Archdiocese of Atlanta

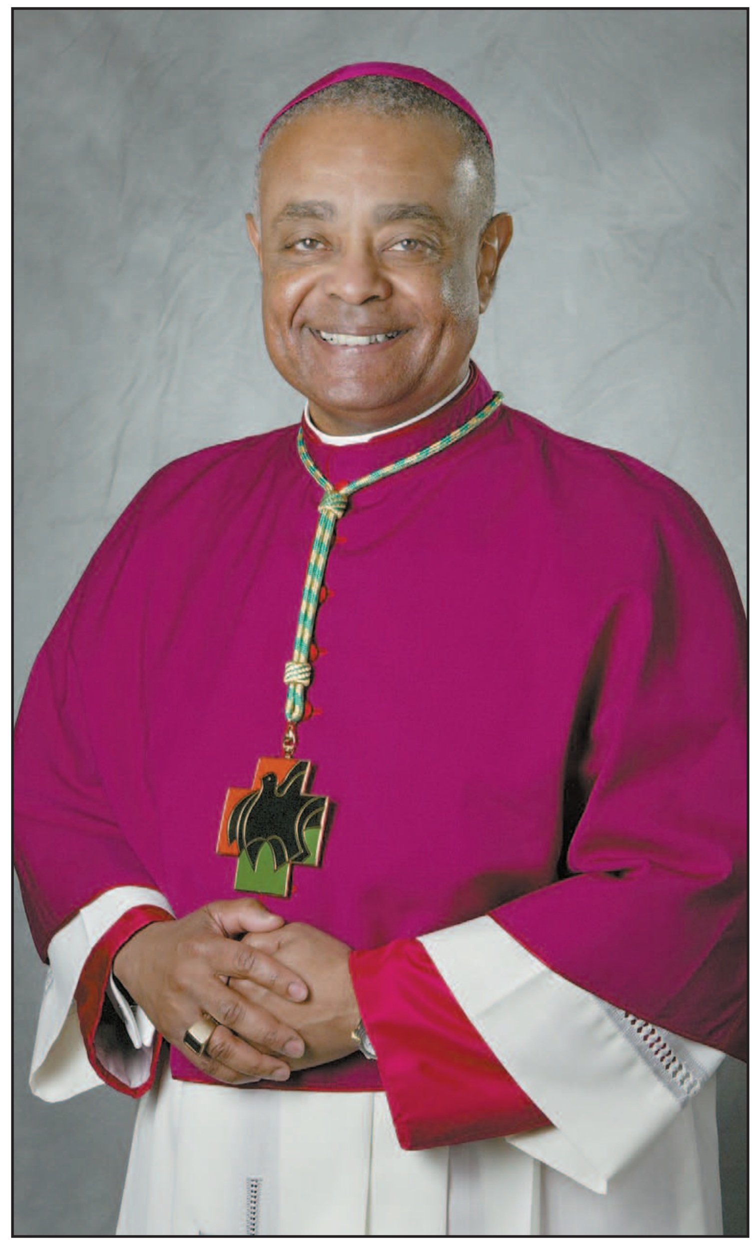
2005 Annual Report

December 15, 2005

Dear Friends in Christ:

When we are drawn to seek the face of Jesus Christ, we are never disappointed, for He promised us: "*I am with you until the end of the age.*" But when we find Him, and He looks back at us, each one of us, it is with expectation—for Christ's love, which gives much, also asks much. In the Gospel, He lays it out: "*Whatever you did for one of the least brothers of mine, you did for me…what you did not do for one of these least ones; you did not do for me.*" This is how we will be judged at the end—this is how He will separate the good from the bad. The Church helps us, between now and then, to live the life of giving that our Lord expects, by seeking our participation in numberless good works and ministries, many of which are carried on daily here in the Archdiocese of Atlanta, the local Church and our spiritual home. Your giving—time, talent and treasure—is the fuel and food that makes these good works thrive, that brings the fullness of life we have received by grace into the lives of those in need. And God truly blesses us when He gives us these opportunities to share—what we have and what He has given us.

Each year, the bishop of a diocese is required to report to his people the manner in which their generosity has been distributed. As Archbishop of Atlanta, I am glad once again to have this chance to provide you with some detail about how we are advancing the work of the Church, the benevolent will of God's Holy Spirit in our immediate surroundings. I hope you will examine this report carefully and rejoice with me at what we have been able to accomplish during the past year. I ask this not only that we may share a sense of accomplishment, but that together, we may now look to our future and the future of those who will need our help. May God bless us again as we set out to do His work and accept as a sign of our love what we have been able to do in the past.



