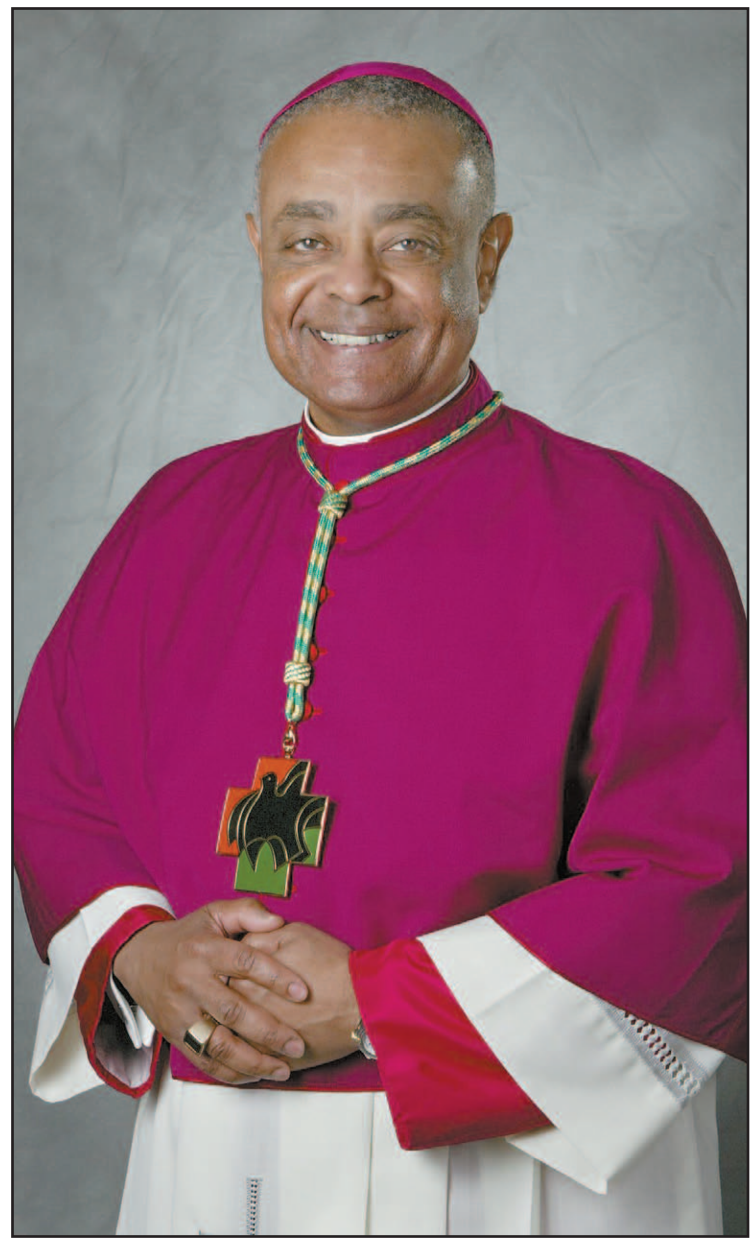
Archdiocese of Atlanta

2006 Annual Report



December 14, 2006

My Brothers and Sisters in the Lord,

As we close our 50th Jubilee Year as a diocese, this wonderful observance has afforded me the opportunity to gather with many of the amazing people of this local Church in celebration of this happy event. I have prayed with our priests, deacons, men and women Religious, young people, married couples who were observing special anniversaries, teachers and catechists, and, of course, the countless faithful who have attended these celebrations. How good God has been to the Archdiocese of Atlanta in this past half-century. Our growth has been extraordinary; our zeal for our Catholic Faith has enriched the Church in every parish and institution that thrives in these 69 north counties of Georgia. Each one of you can take special pride in all that God's Holy Spirit has done with and for our Archdiocesan community.

It gives me exceptional pride to present the annual financial report to all of you. Your generosity is a testament to your Faith. I am so grateful for your ongoing support of the mission of this local Church and all its parishes, agencies, and institutions. I trust you will find this report an accurate accounting of how your generosity has been used to advance the work of the Church. I pray that this report will justify your continuing support and generous stewardship.

