Archdiocese of Atlanta

2004 Annual Report

February 17, 2005

To the Faithful of the Archdiocese of Atlanta:

The law of the Church says that by virtue of our rebirth in Christ, "there exists among all the Christian faithful a true equality with regard to the dignity and the activity whereby all cooperate in the building up of the Body of Christ in accord with each one's own condition and function."

Year after year, we live by these words, opening both the treasuries of our hearts and our financial treasuries, so that by our gifts according to the will of Jesus Christ the needs of all, especially the materially poor, may be met. Our Lord's Church continues to live by the words that it has since the time of the Apostles: "All who believed were together and had all things in common." The faithful People of God have ever risen to greater expressions of their love for Christ her Lord, and to increased support for the work He commands us to do.

At this time of year it is my duty and privilege to offer you a clear and comprehensive accounting of how the offices of the Archdiocese have received and dispensed the gifts of her people, and how we have worked together to build up Christ's Body according to our responsibilities and our abilities. It is my hope that by understanding in detail how we work together to share the blessings that we have received, our hearts will be inclined to an increase of those supreme gifts of the Holy Spirit: love of God, and love of our neighbor, and that the Catholic Church in North Georgia will continue to prosper by the generosity of her kind people.

Sincerely yours,

+Wilton D. Gregory

╬Wilton D. Gregory,
Archbishop of Atlanta

Archdiocese of Atlanta

2004 Annual Report

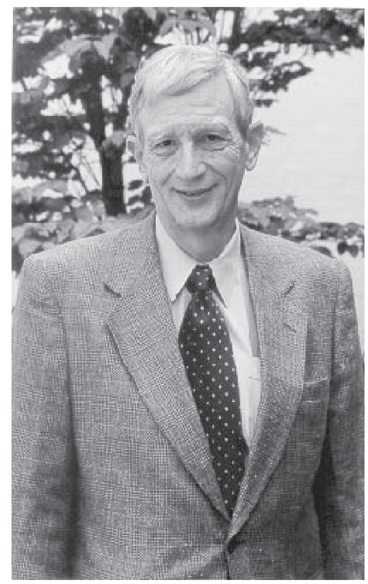
Enclosed for your review are the Archdiocese of Atlanta consolidated audited financial statements for the fiscal year ended June 30, 2004. The statements include the accounts of the Administrative Office of the Archdiocese, Catholic Construction Services, Inc., Catholic Continuing Care Retirement Communities, Inc., Catholic Education of North Georgia, Inc., and the Catholic Foundation of North Georgia, Inc.

I am pleased to report that the financial health of the Archdiocese continues to strengthen. For the fiscal year ended June 30, 2004, change in net assets (net worth) was $6.8 million, compared to a loss of $1.6 million for the previous year. Our liquidity improved dramatically as cash and marketable securities increased by $13.4 million. At the same time, we reduced our total bank debt by $8.4 million.

Total assets of parishes, schools and missions increased to $386,631,000 and net assets (equity) increased $18,364,000 to $298,182,000.

In April of 2004 we completed the financing for our retirement community, St. George Village. Construction began in May and we hope to open the facility in the fall of 2005. Another highlight for 2005 will be the replacement of the church management computer systems for all our parishes and missions. The project will start in January of 2005 with an estimated completion date of March 2006.

I would like to thank the Archbishop, Vicars General and the Archdiocesan Finance Council for their advice and counsel. My thanks also to the Finance Office staff for their dedication and hard work.



Gary Meader
Chief Finance Officer

Sincerely,

Gary Meader
Chief Finance Officer, Archdiocese of Atlanta

Archdiocese of Atlanta

2004 Annual Report

Again this year, the Archdiocese of Atlanta is publishing the annual financial report of the Chancery Office. Included are the following financial statements:

Independent Auditors' Report

Consolidated Statements of Financial Position - June 30, 2004 and 2003

Consolidated Statements of Activities - Years Ended June 30, 2004 and 2003

Consolidated Statements of Cash Flows - Years Ended June 30, 2004 and 2003

Notes to Consolidated Financial Statements - June 30, 2004 and 2003

The accounts contained in these financial statements include only the transactions of the Administrative (Chancery) Offices and Subsidiaries. Although subsidies for communication, education, social services and other Archdiocesan programs and agencies are included, the operating details of such activities are not included.

