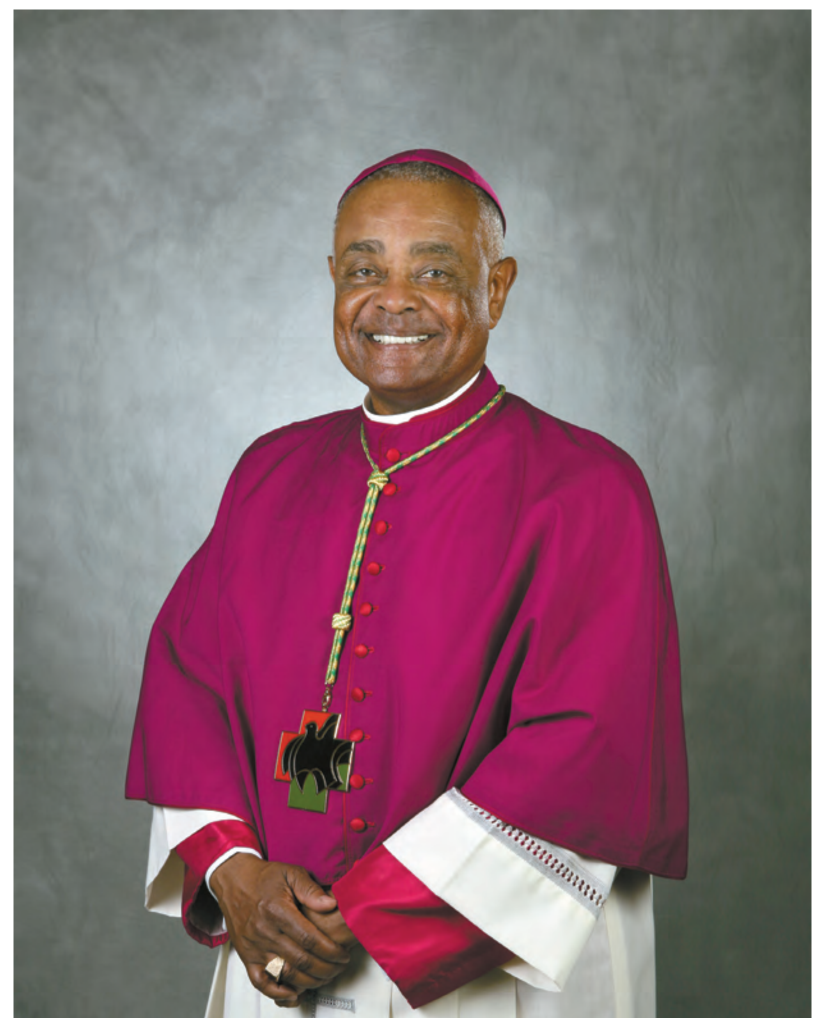
Archdiocese of Atlanta

2007 Annual Report

My Dear Brothers and Sisters in Christ,

Just before He gave His life for our redemption, the Lord Jesus Christ said to His Apostles: *"I no longer call you slaves, because a slave does not know what his master is doing. I have called you friends, because I have told you everything I have heard from my Father."*

Since the time of the Apostles, the Church has always striven to be faithful to the friendship of the Lord, by loving God, and by loving one another. A primary way we maintain our loyal friendship with Jesus Christ is to place our resources at the service of those in need. The many apostolates of the Church include ministries to both the body and the soul of her members, and to the community of mankind at large. The basic family for making this wondrous exchange of resources possible is the Archdiocese, enlivened by how the clergy and the people work together to fill the local churches with spiritual and economic justice. Every year, part of our regular process is to make available to all Catholics of the Archdiocese of Atlanta, a clear picture of how your generous gifts over the past year have been put to work by the offices and institutions charged with insuring that our resources are dispersed in effective and just ways. This picture takes the form of an annual report, found in this week's edition of *The Georgia Bulletin*. We all will benefit by inspecting this report carefully, in order to grow in our understanding both of what ample blessings we have received from the Father in Heaven and how we are working to use our blessings in obedience to Jesus Christ's clear command: *"Love one another, as I have loved you."*



I thank Bradley Wilson, Chief Financial Officer of the Archdiocese, and his staff, for their superb work in channeling the complexities of our finances in such a way that all can see what we are about and have no doubts about our dedication to the service of God's people, both within the Church, and in society at large. I also thank the staff of *The Georgia Bulletin* for publishing the annual report in a clear, concise and engaging form.