With a grateful heart, may I remain,

Yours in Christ,

✠Wilton D. Gregory
Archbishop of Atlanta

Archdiocese of Atlanta

2006 Annual Report

Through your generosity, the Archdiocese for the fourth year in a row reported an increase in net assets (earnings) before capital items. The increase was $2.45 million, compared to $4.81 million for the previous year. The decline from the previous year was due to start-up costs incurred by St. George Village, our new life care retirement facility, in its first eight months of operations. During the year, we retired over half of the debt incurred in building St. George Village. We expect that St. George Village will be close to break even in the fiscal year ending June 30, 2007.

The change in net assets (earnings) after capital items was $3.51 million, compared to $3.04 million for fiscal year 2005. Total net assets (retained earnings) increased 3.5 percent to $102.7 million and total assets increased 5.9 percent to $322.4 million. Total debt of the Archdiocese was reduced by $13.9 million.

During the past year we completed the installation of the new church management software in our parishes, and we are now in the process of installing new accounting, payroll and human resource software in our parishes and schools. We expect to have this project completed by May 2007.

Total assets of the parishes, missions and schools were $457.1 million, and net assets (retained earnings) increased $33.5 million to $354.1 million.

As I look forward to my retirement next summer, I offer my thanks to the Archbishop, Vicars General, and the Finance Council for their advice and counsel over the last five years.

I wish to offer my special thanks to my co-workers in the Finance and Information Technology departments for their hard work and dedication to the Archdiocese. In over 30 years of work in the accounting field, I have never worked with a better staff.

Gary W. Meader
Chief Financial Officer

Gary W. Meader
Chief Financial Officer

Archdiocese of Atlanta

2006 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:

Independent Auditors' Report

Consolidated Statements of Financial Position - June 30, 2006 and 2005

Consolidated Statements of Activities - Years Ended June 30, 2006 and 2005

Consolidated Statements of Cash Flows - Years Ended June 30, 2006 and 2005

Notes to Consolidated Financial Statements - June 30, 2006 and 2005

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.

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

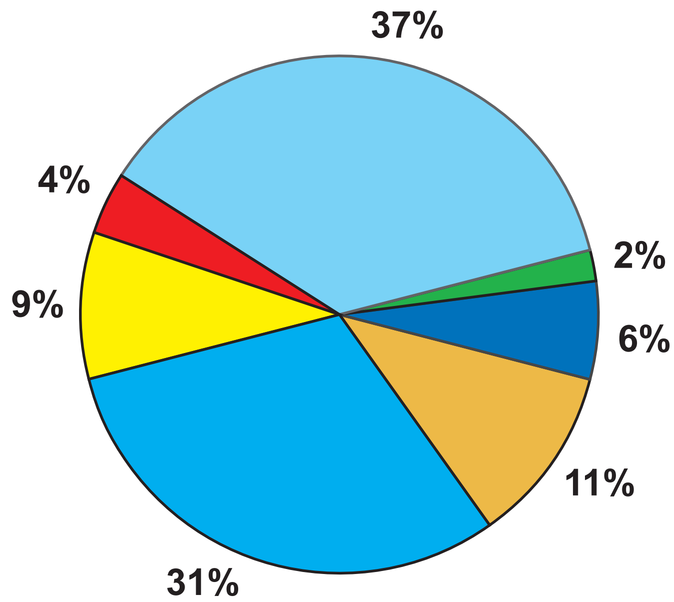
Temporarily restricted net assets represent support and contributions where the donor has specified for what purpose the funds should be used. After the donor's restrictions have been satisfied, the funds are transferred to unrestricted net assets.

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.