As explained in the annual report, these financial statements have been audited by Laney, Boteler & Killinger. Their report, complete with detailed supporting schedules, is on file in the Chancery Office.

The financial statements are prepared using methods recommended by the Financial Accounting Standards Board and approved by the National Conference of Catholic Bishops. The fund balances of the Archdiocese are presented in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Under these provisions, net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The nets asset of the Archdiocese are classified and reported as explained in the following paragraphs:

Unrestricted Net Assets

The category titled unrestricted net assets is used to account for support and revenues that are unrestricted in nature. The various contributors have given the Archdiocese the discretion to decide where the funds can best be used. Unrestricted net assets include contributions from parishes and missions as well as the support we receive directly from you, the parishioners, through the Archdiocesan Annual Appeal.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent support and contributions where the donor has specified for what purpose the funds should be used. After the donor's restrictions have been satisfied, the funds are transferred to unrestricted net assets.

Permanently Restricted Net Assets

Permanently restricted net assets represent true endowments where the donor has permitted the Archdiocese to use the income for operations, but has prohibited the use of principal.

The charts on the facing page show the sources and uses of our total support for the year ended June 30, 2004.

Above all, let your love for one another be constant, for love covers a multitude of sins. Be mutually hospitable without complaining. As generous distributors of God's manifold grace, put your gifts at the service of one another, each in the measure you have received.

1 Peter 4: 8-10

Archdiocese of Atlanta

2004 Annual Report

Consolidated Statements of Financial Position

June 30, 2004

ASSETS—June 30, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash and cash equivalents	$ 7,588,497	$ —	$ —	$ 7,588,497
Investments at market value	54,055,086	476,713	29,306,034	83,837,833
Escrowed deposits	3,553,155			3,553,155
Accounts receivable (net of allowance				—
for doubtful accounts of $300,000)	6,398,060		—	6,398,060
Pledges receivable (net of allowance for doubtful pledges of $500,000 and $250,000)	1,750,754			1,750,754
Pledges receivable - capital campaign (Net of allowance for doubtful pledges of $2,341,023 in 2003)	—			—
Loans receivable - parishes and agencies (net of allowance for doubtful loans of $90,000)	65,413,676			65,413,676
Land, buildings and equipment	95,253,357			95,253,357
Other assets	3,673,784	—	—	3,673,784
TOTAL ASSETS	$237,686,369	$476,713	$29,306,034	$267,469,116

LIABILITIES AND NET ASSETS—June 30, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Accounts payable and accrued expenses	$ 2,078,784		$ —	$ 2,078,784
Accounts payable - parishes and agencies	813,250			813,250
Custodial funds payable			4,285,255	4,285,255
Deposits payable	61,766,293			61,766,293
Pledges payable to parishes	19,413			19,413
Demand notes payable	9,133,000			9,133,000
Bonds, notes and mortgages payable	90,718,333	—	—	90,718,333
TOTAL LIABILITIES	164,529,073	—	4,285,255	168,814,328
Net assets				
Investment funds	27,763,740			27,763,740
Insurance funds	5,520,453			5,520,453
Plant funds	6,340,462			6,340,462
Undesignated	33,532,641			33,532,641
Restricted	—	476,713	25,020,779	25,497,492
TOTAL NET ASSETS	73,157,296	476,713	25,020,779	98,654,788
TOTAL LIABILITIES AND NET ASSETS	$237,686,369	$476,713	$29,306,034	$267,469,116

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2004 and 2003

Note 1 - Summary of significant accounting policies

Basis of reporting

The accompanying financial statements include the accounts and transactions of the Administrative Offices of the Archdiocese of Atlanta, The Catholic Foundation of North Georgia, Inc., Catholic Construction Services, Inc., Catholic Continuing Retirement Care Communities, Inc. and Catholic Education of North Georgia, Inc. (Archdiocese). Catholic Education of North Georgia 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.

Title to all property of the Archdiocese vests in the Archbishop and his successors in office while obligations of the Archdiocese, likewise, are those of the Archbishop and his successors in office.

The Archdiocese is a religious organization exempt from income taxes under Section 501(a) of the Internal Revenue Code.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Archdiocese considers all unrestricted highly liquid investments with an initial maturity of three months or less 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 statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Pledges receivable

Unconditional promises to give are recognized as pledges receivable and revenues or gains in the period received.