Finally, I offer a special word of gratitude to Gary Meader, who retired from the position of Chief Financial Officer this past summer. Gary gave five years of his life to this important work; he served the local Church admirably and in the process made countless lasting friendships, all grounded in his own response to the Lord's friendship. Gary heard what the Master told him to do, and he did it—faithfully, and excellently. We thank him for his friendship and his example of service, as we wish the continued blessings of God for Gary and his family.

Devotedly yours in Christ,

Wilton D. Gregory
Archbishop of Atlanta

Archdiocese of Atlanta

2007 Annual Report

I am pleased to report that the Catholic Archdiocese of Atlanta remains financially healthy due to your generosity. For the fiscal year ended June 30, 2007, the Archdiocese reported an increase in net assets before capital items of $1,995,211.

The net assets after capital items increased by $6,443,736 or 6.3%, due to the gain on investments of $11,183,551. We thank the Investment Committee for their guidance.

Included in net assets after capital items is a charge of $2,137,191 related to our Priests' pension plan as a result of the annual actuarial valuation and the adoption of Financial Accounting Standards Board Statement No. 158 (please refer to Note 10 in the financial statements.)

Bonds and notes payable decreased by $3,833,333 leaving a balance of $93,305,000 of which our life care retirement facility, St. George Village, accounts for $23,250,000.

During the year, we completed the installation of new accounting, payroll, and human resources software. We thank the staffs of the parishes and schools for their dedication and patience in adopting these systems.

The Finance Office is committed to the highest standards of fiscal integrity and accountability. It is our responsibility to ensure that accounting policies and procedures are being adhered to, and that internal controls are in place and operating so as to safeguard church assets and ensure that all financial activity is accounted for properly. Financial oversight is provided by routine financial audits and by the Finance Council which is directly responsible to the Archbishop.

The consolidated financial statements of the Archdiocese of Atlanta for the fiscal years ended June 30, 2007 and 2006, are presented for your review. The integrity of these statements and the integrity of the underlying financial systems are the responsibility of the Archdiocesan leadership. The public accounting firm of Laney, Boteler & Killinger was engaged to perform an independent audit of the financial statements. Their audit report is included.

As a final note, during the year, Gary Meader retired as the Chief Financial Officer. I owe a personal debt of gratitude to Gary for the training and counsel that he provided during the transition period. We wish Gary and his wife, Kathi, all the best in their retirement.

Sincerely,

Bradley Wilson
Chief Financial Officer, Archdiocese of Atlanta

Bradley Wilson
Chief Financial Officer

Archdiocese of Atlanta

2007 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, 2007 and 2006

Consolidated Statements of Activities - Years Ended June 30, 2007 and 2006

Consolidated Statements of Cash Flows - Years Ended June 30, 2007 and 2006

Notes to Consolidated Financial Statements - June 30, 2007 and 2006

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 net 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 Archbishop's 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

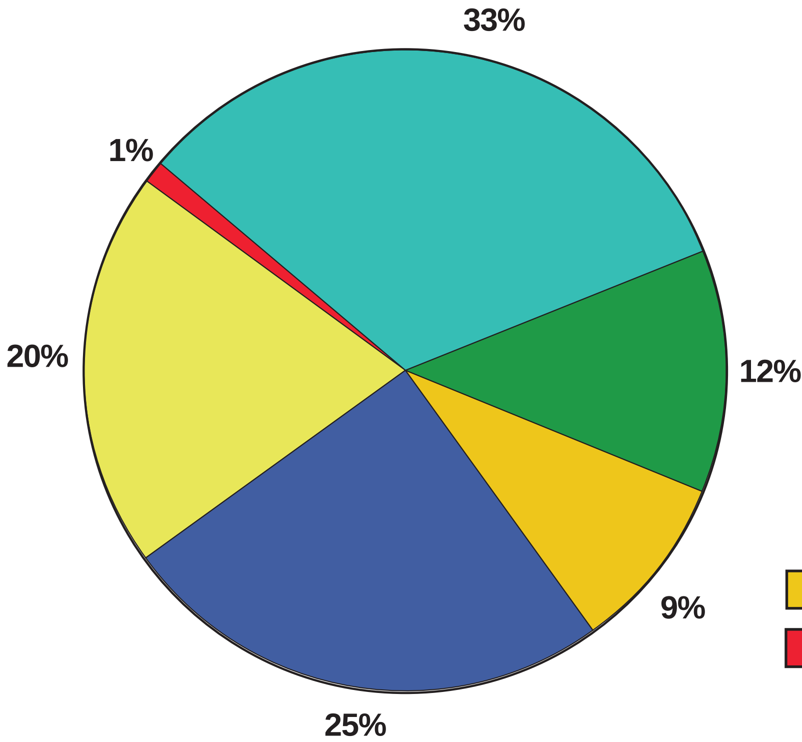
Permanently restricted net assets represent true endowments where the donor has permitted the Archdiocese to use the income for operations, but has prohibited the use of principal.