Archdiocese of Atlanta

2006 Annual Report

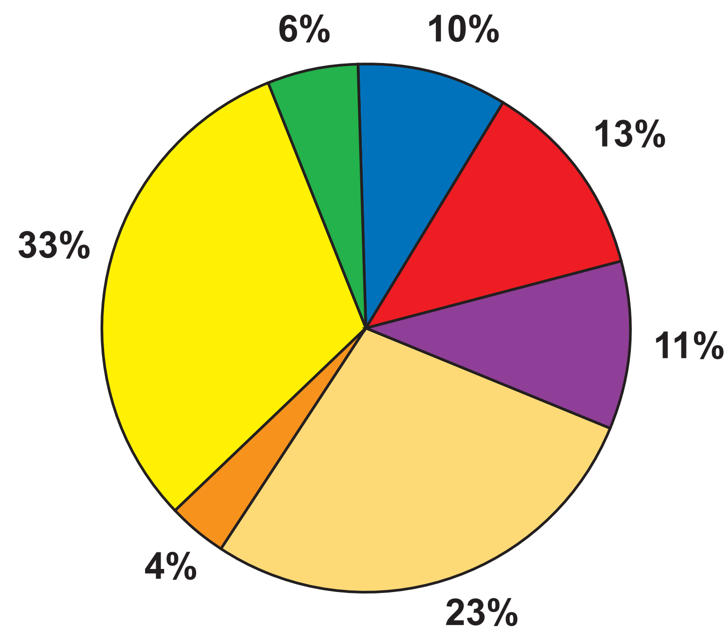


Sources Of Our Support

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

Uses Of Our Support

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



Independent Auditors' Report

LANEY BOTELER & KILLINGER
Certified Public Accountants

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, 2006 and 2005, 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, 2006 and 2005, 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 13, 2006

Archdiocese of Atlanta

2006 Annual Report

Consolidated Statements of Financial Position

June 30, 2006

	JUNE 30, 2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash and cash equivalents	$ 3,705,516	$ —	$ —	$ 3,705,516
Investments at market value	65,824,889	461,452	28,462,981	94,749,322
Escrowed deposits	1,808,178			1,808,178
Accounts receivable (net of allowance for doubtful accounts of $300,000)	6,338,840			6,338,840
Pledges receivable (net of allowance for doubtful pledges of $500,000)	1,977,440			1,977,440
Loans receivable — parishes and agencies (net of allowance for doubtful loans of $90,000)	74,897,128			74,897,128
Land, buildings and equipment	133,862,077			133,862,077
Other assets	5,055,551	—	—	5,055,551
TOTAL ASSETS	$293,469,619	$461,452	$28,462,981	$322,394,052
Accounts payable and accrued expenses	$ 4,145,679	—	$ —	$ 4,145,679
Accounts payable-parishes and agencies	1,076,512			1,076,512
Custodial funds payable			3,452,287	3,452,287
Deposits payable	68,492,583			68,492,583
Interest rate swap liability	224,275			224,275
Deferred revenue	32,588,300			32,588,300
Demand notes payable	12,567,000			12,567,000
Bonds, notes and mortgages payable	97,138,333	—	—	97,138,333
TOTAL LIABILITIES	216,232,682	—	3,452,287	219,684,969
Net assets				
Investment funds	29,942,042	—	—	29,942,042
Insurance funds	9,838,636			9,838,636
Plant funds	72,596			72,596
Undesignated	37,383,663			37,383,663
Restricted	—	461,452	25,010,694	25,472,146
TOTAL NET ASSETS	77,236,937	461,452	25,010,694	102,709,083
TOTAL LIABILITIES AND NET ASSETS	$293,469,619	$461,452	$28,462,981	$322,394,052

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006 and 2005

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 revenue in the period received.

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

Consolidated Statements of Financial Position

June 30, 2005

	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
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
Deferred revenue	—			—
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, 2006 and 2005

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, 2006, follows:

	Insurance or Appraised Values June 1, 1963	Acquisitions at Cost Subsequent to June 1, 1963	Total
Land	$ 210,125	$ 15,336,491	$ 15,546,616
Buildings	650,000	126,697,129	127,347,129
Furniture, fixtures, and equipment	—	19,837,276	19,837,276
Automobiles		320,432	320,432
	$ 860,125	$ 162,191,328	$ 163,051,453
Less accumulated depreciation			(29,189,376)
Net land, buildings and equipment			$ 133,862,077

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 2006 and 2005 was $3,329,390 and $3,339,204, respectively.

Land, buildings and equipment are pledged in part to secure bonds, 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 in the consolidated statement 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 nursing beds. Additional revenue is also generated from ancillary services such as guest meals, additional housekeeping, or 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 $172,900 to $384,900. The entrance fee is 90% refundable