Sincerely yours in Christ,

✠ Wilton D. Gregory
Archbishop of Atlanta

Archdiocese of Atlanta

2005 Annual Report

On the following pages are the consolidated audited financial statements for the Archdiocese of Atlanta for the fiscal year ended June 30, 2005. The statements have been prepared in accordance with generally accepted accounting principles. They include the accounts of the Administrative Offices 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.

The financial health of the Archdiocese remains strong. Total assets increased 14% to $304.4 million and net assets (equity) increased 3% to $99.2 million. Cash and marketable securities totaled $93.9 million.

Total assets of parishes, missions and schools were $423.5 million and net assets increased $28.1 million to $326.3 million.

During this past fiscal year, we started replacing the church management software systems in our parishes. This project will be completed in March of 2006. Upon completion of this project, we will start replacing the accounting, payroll and human resource systems in our parishes and schools with a target completion date of July 2007.

St. George Village, our retirement community, opened in November. We are pleased to report that all the independent living units have been "sold." We hope to be close to full occupancy by July 2006.

My thanks to the Finance Staff for all their hard work and dedication. I also want to thank the Archbishop, Vicars General, and the Finance Council for their advice and counsel.

Sincerely,

Gary Meader
Chief Financial Officer, Archdiocese of Atlanta

Gary Meader
Chief Financial Officer

Archdiocese of Atlanta

2005 Annual Report

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

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, 2005 and 2004

Consolidated Statements of Activities—Years Ended June 30, 2005 and 2004

Consolidated Statements of Cash Flows—Years Ended June 30, 2005 and 2004

Notes to Consolidated Financial Statements—June 30, 2005 and 2004

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.

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 assets 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

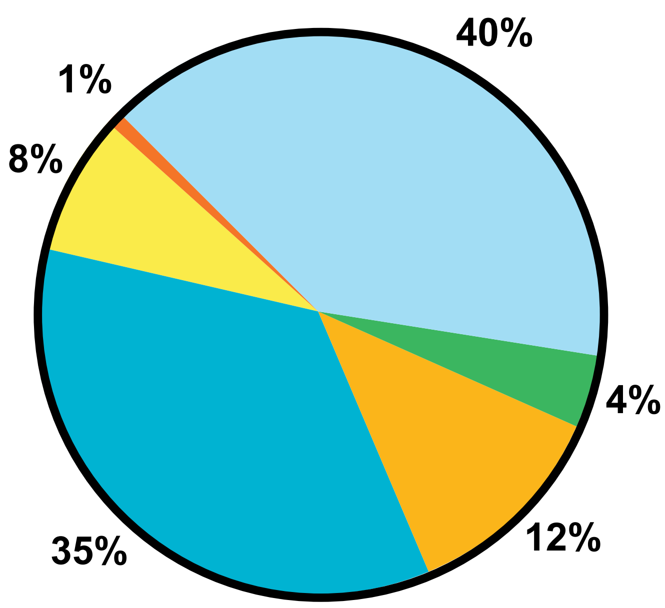
Temporarily restricted net assets represent support and contributions where the donor has specified for what purpose the funds should be used. After the donor's restrictions have been satisfied, the funds are transferred to unrestricted net assets.

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.

Archdiocese of Atlanta

2005 Annual Report

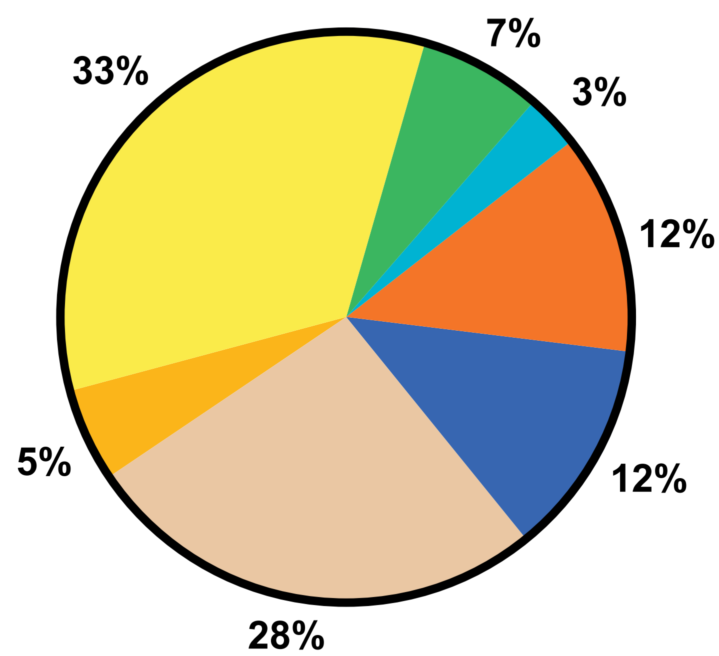


Sources Of Our Support

- Parish Contributions
- Parish Assessments
- Investments
- Contributions and Grants
- Self Insurance Program
- Other