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

2007 Annual Report

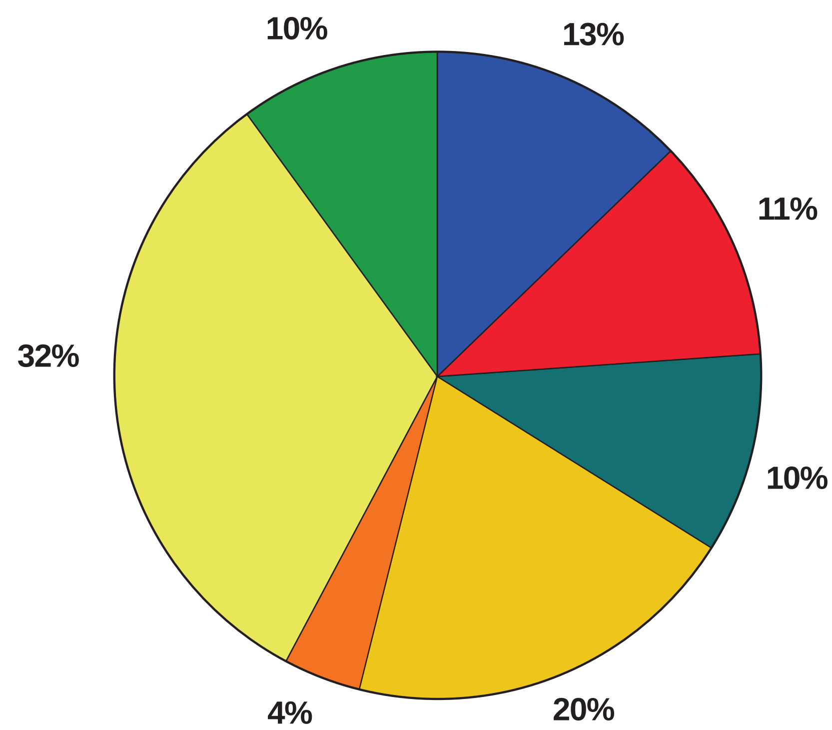


Sources Of Our Support

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

Uses Of Our Support

- Operations
- Education
- Self Insurance Program
- Other
- Pastoral
- Social Services
- 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, 2007 and 2006, 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 aspects, the financial position of the Administrative Offices of the Archdiocese of Atlanta and subsidiaries as of June 30, 2007 and 2006, and the changes in their net assets and cash flow for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Laney, Boteler & Killinger