Consolidated Statements of Financial Position

June 30, 2003

ASSETS—June 30, 2003

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash and cash equivalents	$ 264,155	$ —	$ —	$ 264,155
Investments at market value	46,546,397	2,226,713	28,964,593	77,737,703
Escrowed deposits				—
Accounts receivable (net of allowance			—	
for doubtful accounts of $300,000)	5,080,486		—	5,080,486
Pledges receivable (net of allowance for doubtful pledges of $500,000 and $250,000)	1,781,068			1,781,068
Pledges receivable - capital campaign (Net of allowance for doubtful pledges of $2,341,023 in 2003)	650,000			650,000
Loans receivable - parishes and agencies (net of allowance for doubtful loans of $90,000)	71,176,629			71,176,629
Land, buildings and equipment	97,839,007			97,839,007
Other assets	1,297,596	—	—	1,297,596
TOTAL ASSETS	$224,635,338	$2,226,713	$28,964,593	$255,826,644

LIABILITIES AND NET ASSETS—June 30, 2003

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Accounts payable and accrued expenses	$ 4,014,666	$ —	$ —	$ 4,014,666
Accounts payable - parishes and agencies	558,041			558,041
Custodial funds payable			3,906,899	3,906,899
Deposits payable	46,733,655			46,733,655
Pledges payable to parishes	583,581			583,581
Demand notes payable	20,904,144			20,904,144
Bonds, notes and mortgages payable	87,299,222	—	—	87,299,222
TOTAL LIABILITIES	160,093,309	—	3,906,899	164,000,208
Net assets				
Investment funds	26,558,333			26,558,333
Insurance funds	4,326,322			4,326,322
Plant funds	10,084,189			10,084,189
Undesignated	23,573,185			23,573,185
Restricted	—	2,226,713	25,057,694	27,284,407
TOTAL NET ASSETS	64,542,029	2,226,713	25,057,694	91,826,436
TOTAL LIABILITIES AND NET ASSETS	$224,635,338	$2,226,713	$28,964,593	$255,826,644

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2004 and 2003

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.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Land, buildings and equipment

Land, buildings and equipment acquired on or before June 1, 1963, are stated at amounts derived from insurance values and land appraisals as of that date. Subsequent additions are recorded at cost.

A summary of land, buildings and equipment at June 30, 2004, follows:

	Insurance or Appraised Values June 1, 1963	Acquisitions at Cost Subsequent to June 1, 1963	Total
Land	$210,125	$ 18,599,271	$ 18,809,396
Buildings	650,000	80,211,635	80,861,635
Furniture, fixtures	—	15,723,029	15,723,029
Automobiles	—	240,614	240,614
Construction in progress	—	2,359,195	2,359,195
	$860,125	$117,133,744	$117,993,869

Less accumulated depreciation	22,740,512
Net land, buildings and equipment	$95,253,357

Additions of land, buildings and equipment are capitalized while repairs and maintenance are charged to expense.

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

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

Depreciation expense for 2004 and 2003 was $3,877,057 and $3,752,017, respectively.

Land, buildings and equipment are pledged in part to secure notes and mortgages payable (Note 6).

Note 2 - Financial instruments

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 within the Archdiocese, which covers approximately fifty percent of the State of Georgia. The accounts and pledges receivable due from parishes and 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

Consolidated Statements of Activities

June 30, 2004

YEAR ENDED June 30, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Parishes and missions				
Contributions	$ 6,020,052	$ —	$ 13,085	$ 6,033,137
Assessments	16,358,228			16,358,228
Insurance premiums	16,826,607			16,826,607
Other contributions	375,121			375,121
Investment income	2,607,774			2,607,774
Other	995,751			995,751
Net assets released from restrictions	1,750,000	(1,750,000)	—	—
Total revenues	44,933,533	(1,750,000)	13,085	43,196,618
Expenses				
Administrative support	5,221,371			5,221,371
Pastoral	5,162,905			5,162,905
Education	9,057,768		50,000	9,107,768
Social services	2,097,121			2,097,121
Insurance services	15,746,129	—	—	15,746,129
Other	997,776	—	—	997,776
Total expenses	38,283,070	—	50,000	38,333,070
Change in net assets before capital additions (reductions)	6,650,463	(1,750,000)	(36,915)	4,863,548
Capital additions (reductions)				
Capital campaign bad debt losses	(286,647)			(286,647)
Realized and unrealized gain (loss) on investments	6,234,030			6,234,030
Depreciation and amortization	(4,098,355)			(4,098,355)
Gain (loss) on disposal of property and equipment	115,776	—	—	115,776
Total capital additions (reductions)	1,964,804	—	—	1,964,804
Change in net assets	8,615,267	(1,750,000)	(36,915)	6,828,352
Net assets at beginning of year	64,542,029	2,226,713	25,057,694	91,826,436
Net assets at end of year	$73,157,296	$ 476,713	$25,020,779	$98,654,788