Consolidated Statements of Activities

Year Ended June 30, 2006

YEAR ENDED JUNE 30, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Parishes and missions				
Contributions	$ 6,252,911	$ —	$ —	$ 6,252,911
Assessments	17,116,270			17,116,270
Continuing care	2,432,304			2,432,304
Insurance premiums	20,563,907			20,563,907
Other contributions	871,694			871,694
Investment income	2,726,994			2,726,994
Other	1,152,387			1,152,387
Net assets released from restrictions	—	—	—	—
Total revenues	51,116,467	—	—	51,116,467
Expenses				
Administrative support	7,115,914			7,115,914
Pastoral	6,139,073			6,139,073
Education	9,288,110			9,288,110
Social services	2,231,409			2,231,409
Insurance services	18,048,031			18,048,031
Continuing care	4,899,773			4,899,773
Other	946,212	—	—	946,212
Total expenses	48,668,522	—	—	48,668,522
Change in net assets before capital additions (reductions)	2,447,945	—	—	2,447,945
Capital additions (reductions)				
Realized and unrealized gain on investments	2,330,875			2,330,875
Gain on interest rate swap agreements	1,737,017			1,737,017
Depreciation and amortization	(3,723,370)			(3,723,370)
Gain on disposal of property and equipment	715,503	—	—	715,503
Total capital additions (reductions)	1,060,025	—	—	1,060,025
Change in net assets	3,507,970	—	—	3,507,970
Net assets at beginning of year	73,728,967	461,452	25,010,694	99,201,113
Net assets at end of year	$ 77,236,937	$ 461,452	$ 25,010,694	$ 102,709,083

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006 and 2005

at the time the resident no longer lives at the Community. Except under special circumstances stipulated in the agreement, residents receive their refund after receipts of sufficient proceeds to fully refund the obligation from the next remarketing and occupancy of similar residence.

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, 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.

Note 3 - Investments

At June 30, 2006 and 2005, investments consisted of the following:

	2006		2005	
	Market Value	Cost	Market Value	Cost
Short-term investments	$ 1,499,857	$ 1,499,857	$ 943,537	$ 943,537
U. S. Treasury obligations	24,112,480	24,874,077	23,866,738	23,806,317
Marketable equity securities	54,627,463	51,663,221	50,715,793	47,305,307
Marketable debt securities	14,509,522	14,745,861	9,949,463	9,804,115
	$ 94,749,322	$ 92,830,116	$ 85,475,531	$ 81,859,276

Note 4 - Pledges receivable

Pledges receivable of $1,977,440 and $1,676,269 at June 30, 2006 and 2005, 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%.

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
Continuing care	—			—
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
Continuing care	—			—
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)				
Realized and unrealized gain on investments	1,129,580			1,129,580
Gain 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, 2006 and 2005

Note 6 - Bonds, notes, and mortgages payable

	2006	2005
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated February 1, 1999, and maturing April 1, 2024	$24,900,000	$25,900,000
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated February 1, 1999, and maturing April 1, 2024.	4,000,000	4,100,000
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated March 1, 1999, and maturing April 1, 2024.	16,900,000	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 (CCCRC bonds) dated March 1, 2005 and maturing April 1, 2034.	23,250,000	38,450,000
Unsecured bank note payable in the original amount of $25,000,000, with interest set at LIBOR plus .5%. The rate at June 30, 2006, was 5.6%. 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 reduced 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.	1,833,333	4,333,333
	$97,138,333	$116,538,333

Consolidated Statements Of Cash Flows

	YEAR ENDED JUNE 30, 2006	2005
Cash flows from operating activities		
Change in net assets	$3,507,970	$3,036,245
Adjustments to reconcile change in net assets to cash provided (used) by operating activities		
Depreciation and amortization	3,723,370	3,608,943
Amortization of entrance fees	(523,671)	—
Gain on disposal of property and equipment	(715,503)	(178,613)
Realized and unrealized gain on investments	(2,330,875)	(1,129,580)
Gain on interest rate swap agreements	(1,737,017)	(528,628)
(Increase) decrease in accounts receivable	(457,336)	516,556
(Increase) decrease in pledges receivable	(301,171)	74,485
Increase in other assets	(288,849)	(1,756,637)
Increase (decrease) in accounts payable and accrued expenses	3,172,413	(861,669)
Net cash provided by operating activities	4,049,331	2,781,102
Cash flows from investing activities		
Purchase of investments	(7,097,677)	(2,163,805)
Decrease in entrance fee escrow fund	2,203,998	—
Parish and mission loans	(13,938,313)	(10,573,900)
Parish and mission loan repayments	10,953,333	4,075,428
Proceeds from sale of property and equipment	1,016,062	3,661,968
Proceeds from sale and maturity of investments	154,761	1,655,687
Purchase of property and equipment	(20,638,602)	(28,422,626)
Net cash used by investing activities	(27,346,438)	(31,767,248)
Cash flows from financing activities		
Increase (decrease) in demand notes payable	5,524,000	(2,090,000)
Proceeds from bonds, notes and mortages payable	10,000,000	29,500,000
Payments on bonds, notes and mortages payable	(29,400,000)	(3,680,000)
Proceeds from residents entrance fees	29,257,695	—
Parish and mission deposits received	25,337,752	27,264,048
Parish and mission deposits paid	(22,369,403)	(20,110,852)
Increase (decrease) in custodial funds payable	248,745	(1,081,713)
Net cash provided by financing activities	18,598,789	29,801,483
Net increase (decrease) in cash and cash equivalents	(4,698,318)	815,337
Cash and cash equivalents, beginning of year	8,403,834	7,588,497
Cash and cash equivalents, end of year	$3,705,516	$8,403,834