Atlanta, Georgia
October 15, 2007

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 2

Consolidated Statements of Financial Position

Assets

	June 30, 2007				June 30, 2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash and cash equivalents	$ 3,827,635	$ -	$ -	$ 3,827,635	$ 3,705,516	$ -	$ -	$ 3,705,516
Investments at market value	80,895,305	461,452	32,662,636	114,019,393	65,824,889	461,452	28,462,981	94,749,322
Escrowed deposits	166,230			166,230	1,808,178			1,808,178
Accounts receivable (net of allowance for doubtful accounts of $300,000)	7,027,145			7,027,145	6,338,840			6,338,840
Pledges receivable (net of allowance for doubtful pledges of $500,000)	1,656,879			1,656,879	1,977,440			1,977,440
Loans receivable - parishes and agencies (net of allowance for doubtful loans of $90,000)	75,806,360			75,806,360	74,897,128			74,897,128
Land, buildings and equipment	134,201,088			134,201,088	133,862,077			133,862,077
Other assets	2,939,634	-	-	2,939,634	5,055,551	-	-	5,055,551
Total assets	306,520,276	461,452	32,662,636	339,644,364	293,469,619	461,452	28,462,981	322,394,052
Liabilities and Net Assets								
Accounts payable and accrued expenses	7,435,924	-	-	7,435,924	4,145,679	-	-	4,145,679
Accounts payable-parishes and agencies	310,054			310,054	1,076,512			1,076,512
Custodial funds payable			7,651,942	7,651,942			3,452,287	3,452,287
Deposits payable	70,413,092			70,413,092	68,492,583			68,492,583
Interest rate swap liability	531,025			531,025	224,275			224,275
Deferred revenue	35,881,508			35,881,508	32,588,300			32,588,300
Demand notes payable	14,963,000			14,963,000	12,567,000			12,567,000
Bonds and notes payable	93,305,000	-	-	93,305,000	97,138,333	-	-	97,138,333
Total liabilities	222,839,603	-	7,651,942	230,491,545	216,232,682	-	3,452,287	219,684,969
Net assets								
Investment funds	34,842,161	-	-	34,842,161	29,942,042	-	-	29,942,042
Insurance funds	10,322,719			10,322,719	9,838,636			9,838,636
Plant funds	(4,185,690)			(4,185,690)	72,596			72,596
Undesignated	42,701,483			42,701,483	37,383,663			37,383,663
Restricted	-	461,452	25,010,694	25,472,146	-	461,452	25,010,694	25,472,146
Total net assets	83,680,673	461,452	25,010,694	109,152,819	77,236,937	461,452	25,010,694	102,709,083
Total liabilities and net assets	$306,520,276	$461,452	$32,662,636	$339,644,364	$293,469,619	$461,452	$28,462,981	$322,394,052

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 3

Consolidated Statements of Activities

	Year Ended June 30, 2007				Year Ended June 30, 2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues								
Parishes and missions								
Contributions	$ 6,506,701	$ -	$ -	$ 6,506,701	$ 6,252,911	$ -	$ -	$ 6,252,911
Assessments	17,789,437			17,789,437	17,116,270			17,116,270
Continuing care	7,983,188			7,983,188	2,432,304			2,432,304
Insurance premiums	22,636,414			22,636,414	20,563,907			20,563,907
Other contributions	612,797			612,797	871,694			871,694
Investment income	3,304,909			3,304,909	2,726,994			2,726,994
Other	795,216			795,216	1,152,387			1,152,387
Net assets released from restrictions	-	-	-	-	-	-	-	-
Total revenues	59,628,662	-	-	59,628,662	51,116,467	-	-	51,116,467
Expenses								
Administrative support	7,569,927			7,569,927	7,115,914			7,115,914
Pastoral	7,278,119			7,278,119	6,139,073			6,139,073
Education	10,406,657			10,406,657	9,288,110			9,288,110
Social services	2,570,701			2,570,701	2,231,409			2,231,409
Insurance services	20,344,219			20,344,219	18,048,031			18,048,031
Continuing care	8,358,376			8,358,376	4,899,773			4,899,773
Other	1,105,452	-	-	1,105,452	946,212	-	-	946,212
Total expenses	57,633,451	-	-	57,633,451	48,668,522	-	-	48,668,522
Change in net assets before capital additions (reductions)	1,995,211	-	-	1,995,211	2,447,945	-	-	2,447,945
Capital additions (reductions)								
Realized and unrealized gain on investments	11,183,551			11,183,551	2,330,875			2,330,875
Gain (loss) on interest rate swap agreements	(306,750)			(306,750)	1,737,017			1,737,017
Depreciation and amortization	(4,243,957)			(4,243,957)	(3,723,370)			(3,723,370)
Gain (loss) on disposal of property and equipment	(47,128)	-	-	(47,128)	715,503	-	-	715,503
Total capital additions (reductions)	6,585,716	-	-	6,585,716	1,060,025	-	-	1,060,025
Change in net assets before adoption of FASB Statement No. 158	8,580,927	-	-	8,580,927	3,507,970	-	-	3,507,970
Effect of adoption of FASB Statement No. 158	(2,137,191)	-	-	(2,137,191)	-	-	-	-
Chance in net assets	6,443,736	-	-	6,443,736	3,507,970	-	-	3,507,970
Net assets at beginning of year	77,236,937	461,452	25,010,694	102,709,083	73,728,967	461,452	25,010,694	99,201,113
Net assets at end of year	$83,680,673	$461,452	$25,010,694	$109,152,819	$77,236,937	$461,452	$25,010,694	$102,709,083