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2004 and 2003

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 3 - Investments

At June 30, 2004 and 2003, investments consisted of the following:

	2004		2003	
	Market Value	Cost	Market Value	Cost
Short-term investments	$ 1,241,125	$ 1,241,125	$ 2,058,082	$ 2,058,082
U. S. Treasury obligations	6,651,164	6,674,383	3,729,532	3,492,343
Marketable equity securities	49,413,897	42,629,963	46,562,099	43,114,012
Marketable debt securities	26,531,647	26,204,285	25,387,990	23,554,285
	$83,837,833	$76,749,756	$77,737,703	$72,218,722

Expenses relating to investment revenues, including custodial fees and investment advisory fees, amounted to approximately $117,869 and $116,936 in 2004 and 2003, respectively, and have been netted against investment revenues in the accompanying statements of activities.

Note 4 - Pledges receivable

Pledges receivable of $1,750,754 and $1,781,068 at June 30, 2004 and 2003, respectively, represent unconditional promises to give. Substantially all of the pledges are due in less than one year.

Pledges receivable - capital campaign of $0 and $650,000 at June 30, 2004 and 2003, respectively, represent unconditional promises to give. The capital campaign concluded in the 1998 fiscal year and raised total pledges of approximately $94,000,000. Pledges under the capital campaign were generally payable over five years in monthly or annual amounts determined by the contributors.

Note 5 - 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 7%.

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 5%.

Note 6 - Bonds, notes, and mortgages payable

Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated February 1, 1999, and maturing April 1, 2024	$26,900,000	$26,900,000
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated February 1, 1999, and maturing April 1, 2024	4,280,000	4,280,000

Consolidated Statements of Activities

June 30, 2003

YEAR ENDED June 30, 2003

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Parishes and missions				
Contributions	$ 5,464,302	$ —	$ —	$ 5,464,302
Assessments	14,203,605			14,203,605
Insurance premiums	13,833,151			13,833,151
Other contributions	692,422			692,422
Investment income	3,607,138			3,607,138
Other	941,654			941,654
Net assets released from restrictions	—	—	—	—
Total revenues	38,742,272	—	—	38,742,272
Expenses				
Administrative support	4,627,984			4,627,984
Pastoral	4,799,910			4,799,910
Education	8,250,539			8,250,539
Social services	1,992,538			1,992,538
Insurance services	13,817,312	—	—	13,817,312
Other	1,457,754	—	—	1,457,754
Total expenses	34,946,037	—	—	34,946,037
Change in net assets before capital additions (reductions)	3,796,235	—	—	3,796,235
Capital additions (reductions)				
Capital campaign bad debt losses	(170,152)			(170,152)
Realized and unrealized gain (loss) on investments	(1,145,562)			(1,145,562)
Depreciation and amortization	(3,966,111)			(3,966,111)
Gain (loss) on disposal of property and equipment	(71,387)	—	—	(71,387)
Total capital additions (reductions)	(5,353,212)	—	—	(5,353,212)
Change in net assets	(1,556,977)	—	—	(1,556,977)
Net assets at beginning of year	66,099,006	2,226,713	25,057,694	93,383,413
Net assets at end of year	$64,542,029	$2,226,713	$25,057,694	$91,826,436

