2017	22,550,000
Note payable	3.80%	April 6, 2009	June 30, 2012	9,833,334
				$98,213,334

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

Issue	Interest Rate	Effective Date	Expiration Date	Notional Amount
School Bonds	3.25%	January 4, 2010	July 1, 2020	$26,230,000
School Bonds	4.53%	July 1, 2010	October 1, 2014	19,600,000
				$45,830,000

At June 30, 2009 and 2008, the fair value of the interest rate swap agreements was a net payable to the bank of $7,360,659 and $3,868,250, respectively. The fair values represent the discounted amount the Archdiocese would pay to the bank to terminate the agreements as of June 30, 2009 or 2008. The Archdiocese has no plans to terminate the interest rate swap agreements prior to the expiration date of the agreements.

The change in fair value of the interest rate swap agreements is recorded in the consolidated statements of activities as loss on interest rate swap agreements. The change in fair value resulted in a loss of $3,492,409 and $3,337,225 for the years ended June 30, 2009 and 2008, respectively.

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) 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:

Notes to Consolidated Financial Statements
June 30, 2009 and 2008

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, 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		5,874,606	20,508,834	26,383,440
Elderly		138,126	183,827	321,953
Operations		50,584	52,100	102,684
Parishes		7,117	231,873	238,990
Seminary	-	1,189,917	3,015,900	4,205,817
	-	8,695,097	25,414,741	34,109,838
Board-designated endowment funds				
Clergy welfare	99,117	-	-	99,117
Dependent children	723,741			723,741
Education	1,200,859			1,200,859
Operations	6,248,498			6,248,498
Parishes	6,577,418			6,577,418
Retired priests	1,166,216			1,166,216
Seminary	4,411,579	-	-	4,411,579
	20,427,428	-	-	20,427,428
Total	$20,427,428	$8,695,097	$25,414,741	$54,537,266

Notes to Consolidated Financial Statements
June 30, 2009 and 2008

Changes in endowment net assets for the year ended June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$41,410,761	$ -	$25,084,843	$ 66,495,604
Net asset reclassification based on change in law	(14,820,972)	14,820,972	-	-
Endowment net assets, after reclassification	26,589,789	14,820,972	25,084,843	66,495,604
Contributions			329,898	329,898
Transfers to increase board designated funds	398,240			398,240
Investment return				
Investment income	642,539	1,120,261		1,762,800
Net realized and unrealized depreciation	(4,737,937)	(6,621,821)		(11,359,758)
Appropriation of endowment net assets for expenditure	(2,465,203)	(624,315)	-	(3,089,518)
Endowment net assets, end of year	$20,427,428	$8,695,097	$25,414,741	$54,537,266

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, 2009 and 2008:

	June 30, 2009			June 30, 2008		
	Temporarily Restricted	Permanently Restricted	Total	Temporarily Restricted	Permanently Restricted	Total
Campus ministry	$ 25,393	$ 35,000	$ 60,393	$ -	$ 35,000	$ 35,000
College Catholic Centers	211,452	-	211,452	211,452	-	211,452
Community service	259,637	1,000,000	1,259,637	-	1,000,000	1,000,000
Dependent children	1,149,717	387,207	1,536,924	-	387,207	387,207
Education	5,874,606	20,508,834	26,383,440	-	20,457,809	20,457,809
Elderly	138,126	183,827	321,953	-	183,827	183,827
Operations	50,584	52,100	102,684	-	5,100	5,100
Parishes	7,117	231,873	238,990	-	-	-
Retired Priests	250,000	-	250,000	250,000	-	250,000
Seminary	1,189,917	3,015,900	4,205,817	-	3,015,900	3,015,900
	$9,156,549	$25,414,741	$34,571,290	$461,452	$25,084,843	$25,546,295

Note 10 - Financial Instruments and fair value measurements

The Financial Accounting Standards Board 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's interest rate swap agreements associated with bonds payable are recorded at fair value. Fair value of the interest rate swap agreements has been determined using a discounted cash flow method based on forward interest rates and expected future cash flows.

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.

SFAS No. 157, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs have the highest priority, and Level 3 inputs have the

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lowest priority. In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. When this happens, the level in the fair value hierarchy that the asset or liability falls under is based on the lowest input level that is significant to the fair value measurement in its entirety.

Level 1 Inputs
Fair values are based on quoted prices (unadjusted) in active markets for identical assets that the Archdiocese has the ability to access at the measurement date (e.g. prices derived from NYSE, NASDAQ, or Chicago Board of Trade).

Level 2 Inputs
Fair values are based on inputs other than quoted prices included within Level 1 that are observable for valuing the asset or liability, either directly or indirectly (i.e. interest rate and yield curves observable at commonly quoted intervals, default rates, etc.) Observable inputs include quoted prices for similar assets or liabilities in active or non-active markets. Level 2 inputs may also include insignificant adjustments to market observable inputs.