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2007	2006
Cash flows from operating activities		
Change in net assets	$ 6,443,736	$ 3,507,970
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	4,243,957	3,723,370
Amortization of entrance fees	(1,081,557)	(523,671)
(Gain) loss on disposal of property and equipment	47,128	(715,503)
Realized and unrealized gain on investments	(11,183,551)	(2,330,875)
(Gain) loss on interest rate swap agreements	306,750	(1,737,017)
Increase in accounts receivable	(688,305)	(457,336)
(Increase) decrease in pledges receivable	320,561	(301,171)
(Increase) decrease in other assets	1,859,319	(288,849)
Increase in accounts payable and accrued expenses	2,523,787	3,172,413
Net cash provided by operating activities	2,791,825	4,049,331
Cash flows from investing activities		
Purchase of investments	(8,143,986)	(7,097,677)
Decrease in entrance fee escrow fund	1,641,948	2,203,998
Parish and mission loans	(12,359,097)	(13,938,313)
Parish and mission loan repayments	11,449,865	10,953,333
Proceeds from sale of property and equipment	1,221,055	1,016,062
Proceeds from sale and maturity of investments	315,366	154,761
Purchase of property and equipment	(5,594,553)	(20,638,602)
Net cash used by investing activities	(11,469,402)	(27,346,438)
Cash flows from financing activities		
Increase in demand notes payable	2,396,000	5,524,000
Proceeds from bonds and notes payable	-	10,000,000
Payments on bonds and notes payable	(3,833,333)	(29,400,000)
Proceeds from residents entrance fees	4,116,865	29,257,695
Parish and mission deposits received	26,219,900	25,337,752
Parish and mission deposits paid	(24,299,391)	(22,369,403)
Increase in custodial funds payable	4,199,655	248,745
Net cash provided by financing activities	8,799,696	18,598,789
Net increase (decrease) in cash and cash equivalents	122,119	(4,698,318)
Cash and cash equivalents, beginning of the year	3,705,516	8,403,834
Cash and cash equivalents, end of the year	$ 3,827,635	$ 3,705,516

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements
June 30, 2007 and 2006

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.

Notes to Consolidated Financial Statements
June 30, 2007 and 2006

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.

Change in Accounting Principle

As discussed in Note 10, effective June 30, 2007, the Archdiocese has adopted SFAS No. 158, *Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans*, which requires the recognition of the funded status of the retirement-related benefit plans in the Consolidated Statement of Financial Position and the recognition of the changes in that funded status in the year in which the changes occur. The provisions of SFAS No. 158 were adopted pursuant to the transition provisions therein. The Archdiocese measures defined benefit plan assets and obligations as of June 30 and SFAS No. 158 did not affect the company's existing valuation practices. See Note 10 for additional information, including the incremental effect of the adoption on the Consolidated Statement of Financial Position.

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

Notes to Consolidated Financial Statements
June 30, 2007 and 2006

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, 2007, follows:

	Insurance or Appraised Values June 1, 1963	Acquisitions at Cost Subsequent to June 1, 1963	Total
Land	$210,125	$ 15,530,088	$ 15,740,213
Buildings	650,000	126,408,631	127,058,631
Furniture, fixtures, and equipment	-	23,653,263	23,653,263
Automobiles	-	316,363	316,363
Construction in progress	-	72,735	72,735
	$860,125	$165,981,080	166,841,205
Less accumulated depreciation			(32,640,117)
Net land, buildings and equipment			$134,201,088

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 2007 and 2006 was $3,987,359 and $3,329,390, respectively.

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

Notes to Consolidated Financial Statements
June 30, 2007 and 2006

Deferred charges

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

Revenue recognition - Catholic Continuing Care Retirement Communities, Inc.

Revenues for Catholic Continuing Care Retirement Communities, Inc. (CCCRC) are primarily generated from monthly fees for the independent living units, amortization of entrance fees, and monthly fees and per diem charges for assisted living units and 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 $164,255 to $384,900. The entrance fee is 90% or 95% refundable at the time the resident no longer lives at the Community. Except under special circumstances stipulated in the agreement, residents receive their refund after 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.