Uses Of Our Support

- Operations
- Education
- Self insurance Program
- Other
- Pastoral
- Social Service
- Debt reduction and expansion



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

Independent Auditors' Report

Laney Boteler & Killinger
Certified Public Accountants

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, 2005 and 2004, 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, 2005 and 2004, 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 13 to the financial statements, the 2004 financial statements have been restated to record an expense and liability arising from interest rate swap agreements entered into by the Archdiocese prior to June 30, 2004.

Laney, Boteler & Killinger

Atlanta, Georgia
September 29, 2005

Consolidated Statements of Financial Position

June 30, 2005

ASSETS—JUNE 30, 2005

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash and cash equivalents	$ 8,403,834	$ —	$ —	$ 8,403,834
Investments at market value	56,799,843	461,452	28,214,236	85,475,531
Escrowed deposits	4,012,176			4,012,176
Accounts receivable (net of allowance for doubtful accounts of $300,000)	5,881,504			5,881,504
Pledges receivable (net of allowance for doubtful pledges of $500,000)	1,676,269			1,676,269
Loans receivable — parishes and agencies (net of allowance for doubtful loans of $90,000)	71,912,148			71,912,148
Land, buildings and equipment	121,904,522			121,904,522
Other assets	5,160,682	—	—	5,160,682
TOTAL ASSETS	$275,750,978	$461,452	$28,214,236	$304,426,666

LIABILITIES AND NET ASSETS—JUNE 30, 2005

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Accounts payable and accrued expenses	$ 6,583,954	$ —	$ —	$ 6,583,954
Accounts payable — parishes and agencies	516,922			516,922
Custodial funds payable			3,203,542	3,203,542
Deposits payable	69,378,510			69,378,510
Interest rate swap liability	1,961,292			1,961,292
Demand notes payable	7,043,000			7,043,000
Bonds, notes and mortgages payable	116,538,333	—	—	116,538,333
TOTAL LIABILITIES	202,022,011	—	3,203,542	205,225,553
Net assets				
Investment funds	28,784,582			28,784,582
Insurance funds	7,457,673			7,457,673
Plant funds	3,073,486			3,073,486
Undesignated	34,413,226			34,413,226
Restricted	—	461,452	25,010,694	25,472,146
TOTAL NET ASSETS	73,728,967	461,452	25,010,694	99,201,113
TOTAL LIABILITIES AND NET ASSETS	$275,750,978	$461,452	$28,214,236	$304,426,666

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2005 and 2004

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 Care Retirement 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 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 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 in the period received.

Consolidated Statements of Financial Position

June 30, 2004

ASSETS—JUNE 30, 2004 (RESTATED)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash and cash equivalent	$ 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)	1,750,754			1,750,754
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 (RESTATED)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Accounts payable and accrued expenses	$2,078,784	$ —	$ —	$ 2,078,784
Accounts payable — parishes and agencies	832,663			832,663
Custodial funds payable			4,285,255	4,285,255
Deposits payable	61,766,293			61,766,293
Interest rate swap liability	2,489,920			2,489,920
Demand notes payable	9,133,000			9,133,000
Bonds, notes and mortgages payable	90,718,333	—	—	90,718,333
TOTAL LIABILITIES	167,018,993	—	4,285,255	171,304,248
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	31,042,721			31,042,721
Restricted	—	476,713	25,020,779	25,497,492
TOTAL NET ASSETS	70,667,376	476,713	25,020,779	96,164,868
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, 2005 and 2004

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.

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, 2005, follows:

	Insurance or Appraised Values June 1, 1963	Acquisitions at Cost Subsequent to June 1, 1963	Total
Land	$210,125	$ 15,201,040	$ 15,411,165
Buildings	650,000	80,784,448	81,434,448
Furniture, fixtures, and equipment		16,061,192	16,061,192
Automobiles		300,855	300,855
Construction in progress		34,681,912	34,681,912
	$860,125	$147,029,447	147,889,572
Less accumulated depreciation			25,985,050
Net land, buildings and equipment			$121,904,522

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 2005 and 2004 was $3,339,204 and $3,877,057, respectively.