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006 and 2005

Maturities of bonds, notes, and mortgages payable are as follows:

Year Ending June 30,	Amount
2007	$ 3,833,333
2008	2,100,000
2009	2,129,691
2010	2,478,472
2011	2,567,699
2012-2034	84,029,138
	$ 97,138,333

All of the educational bonds require monthly or quarterly interest payments and mature in varying annual amounts beginning April 1, 2006 through April 1, 2034. The bonds may be redeemed earlier at the option of the Archdiocese. Interest on the bonds varies weekly. The rates at June 30, 2006, were 3.1% to 4%. 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 bank letters of credit. Bond proceeds were used for construction of new schools and additions to an existing school.

Initially, $8,950,000 principal of the 2004 CCCRC Bonds were issued on April 28, 2004. The Bond Agreement allowed for subsequent issuances up to a maximum principal of $50,000,000. A total of $48,450,000 was issued. The Letter of Credit and Reimbursement agreement required a mandatory principal redemption of the lesser of fifty percent (50%) of the total principal issued or $24,000,000 by April 1, 2008. The CCCRC met this requirement during the year ended June 30, 2006. 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, 2006, the Archdiocese had available three unsecured bank lines of credit totaling $30,000,000. All of the notes are payable on demand and bear interest at LIBOR plus .70% (5.8% at June 30, 2006). The total outstanding under the demand notes at June 30, 2006 and 2005, was $12,567,000 and $7,043,000, 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 $9,160,799 and $7,425,931 for the years ended June 30, 2006 and 2005, respectively. Cash payments for interest totaled $9,195,094 and $7,324,118 for fiscal years 2006 and 2005, respectively.

Interest expense for the years ended June 30, 2006 and 2005, includes interest on bonds, notes payable, mortgages payable, demand notes payable and interest credited on deposits payable (Note 5) and is reported on the books as follows:

	2006	2005
Interest included in subsidized school operations	$ 3,089,112	$ 3,029,321
Interest included in CCCRC operations	1,287,055	—
Interest capitalized as part of CCCRC construction	612,901	679,809
Interest charged against loan fund income (Note 5)	4,171,731	3,716,801
	$ 9,160,799	$ 7,425,931

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, 2006 and 2005, and statements of activities for the years ended June 30, 2006 and 2005, 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 $457,116,457 increased by $33,572,804 during the year ended June 30, 2006. The major portion of this increase is reflected in purchases of land, buildings, and equipment. Land, buildings, and equipment accounted for 83% ($379,261,291) of the total assets of parishes and missions at June 30, 2006.

The amount due to the Administrative Offices of the Archdiocese of Atlanta totaled $74,329,698 at June 30, 2006, an increase of $2,982,920 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, 2006	JUNE 30, 2005
Cash in banks	$ 9,396,582	$ 8,489,713
Funds on deposit with Administrative Office - Archdiocese of Atlanta	65,346,302	63,136,357
Investments at market value	2,301,403	2,277,402
Accounts and notes receivable	255,579	286,593
Land, buildings and equipment	379,261,291	348,992,179
Other assets	555,300	361,409
Total assets	$457,116,457	$423,543,653

LIABILITIES AND NET ASSETS

	2006	2005
Accounts payable	$ 28,714,868	$ 25,886,385
Due to Administrative Offices - Archdiocese of Atlanta	74,329,698	71,346,778
Total liabilities	103,044,566	97,233,163
Unrestricted net assets		
Balance, beginning of year	326,310,490	298,182,496
Change in net assets	27,761,401	28,127,994
Balance, end of year	354,071,891	326,310,490
Total liabilities and Net Assets	$457,116,457	$423,543,653

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006 and 2005

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, 2006 and 2005, 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	21,582,500
4.53%	July 1, 2010	24,217,500
		$ 72,055,000

At June 30, 2006 and 2005, the fair value of the interest rate swap agreements was a net payable to the bank of $224,275 and $1,961,292, respectively. The fair values represent the discounted amount the Archdiocese would pay to the bank to terminate the agreements as of June 30, 2006 or 2005. The Archdiocese has no plans to terminate the interest rate swap agreements prior to the expiration date of the agreements. The agreement which expires on January 1, 2007, has been extended to January 4, 2010, at a fixed rate of 3.87%.