Notes to Consolidated Financial Statements
June 30, 2007 and 2006

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, 2007 and 2006, investments consisted of the following:

	2007		2006	
	Market Value	Cost	Market Value	Cost
Short-term investments	$ 4,391,239	$ 4,391,239	$ 1,499,857	$ 1,499,857
U. S. Treasury obligations	27,200,511	27,677,131	24,112,480	24,874,077
Marketable equity securities	61,742,332	51,839,193	54,627,463	51,663,221
Marketable debt securities	20,685,311	20,797,505	14,509,522	14,745,861
	$114,019,393	$104,705,068	$94,749,322	$92,783,016

Note 4 - Pledges receivable

Pledges receivable of $1,656,879 and $1,977,440 at June 30, 2007 and 2006, 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 6%.

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

Notes to Consolidated Financial Statements
June 30, 2007 and 2006

Note 6 - Bonds and notes payable

	2007	2006
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated February 1, 1999, and maturing April 1, 2024	$23,900,000	$24,900,000
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated February 1, 1999, and maturing April 1, 2024.	3,800,000	4,000,000
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated March 1, 1999, and maturing April 1, 2024.	16,100,000	16,900,000
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 April 1, 2004 and maturing April 1, 2034.	23,250,000	23,250,000
Unsecured bank note payable in the original amount of $25,000,000, with interest set at LIBOR plus .5%. The note required monthly payments of $208,333 plus interest and was paid in full during the year ended June 30, 2007.	-	1,833,333
	$93,305,000	$97,138,333

Notes to Consolidated Financial Statements
June 30, 2007 and 2006

Maturities of bonds and notes payable are as follows:

Year Ending June 30,	Amount
2008	$ 2,100,000
2009	2,125,000
2010	2,420,000
2011	2,505,000
2012	2,645,000
2013-2034	81,510,000
	$93,305,000

All of the educational bonds require monthly or quarterly interest payments and mature in varying annual amounts 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, 2007, were 3.56% to 3.73%. 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, 2007, the Archdiocese had available two unsecured bank lines of credit totaling $28,000,000. Both of the notes are payable on demand and bear interest at LIBOR plus .70% (6.02% at June 30, 2007). The total outstanding under the demand notes at June 30, 2007 and 2006, was $14,963,000 and $12,567,000, respectively.

Interest expense on certain notes payable has been paid by the parishes and missions that received the loan proceeds (Note 5). Interest expense to the Archdiocese on bonds, notes, and demand notes payable and interest paid on deposits from parishes and agencies (Note 5) totaled $8,022,630 and $9,160,799 for the years ended June 30, 2007 and 2006, respectively. Cash payments for interest totaled $8,021,496 and $9,195,094 for fiscal years 2007 and 2006, respectively.

Interest expense for the years ended June 30, 2007 and 2006, includes interest on bonds, notes payable, demand notes payable, and interest credited on deposits payable (Note 5) and is reported on the books as follows:

Notes to Consolidated Financial Statements
June 30, 2007 and 2006

	2007	2006
Interest included in subsidized school operations	$3,111,104	$3,089,112
Interest included in CCCRC operations	1,328,182	1,287,055
Interest capitalized as part of CCCRC construction	-	612,901
Interest charged against loan fund income (Note 5)	3,602,734	4,171,731
	$8,042,020	$9,160,799

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 and CCCRC bonds (Note 6). The bonds outstanding at June 30, 2007 and 2006, are covered under interest rate swap agreements as follows:

Issue	Interest Rate	Expiration Date	Notional Amount
School Bonds	3.10%	October 1, 2008	$20,582,500
School Bonds	3.87%	January 1, 2010	26,255,000
School Bonds	4.53%	July 1, 2010	23,217,500
CCCRC Bonds	3.90%	May 1, 2017	23,250,000
			$93,305,000

At June 30, 2007 and 2006, the fair value of the interest rate swap agreements was a net payable to the bank of $531,025 and $224,275, respectively. The fair values represent the discounted amount the Archdiocese would pay to the bank to terminate the agreements as of June 30, 2007 or 2006. The Archdiocese has no plans to terminate the interest rate swap agreements prior to the expiration date of the agreements.

The change in fair value of the interest rate swap agreements is recorded in the consolidated statements of activities as gain (loss) on interest rate swap agreements. The change in fair value resulted in a gain (loss) of $(306,750) and $1,737,017 for the years ended June 30, 2007 and 2006, 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.