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

Deferred charges

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

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,

Consolidated Statements of Activities

Year Ended June 30, 2005

YEAR ENDED JUNE 30, 2005

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Parishes and missions				
Contributions	$5,815,017	$ —	$ —	$ 5,815,017
Assessments	16,301,155			16,301,155
Insurance premiums	18,090,921			18,090,921
Other contributions	628,427			628,427
Investment income	2,753,678			2,753,678
Other	1,118,993			1,118,993
Net assets released from restrictions	15,261	(15,261)	—	—
Total revenues	44,723,452	(15,261)	—	44,708,191
Expenses				
Administrative support	5,660,966			5,660,966
Pastoral	5,506,891			5,506,891
Education	9,228,341		10,085	9,238,426
Social services	2,220,126			2,220,126
Insurance services	15,976,914			15,976,914
Other	1,296,501	—	—	1,296,501
Total expenses	39,889,739	—	10,085	39,899,824
Change in net assets before capital additions (reductions)	4,833,713	(15,261)	(10,085)	4,808,367
Capital additions (reductions)				
Capital campaign bad debt losses	—			—
Realized and unrealized gain on investments	1,129,580			1,129,580
Gain (loss) on interest rate swap agreements	528,628			528,628
Depreciation and amortization	(3,608,943)			(3,608,943)
Gain on disposal of property and equipment	178,613	—	—	178,613
Total capital additions (reductions)	(1,772,122)	—	—	(1,772,122)
Change in net assets	3,061,591	(15,261)	(10,085)	3,036,245
Net assets at beginning of year	70,667,376	476,713	25,020,779	96,164,868
Net assets at end of year	$73,728,967	$461,452	$25,010,694	$99,201,113

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2005 and 2004

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 parish and the parish's 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.

Note 3 - Investments

At June 30, 2005 and 2004, investments consisted of the following:

	2005		2004	
	Market Value	Cost	Market Value	Cost
Short-term investments	$ 943,537	$ 943,537	$ 1,241,125	$ 1,241,125
U. S. Treasury obligations	23,866,738	23,806,317	6,651,164	6,674,383
Marketable equity securities	50,715,793	47,305,307	49,413,897	42,629,963
Marketable debt securities	9,949,463	9,804,115	26,531,647	26,204,285
	$85,475,531	$81,859,276	$83,837,833	$76,749,756

Note 4 - Pledges receivable

Pledges receivable of $1,676,269 and $1,750,754 at June 30, 2005 and 2004, respectively, represent unconditional promises to give. Substantially all of the pledges are due in less than one year.

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

	2005	2004
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated February 1, 1999, and maturing April 1, 2024	$25,900,000	$26,900,000
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated February 1, 1999, and maturing April 1, 2024.	4,100,000	4,280,000
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated March 1,		

Consolidated Statements of Activities

Year Ended June 30, 2004

YEAR ENDED JUNE 30, 2004 (RESTATED)

	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 on investments	6,234,030			6,234,030
Gain (loss) on interest rate swap agreements	(2,489,920)			(2,489,920)
Depreciation and amortization	(4,098,355)			(4,098,355)
Gain on disposal of property and equipment	115,776	—	—	115,776
Total capital additions (reductions)	(525,116)	—	—	(525,116)
Change in net assets	6,125,347	(1,750,000)	(36,915)	4,338,432
Net assets at beginning of year	64,542,029	2,226,713	25,057,694	91,826,436
Net assets at end of year	$70,667,376	$476,713	$25,020,779	$96,164,868

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2005 and 2004

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.	38,450,000	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, 2005, was 3.11%. 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.	4,333,333	6,833,333
	$116,538,333	$90,718,333

Maturities of notes and mortgages payable are as follows:

Year Ending June 30,	Amount
2006	$ 14,200,000
2007	17,833,333
2008	2,870,000
2009	2,930,000
2010	3,150,000
2011-2034	75,555,000
	$116,538,333

All of the educational bonds require monthly or quarterly interest payments and mature in varying annual amounts beginning April 1, 2005 through April 1, 2028. The bonds may be redeemed earlier at the option of the Archdiocese. Interest on the bonds varies weekly. The rates at June 30, 2005, were 2.28% to 3.33%. As discussed in Note 7, 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