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2004 and 2003

Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated March 1, 1999, and maturing April 1, 2024	17,500,000	17,500,000
Tax-Exempt Variable Rate Educational Facilities Revenue Bonds dated December 19, 2002, and maturing April 1, 2028	19,295,000	19,295,000
Tax-Exempt Variable Rate Educational Facilities Revenue Bonds dated December 19, 2002, and maturing April 1 2028	6,960,000	6,960,000
Development Authority of Fulton County Tax-Exempt Variable Rate Revenue Bonds (CCRC bonds) dated March 1, 2004, and maturing April 1, 2034	8,950,000	—
Unsecured bank note payable in the original amount of $25,000,000, with interest set at LIBOR plus 5%. The rate at June 30, 2004, was 1.61%. The note requires monthly payments of $208,333.33 plus interest and matures July 1, 2009. Effective October 11, 2001, the Archdiocese entered into an interest rate swap contract with a bank. The notional amount at the effective date was $13,500,000 and is amortized on a monthly basis over a five-year period. The notional amount has a fixed interest rate of 4.19% over the term of the interest rate swap contract. The note may be prepaid without penalty.	6,833,333	11,996,722
Bank note payable with monthly payments of $12,500 principal plus interest at a variable rate. The note was secured by real estate.	—	367,500
	$90,718,333	$87,299,222

Maturities of notes and mortgages payable are as follows:

Year Ending June 30,	Amount
2005	$ 3,680,000
2006	4,200,000
2007	3,833,333
2008	11,050,000
2009	2,125,000
2010-2034	65,830,000
	$ 90,718,333

Archdiocese of Atlanta

2004 Annual Report

Consolidated Statements of Cash Flows

	YEAR ENDED JUNE 30, 2004	2003
Cash flows from operating activities		
Change in net assets	$6,828,352	$(1,556,977)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities		
Depreciation and amortization	4,098,355	3,966,111
(Gain) loss on disposal of property and equipment	(115,776)	71,387
Realized and unrealized (gain) loss on investments	(6,234,030)	1,145,562
Restricted contributions	(13,085)	—
Increase in accounts receivable	(1,317,574)	(1,181,099)
Decrease in pledges receivable	680,314	1,098,192
Increase in other assets	(2,597,486)	(490,206)
(Increase) decrease in accounts payable and accrued expenses	(1,935,882)	114,270
Decrease in pledges payable to parishes	(564,168)	(645,078)
Net cash provided (used) by operating activities	(1,170,980)	2,522,162
Cash flows from investing activities		
Purchase of investments	(1,663,257)	(2,034,349)
Parish and mission loans	(6,423,421)	(17,115,828)
Parish and mission loan repayments	12,186,374	9,978,106
Proceeds from sale of property and equipment	1,097,065	9,000
Proceeds from sale and maturity of investments	1,797,157	3,754,200
Purchase of property and equipment	(2,017,487)	(4,245,332)
Net cash provided (used) by investing activities	4,976,431	(9,654,203)
Cash flows from financing activities		
Decrease in demand notes payable	(11,771,144)	(20,906,397)
Proceeds from bonds, notes and mortages payable	8,950,000	26,255,000
Payments on bonds, notes and mortages payable	(5,530,889)	(2,750,000)
Contributions restricted for investment	13,085	—
Parish and mission deposits received	21,280,426	16,721,345
Parish and mission deposits paid	(9,800,943)	(10,223,264)
Increase (decrease) in custodial funds payable	378,356	(3,019,032)
Net cash provided by financing activities	3,518,891	6,077,652
Net increase (decrease) in cash and cash equivalents	7,324,342	(1,054,389)
Cash and cash equivalents, beginning of year	264,155	1,318,544
Cash and cash equivalents, end of year	$7,588,497	$ 264,155

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2004 and 2003

All of the educational bonds require monthly or quarterly interest payments and mature in varying annual amounts beginning April 1, 2005 through April 1, 2034. The bonds may be redeemed earlier at the option of the Archdiocese. Interest on the bonds varies weekly. The rate at June 30, 2004, was 1.09%. As discussed below, the Archdiocese has entered into various interest rate swap agreements that provide for fixed rates of interest on the bonds. The bonds are secured by bank letters of credit. Bond proceeds were used for construction of new schools and additions to an existing school.

Up to $50,000,000 of tax-exempt revenue bonds will be issued for the construction of a life care retirement community in Roswell, Georgia. As of June 30, 2004, $8,950,000 of the bonds had been issued. The bonds require monthly interest payments. The interest rate at June 30, 2004 was 1.08%. The lessor of 50% of the bonds or $24,000,000 in bonds will be redeemed by April 1, 2008. The remaining bonds mature in varying annual amounts through April 1, 2034. The bonds are secured by a letter of credit which expires on April 29, 2009, unless extended or earlier terminated upon the attainment of certain occupancy and other financial ratios.