The change in fair value of the interest rate swap agreements is recorded in the consolidated statement of activities as gain on interest rate swap agreements. The change in fair value resulted in a gain of $1,737,017 and $528,628 for the years ended June 30, 2006 and 2005, 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, 2006 and 2005, are available for the following purposes:

	2006	2005
College Catholic Centers	$ 211,452	$ 211,452
Retired priests	250,000	250,000
	$ 461,452	$ 461,452

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:

	2006	2005
Campus ministry	$ 35,000	$ 35,000
Community service	1,000,000	1,000,000
Dependent children	387,207	387,207
Education	20,383,660	20,383,660
Elderly	183,827	183,827
Other	5,100	5,100
Seminary	3,015,900	3,015,900
	$ 25,010,694	$ 25,010,694

Parishes and Missions Statements of Activities (Unaudited)

	YEAR ENDED JUNE 30,	
	2006	2005
Church revenues		
Offertory	$77,052,954	$75,833,787
Other parish collections	22,837,215	22,865,238
	99,890,169	98,699,025
Donations	1,022,735	553,479
Investment income	2,650,600	2,330,812
School of religion	3,012,135	2,801,757
Georgia Bulletin	295,297	283,407
Annual appeal	17,005	45,777
Organizations and activities	5,432,245	5,288,436
Other	1,784,147	599,506
Total revenues	114,104,333	110,602,199
Church operating expenses	86,511,243	80,914,807
Church net operating income	27,593,090	29,687,392
School operations (cost) excess	(447,399)	30,748
Parish net income	27,145,691	29,718,140
Interest expense	3,769,762	3,912,403
Excess of revenues over expenses before other additions (deductions)	23,375,929	25,805,737
Other additions (deductions)		
Subsidies and transfers from Administrative Office	5,196,360	5,094,662
Gain on disposal of property and equipment	1,024,270	189,844
Loss on investments	(182,565)	(111,556)
Building renovations	(1,652,593)	(2,850,693)
Total other additions (deductions)	4,385,472	2,322,257
Change in unrestricted net assets	$27,761,401	$28,127,994

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, 2006 and 2005

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, 2006 and 2005, were $352,048 and $324,783, 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, 2006 (most recent valuation), is presented below:

Actuarial present value of vested plan benefits	$ 7,310,101
Net assets available for benefits	$ 6,286,461

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:

	Year Ended June 30,	
	2006	2005
Pension and administrative expenses	$ 352,048	$ 324,783
Billings to parishes and agencies	(280,000)	(290,000)
	$ 72,048	$ 34,783

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,	
	2006	2005
Pension and administrative expenses	$ 3,449,012	$ 3,331,610
Billings to parishes and agencies	(3,337,298)	(2,751,152)
	$ 111,714	$ 580,458

Note 11 - Fund raising cost

The Archdiocese incurred fund raising cost related to the annual appeal campaign of $267,772 in 2006 and $238,761 in 2005.

CFO Gary Meader Expresses Thanks To Archdiocesan Staff

Tatyana Anikin, deposit and loan clerk, left, and Philip Miles, deposit and loan manager *(Photos by Michael Alexander)*

Jon Bokina, internal auditor

(L-r) Alexis Benjamin, Geri Delisle, Sarah Vandeusen and Alfreda Varner, annual appeal

Accounting clerks Ursula J. Peterson, left, and Laquita Johnson

Melissa Chapman, accounting manager

Richard Sheedwith, internal auditor

Abby Williams, accounting clerk

(L-r) Edward Rosser, parish technical support, Christine Dandaraw, training coordinator, Sandra Long, software conversion analyst, Patrick Warner, parish accounting manager

Ann Pitra, office manager

Tomasz Kasprzyk, systems support specialist, left, and Tom Pope, director of information technology

Ben Vigil, senior systems analyst

Barbara Henderson, assistant director of finance *(Photo by Olan Mills)*

Elsa Rullan, controller

Diane Ray, accounting clerk

Maria Teresa Velez, payroll manager, left, and Mary Anne Brown, executive assistant to the assistant director of finance

Thelma Evans, benefits billing clerk