Consolidated Statements Of Cash Flows

	YEAR ENDED JUNE 30, 2005	2004 (Restated)
Cash flows from operating activities		
Change in net assets	$3,036,245	$4,338,432
Adjustments to reconcile change in net assets to cash provided (used) by operating activities		
Depreciation and amortization	3,608,943	4,098,355
Gain on disposal of property and equipment	(178,613)	(115,776)
Realized and unrealized gain on investments	(1,129,580)	(6,234,030)
(Gain) loss on interest rate swap agreements	(528,628)	2,489,920
Restricted contributions	-	(13,085)
(Increase) decrease in accounts receivable	516,556	(1,317,574)
Decrease in pledges receivable	74,485	680,314
Increase in other assets	(1,756,637)	(2,597,486)
Increase in accounts payable and accrued expenses	(861,669)	(2,500,050)
Net cash provided (used) by operating activities	2,781,102	(1,170,980)
Cash flows from investing activities		
Purchase of investments	(2,163,805)	(1,663,257)
Parish and mission loans	(10,573,900)	(6,423,421)
Parish and mission loan repayments	4,075,428	12,186,374
Proceeds from sale of property and equipment	3,661,968	1,097,065
Proceeds from sale and maturity of investments	1,655,687	1,797,157
Purchase of property and equipment	(28,422,626)	(2,017,487)
Net cash provided (used) by investing activities	(31,767,248)	4,976,431
Cash flows from financing activities		
Decrease in demand notes payable	(2,090,000)	(11,771,144)
Proceeds from bonds, notes and mortgages payable	29,500,000	8,950,000
Payments on bonds, notes and mortgages payable	(3,680,000)	(5,530,889)
Contributions restricted for investment	-	13,085
Parish and mission deposits received	27,264,048	21,280,426
Parish and mission deposits paid	(20,110,852)	(9,800,943)
(Increase) decrease in custodial funds payable	(1,081,713)	378,356
Net cash provided by financing activities	29,801,483	3,518,891
Net increase in cash and cash equivalents	815,337	7,324,342
Cash and cash equivalents, beginning of year	7,588,497	264,155
Cash and cash equivalents, end of year	$8,403,834	$7,588,497

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2005 and 2004

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 (Note 12). As of June 30, 2005, $38,450,000 of the bonds had been issued. The bonds require monthly interest payments. The interest rate at June 30, 2005 was 2.308%. The lessor of 50% of the outstanding bonds or $24,000,000 in bonds will be redeemed on or before 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.

At June 30, 2005, the Archdiocese had available three unsecured bank lines of credit totaling $32,000,000. All of the notes are payable on demand and bear interest at LIBOR plus .70% (3.81% at June 30, 2005). The total outstanding under the demand notes at June 30, 2005 and 2004, was $7,043,000 and $9,133,000, 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 $7,425,931 and $6,746,122 for the years ended June 30, 2005 and 2004, respectively. Cash payments for interest totaled $7,324,118 and $6,773,879 for fiscal years 2005 and 2004, respectively.

Interest expense for the years ended June 30, 2005 and 2004, 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:

	2005	2004
Interest included in subsidized school operations	$3,029,321	$3,074,040
Interest capitalized as part of construction in progress	679,809	10,994
Interest charged against loan fund income (Note 5)	3,716,801	3,627,463
	$7,425,931	$6,712,497

Note 7 - 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 (Note 6). The school bonds outstanding at June 30, 2005 and 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	22,482,500
4.53%	July 1, 2010	25,017,500
		$73,755,000

At June 30, 2005 and 2004, the fair value of the interest rate swap agreements was a net payable to the bank of $1,961,292 and $2,489,920, respectively. The fair values represent the discounted amount the Archdiocese would pay to the bank to terminate the agreements as of June 30, 2005

Parishes and Missions

Statements of Financial Position (Unaudited)

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, 2005 and 2004, and statements of activities for the years ended June 30, 2005 and 2004, 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 $423,543,653 increased by $36,912,464 during the year ended June 30, 2005. The major portion of this increase is reflected in purchases of land, buildings, and equipment. Land, buildings, and equipment accounted for 82% ($348,992,179) of the total assets of parishes and missions at June 30, 2005.