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. The school bonds outstanding at June 30, 2004, are covered under interest rate swap agreements as follows:

Interest Rate	Expiration Date	Notional Amount
2.52%	January 1, 2007	$ 26,255,000
3.10%	October 1, 2008	23,072,500
4.54%	July 1, 2010	25,607,500
		$ 74,935,000

During 2004, the Archdiocese took advantage of the low interest rate environment and extended the maturities of the swaps by one year.

At June 30, 2004, the Archdiocese had available four unsecured bank lines of credit totaling $37,000,000. All of the notes are payable on demand and bear interest at LIBOR plus .70% (1.81% at June 30, 2004). The total outstanding under the demand notes at June 30, 2004 and 2003, was $9,133,000 and $20,904,144, respectively.

Interest expense on certain notes and mortgages payable has been paid by the parishes and missions that received the loan proceeds (Note 5). Interest expense to the Archdiocese on bonds, notes, mortgages and demand notes payable and interest paid on deposits from parishes and agencies (Note 5) totaled $6,712,497 and $6,234,462 for the years ended June 30, 2004 and 2003, respectively. Cash payments for interest totaled $6,773,879 and $6,161,246 for fiscal years 2004 and 2003, respectively.

Interest expense for the years ended June 30, 2004 and 2003, includes interest on bonds, notes payable, mortgages payable, demand notes payable, interest credited on deposits payable (Note 5) and arbitrage settlements and is reported on the books as follows:

	2004	2003
Interest included in subsidized school operations	$3,074,040	$2,832,976
Interest capitalized as part of construction in progress	10,994	—
Interest charged against loan fund income (Note 5)	3,627,463	3,401,486
	$6,712,497	$6,234,462

Parishes and Missions

Statements of Financial Position (Unaudited)

Parish and Missions

In addition to the financial statements of the Chancery Office, which were audited by our independent accountants, we also present statements of financial position at June 30, 2004 and 2003, and statements of activities and sources and uses of funds for the years ended June 30, 2004 and 2003, of the parishes and missions of the Archdiocese of Atlanta.

It is important to note that these statements were prepared by the Chancery, from records maintained by the various parishes and missions, and were not audited by independent accountants.

As reported in the statements of financial position, total assets of $386,631,189 increased by $18,297,616 during the year ended June 30, 2004. The major portion of this increase is reflected in purchases of land, buildings, and equipment. Land, buildings, and equipment accounted for 82% ($310,810,119) of the total assets of parishes and missions at June 30, 2004.

The amount due to the Administrative Offices of the Archdiocese of Atlanta totaled $65,247,843 at June 30, 2004, a decrease of $1,141,766 when compared with the previous year. This debt represents amount lent to parishes and missions from the "Deposit and Loan Fund" of the administrative offices. The "Deposit and Loan Fund" is funded by parish deposits and amounts borrowed from banks and other financial institutions.

ASSETS
JUNE 30,

	2004	2003
Cash in banks	$ 9,227,329	$ 10,914,888
Funds on deposit with Administrative Office - Archdiocese of Atlanta	54,420,020	44,076,279
Investments at market value	3,397,924	3,359,841
Accounts and notes receivable	338,127	572,524
Pledges receivable - capital campaign	19,413	583,581
Land, buildings and equipment	318,810,119	308,286,679
Other assets	418,257	539,781
Total assets	386,631,189	368,333,573

LIABILITIES AND NET ASSETS

	2004	2003
Accounts payable	23,200,850	22,125,756
Due to Administratve Offices - Archdiocese of Atlanta	65,247,843	66,389,609
Total liabilities	88,448,693	88,515,365
Net assets		
Balance, beginning of year	279,818,208	263,786,501
Change in net assets	18,364,288	16,031,707
Balance, end of year	298,182,496	279,818,208
Total liabilities and Net Assets	$386,631,189	$368,333,573

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2004 and 2003

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 - Restrictions on net assets

Temporarily restricted net assets at June 30, 2004 and 2003, are available for the following purposes:

	2004	2003
College Catholic Centers	$226,713	$ 226,713
Retired priests	250,000	2,000,000
	$476,713	$2,226,713

Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income from the assets can be used to support the Archdiocese's activities. Permanently restricted net assets consist of endowments restricted for the following purposes:

	2004	2003
Campus ministry	$ 35,000	$ 35,000
Community service	1,000,000	1,000,000
Dependent children	387,207	387,207
Education	20,393,745	20,433,660
Elderly	183,827	183,827
Other	5,100	2,100
Seminary	3,015,900	3,015,900
	$25,020,779	$25,057,694

Note 9 - Retirement plans

Clergy retirement plan
On July 1, 1969, the Archdiocese adopted a retirement plan which covers all priests within the Archdiocese. The Archdiocese makes contributions to the plan at such times and in such amounts as required to keep the plan actuarially sound. Pension and administrative costs for the years ended June 30, 2004 and 2003, were $329,206 and $393,588, respectively. Pension cost includes normal cost and amortization of past service cost over thirty years. A comparison of vested plan benefits and plan net assets as of January 1, 2003 (most recent valuation), is presented below:

Actuarial present value of vested plan benefits	$5,596,615
Net assets available for benefits	$5,001,105

The rate of return used in determining the actuarial present value of vested plan benefits was 7.5%.

Billings to the parishes and agencies and related pension and administrative expenses for clergy retirement are reported in insurance revenues and expenses, as follows:

Parishes and Missions Statements of Activities (Unaudited)

	YEAR ENDED JUNE 30, 2004	2003
Church revenues		
Offertory	$69,990,582	$67,263,993
Other parish collections	16,652,259	14,592,345
	86,642,841	81,856,338
Donations	602,856	429,345
Investment income	2,196,380	1,858,662
School of religion	2,448,265	2,693,969
Georgia Bulletin	261,312	251,443
Annual appeal	97,316	62,139
Organizations and activities	4,437,022	3,957,840
Other	1,586,032	198,964
Total revenues	98,272,024	91,308,700
Church operating expenses	76,470,207	72,488,612
Church net operating income	21,801,817	18,820,088
Cost of school operations	2,747,697	2,107,026
Parish net income	19,054,120	16,713,062
Interest expense	4,068,207	3,729,597
Excess of revenues over expenses before other additions (deductions)	14,985,913	12,983,465
Other additions (deductions)		
Subsidies and transfers from Administrative Office	5,315,559	5,235,831
Gain (loss) on disposal or property and equipment	172,750	361,133
Gain (loss) on investments	(357,984)	(55,006)
Building renovations	(1,751,950)	(2,493,716)
Capital campaign contributions	—	—
Total other additions (deductions)	3,378,375	3,048,242
Change in net assets	$18,364,288	$16,031,707

SUMMARY

Your continued contribution to the various Archdiocesan programs is most gratifying. We must continue to reduce the substantial notes and mortgages payable while at the same time fulfill our responsibilities of service to our people. We trust that the foregoing accounting of the stewardship of funds administered during the year has increased the awareness of the many who provide support.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2004 and 2003

	Year Ended June 30, 2004	2003
Pension and administrative expenses	$329,206	$393,588
Billings to parishes and agencies	(300,000)	(287,600)
	$ 29,206	$105,988

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. In addition to the contributions required under the amended plan, the Archdiocese will continue to make sufficient contributions to the plan to cover employees, who at the time of amendment, were partially or fully vested in the defined benefit plan.

Pension costs for the years ended June 30, 2004 and 2003, include accruals of $198,415 and $2,214,381, respectively, made under the defined contribution portion of the plan.

No expense or contributions were required under the defined benefit portion of the plan.

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, 2004	2003
Pension and administrative expenses	$3,187,254	$2,530,164
Billings to parishes and agencies	(2,915,001)	(2,236,607)
	$ 272,253	$ 293,557

Note 10 - Fund raising cost

The Archdiocese incurred fund raising cost related to the annual appeal and capital campaign of $276,882 in 2004 and $277,413 in 2003.

Note 11 - Commitments

The Archdiocese is constructing a life care facility in Roswell, Georgia, to be known as St. George Village, which is expected to open in fiscal year 2006. The total cost of the facility is expected to be approximately $50,000,000 and is being financed through the issuance of tax-exempt bonds (Note 6). Through June 30, 2004, the Archdiocese has expended approximately $9,000,000 for construction in progress and other project costs. In addition to the amounts expended, the Archdiocese is obligated for approximately $36,000,000 as of June 30, 2004, under various construction and development contracts.

Through June 30, 2004, the Archdiocese has received approximately $3,500,000 in deposits for units at the facility. The funds are maintained in a separate account and are included in deposits payable in the accompanying financial statements.