Level 3 Inputs
Fair values are based on unobservable inputs used for valuing the asset or liability. Unobservable inputs are those that reflect the Archdiocese's own assumptions about the assumptions that market participants would use in pricing the asset or liability, based on the best information available in the circumstances.

The following is a description of valuation methodologies used by the Archdiocese in estimating fair value disclosure for financial instruments:

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

Interest rate swap - carrying value approximates fair value to terminate the swap arrangement using unobservable inputs.

The following table presents the Archdiocese's fair value hierarchy for the financial assets and liabilities measured at fair value on a recurring basis:

	Total	Level 1	Level 2	Level 3
Investments				
Short-term investments	$11,365,692	$11,365,692	$ -	$ -
U. S. Treasury obligations	18,280,526	-	18,280,526	-
Marketable equity securities	42,528,163	42,528,163	-	-
Marketable debt securities	14,400,934	208,398	14,192,536	-
	$86,575,315	$54,102,253	$32,473,062	$ -
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, 2009 for Level 3:

Interest rate swap liability	
Liability as of June 30, 2008	$3,868,250
Change in value	3,492,409
Liability as of June 30, 2009	$7,360,659

The change in value of the interest rate swap agreements of $3,492,409 in 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 year ended June 30, 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 amounts that the Archdiocese could realize in a current market exchange.

Note 11 - 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 $960,000 to the Plan during the fiscal year ending June 30, 2010.

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. SFAS No. 158 requires an employer that sponsors a defined benefit postretirement plan to report the current economic status (the overfunded or underfunded status) of the plan in its statement of financial position, to measure the plan assets and plan obligations as of the statement of financial position date, and to include enhanced disclosures about the plan.

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

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	2009	2008
Obligation and Funded Status		
Projected benefit obligation	$(11,771,707)	$(10,382,893)
Plan assets at fair value	6,288,173	6,423,356
Funded status	$ (5,483,534)	$ (3,959,537)
Accumulated benefit obligation	$11,771,707	$ 9,474,675
Employer contributions	1,512,500	476,218
Benefits paid	657,215	659,808

Amounts recognized in the consolidated statement of financial position:

Noncurrent liabilities	$5,483,534	3,959,537

Amounts recognized in the consolidated statements of activities:

	2009	2008
Net Loss recognized in changes in unrestricted net assets	$2,471,318	$1,866,568
Amortization of net loss	(147,288)	(44,222)
Total recognized in unrestricted net assets	$2,324,030	$1,822,346
Total recognized in unrestricted net assets	$2,324,030	$1,822,346
Net periodic pension cost	712,467	491,471
Total recognized in unrestricted net assets and net periodic pension cost	$3,036,497	$2,313,817

The estimated net loss for the defined benefit pension plan that will be amortized from changes in unrestricted net assets into net periodic benefit cost over the next fiscal year is $247,986.

The following assumptions were used in accounting for the plan:

Weighted-average assumptions used to determine benefit obligations at June 30, 2009 and 2008:

Discount rate	6.5%
Future cost of living adjustments	3.0%

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Weighted-average assumptions used to determine the net periodic benefit cost for the fiscal year ended June 30, 2009 and 2008:

Discount rate	7.0%
Expected return on plan assets	7.5%
Future cost of living adjustments	3.0%

Mortality:	RP2000 Combined Mortality Table
Withdrawal:	None
Disability:	None
Retirement Age:	Age based on retirement rates:

Retirement Rates	
Age	Rate
65	33.33%
66-74	15.00%
75+	100.00%

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, 2009.

The following benefits are expected to be paid:

Years Ending June 30,	Amount
2010	$ 694,246
2011	715,637
2012	724,902
2013	746,585
2014	766,856
2015-2019	4,145,425
	$7,793,651

Billings to the parishes and agencies and related pension and administrative expenses, excluding the effects of adopting SFAS 158, for clergy retirement are reported in insurance revenues and expenses, as follows:

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	Year Ended June 30,	
	2009	2008
Pension and administrative expenses	$ 712,467	$ 493,286
Billings to parishes and agencies	(512,500)	(476,000)
	$ 199,967	$ 17,286

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,	
	2009	2008
Pension and administrative expenses	$ 1,702,163	$ 2,661,054
Billings to parishes and agencies	(3,648,173)	(3,558,497)
	$(1,946,010)	$ (897,443)

Note 12 - Fund raising cost

The Archdiocese incurred fund raising cost related to the annual appeal campaign of $350,476 in 2009 and $447,688 in 2008.

Note 13 - Subsequent event

On October 2, 2009, the Archdiocese entered into a contract to purchase a seven-acre tract of land and a 96,000 square foot building for $3,250,000. The land and building, which are located in northeast Atlanta, are expected to serve as the headquarters of the Archdiocese. The purchase is expected to close before December 31, 2009.

The Archdiocese did not have any other subsequent events through November 30, 2009, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2009.