The amount due to the Administrative Offices of the Archdiocese of Atlanta totaled $71,346,778 at June 30, 2005, an increase of $6,098,935 when compared with the previous year. This debt represents amounts 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, 2005	JUNE 30, 2004
Cash in banks	$ 8,489,713	$ 9,227,329
Funds on deposit with Administrative Office - Archdiocese of Atlanta	63,136,357	54,420,020
Investments at market value	2,277,402	3,397,924
Accounts and notes receivable	286,593	357,540
Land, buildings and equipment	348,992,179	318,810,119
Other assets	361,409	418,257
Total assets	$423,543,653	$386,631,189

LIABILITIES AND NET ASSETS

	2005	2004
Accounts payable	$ 25,886,385	$ 23,200,850
Due to Administrative Offices - Archdiocese of Atlanta	71,346,778	65,247,843
Total liabilities	97,233,163	88,448,693
Net assets		
Balance, beginning of year	298,182,496	279,818,208
Change in net assets	28,127,994	18,364,288
Balance, end of year	326,310,490	298,182,496
Total Liabilities and Net Assets	$423,543,653	$386,631,189

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2005 and 2004

or 2004. 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 statement of activities as gain (loss) on interest rate swap agreements. The change in fair value resulted in a gain (loss) of $528,628 and $(2,489,920) for the years ended June 30, 2005 and 2004, respectively.

Note 8 - 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 9 - Restrictions on net assets

Temporarily restricted net assets at June 30, 2005 and 2004, are available for the following purposes:

	2005	2004
College Catholic Centers	$211,452	$226,713
Retired priests	250,000	250,000
	$461,452	$476,713

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:

	2005	2004
Campus ministry	$ 35,000	$ 35,000
Community service	1,000,000	1,000,000
Dependent children	387,207	387,207
Education	20,383,660	20,393,745
Elderly	183,827	183,827
Other	5,100	5,100
Seminary	3,015,900	3,015,900
	$25,010,694	$25,020,779

Note 10 - 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, 2005 and 2004, were $324,783 and $329,206, 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%.

Parishes and Missions Statements of Activities (Unaudited)

	YEAR ENDED JUNE 30,	
	2005	2004
Church revenues		
Offertory	$75,833,787	$69,990,582
Other parish collections	22,865,238	16,652,259
	98,699,025	86,642,841
Donations	553,479	602,856
Investment income	2,330,812	2,196,380
School of religion	2,801,757	2,448,265
Georgia Bulletin	283,407	261,312
Annual appeal	45,777	97,316
Organizations and activities	5,288,436	4,437,022
Other	599,506	1,586,032
Total revenues	110,602,199	98,272,024
Church operating expenses	80,914,807	76,470,207
Church net operating income	29,687,392	21,801,817
School operations excess (cost)	30,748	(2,747,697)
Parish net income	29,718,140	19,054,120
Interest expense	3,912,403	4,068,207
Excess of revenues over expenses before other additions (deductions)	25,805,737	14,985,913
Other additions (deductions)		
Subsidies and transfers from Administrative Office	5,094,662	5,315,559
Gain on disposal of property and equipment	189,844	172,750
Loss on investments	(111,556)	(357,984)
Building renovations	(2,850,693)	(1,751,950)
Total other additions (deductions)	2,322,257	3,378,375
Change in net assets	$28,127,994	$18,364,288

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, 2005 and 2004

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

	Year Ended June 30,	
	2005	2004
Pension and administrative expenses	$324,783	$329,206
Billings to parishes and agencies	(290,000)	(300,000)
	$ 34,783	$ 29,206

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.

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,	
	2005	2004
Pension and administrative expenses	$3,331,610	$3,187,254
Billings to parishes and agencies	(2,751,152)	(2,915,001)
	$ 580,458	$ 272,253

Note 11 - Fund raising cost

The Archdiocese incurred fund raising cost related to the annual appeal campaign of $238,761 in 2005 and $269,224 in 2004.

Note 12 - 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, 2005, the Archdiocese has expended approximately $41,000,000 for construction in progress and other project costs. In addition to the amounts expended, the Archdiocese is obligated for approximately $7,500,000 as of June 30, 2005, under various construction and development contracts.

Through June 30, 2005, the Archdiocese has received approximately $4,000,000 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.

Note 13 - Restatement of 2004 financial statements

During 2004, the Archdiocese entered into interest rate swap agreements related to bonds payable (Notes 6 and 7). At June 30, 2004, the fair value of the interest rate swap agreements was a net payable to the bank of $2,489,920. This liability was not included in the originally issued 2004 financial statements. The 2004 financial statements have been restated to include the interest rate swap liability of $2,489,920 in the consolidated statement of financial position and the corresponding loss on interest rate swap agreements of $2,489,920 in the consolidated statement of activities. This resulted in an increase in liabilities of $2,489,920 and a decrease in change in net assets and unrestricted net assets of $2,489,920 for 2004.