Notes to Consolidated Financial Statements
June 30, 2007 and 2006

Note 9 - Restrictions on net assets

Temporarily restricted net assets at June 30, 2007 and 2006, are available for the following purposes:

	2007	2006
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:

	2007	2006
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

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 funding policy is to make contributions to the plan at such times and in such amounts required to keep the plan actuarially sound. Benefits are based on years of service. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. The Archdiocese expects to contribute approximately $530,000 during the fiscal year ending June 30, 2008.

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

Notes to Consolidated Financial Statements
June 30, 2007 and 2006

The Archdiocese was required to adopt the recognition and disclosure provisions of SFAS No. 158 for the fiscal year ended June 30, 2007. The incremental effects of applying FASB Statement 158 on individual line items in the statement of financial position as of that date are as follows:

	Before Application of SFAS No. 158	Adjustments	After Application of SFAS No. 158
Pension liability	$ -	$ 2,137,191	$ 2,137,191
Total liabilities	228,354,354	2,137,191	230,491,545
Unrestricted net assets	85,817,864	(2,137,191)	83,680,673
Total net assets	111,290,010	(2,137,191)	109,152,819

The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008, although the Archdiocese has adopted the measurement date provision as of the fiscal year ended June 30, 2007.

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

	Obligation and Funded Status
Benefit obligation	$(9,357,850)
Plan assets at fair value	7,220,659
Funded status	$(2,137,191)
Accumulated benefit obligation	$8,450,057
Employer contributions	479,000
Benefits paid	484,014
Amounts recognized in the statement of financial position consist of:	
Current liabilities	$ -
Noncurrent liabilities	2,137,191

Other Changes in Plan Assets and Benefit Obligations Recognized in the Changes in Unrestricted Net Assets:

Net Loss recognized in changes in unrestricted net assets	$2,137,191
Net periodic pension cost	479,700
Total recognized in net periodic pension cost and unrestricted net assets	$2,616,891

Notes to Consolidated Financial Statements
June 30, 2007 and 2006

The estimated net loss for the defined benefit pension plan will be amortized from changes in unrestricted net assets into net periodic benefit cost over the next fiscal year is $60,070.

The following assumptions were used in accounting for the plan:

Weighted-average assumptions used to determine benefit obligations at June 30, 2007:

Discount rate	7.5%
Future cost of living adjustments	3.0%

Weighted-average assumptions used to determine the net periodic benefit cost for the fiscal year ended June 30, 2007:

Discount rate	7.5%
Future cost of living adjustments	3.0%
Mortality:	RP2000 Combined Mortality Table
Withdrawal:	None
Disability:	None
Retirement Age:	Age based on retirement rates:

Retirement Rates

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

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

No plan assets are expected to be returned to the Archdiocese during the fiscal year ending June 30, 2008.

The following benefits are expected to be paid:

Years Ending June 30,	Amount
2008	$ 577,206
2009	598,146
2010	630,880
2011	656,147
2012	680,585
2013-2017	3,914,111
	$7,057,075

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 16

Notes to Consolidated Financial Statements
June 30, 2007 and 2006

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

	Year Ended June 30,	
	2007	2006
Pension and administrative expenses	$ 560,046	$ 352,048
Billings to parishes and agencies	(474,050)	(280,000)
	$ 85,996	$ 72,048

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,	
	2007	2006
Pension and administrative expenses	$3,525,824	$3,449,012
Billings to parishes and agencies	(2,991,210)	(3,337,298)
	$ 534,614	$ 111,714

Note 11 - Fund raising cost

The Archdiocese incurred fund raising cost related to the annual appeal campaign of $381,785 in 2007 and $267,772 in 2006.

Parishes 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, 2007 and 2006, and statements of activities for the years ended June 30, 2007 and 2006, 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 $485,096,975 increased by $27,980,518 during the year ended June 30, 2007. The major portion of this increase is reflected in purchases of land, buildings, and equipment. Land, buildings, and equipment accounted for 82% ($395,995,823) of the total assets of parishes and missions at June 30, 2007.

The amount due to the Administrative Offices of the Archdiocese of Atlanta totaled $75,765,596 at June 30, 2007, an increase of $1,435,898 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.

Summary

Your continued contribution to the various Archdiocesan programs is most gratifying. We must continue to reduce the substantial bonds and notes 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.

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Parishes and Missions
Statements of Financial Position - Unaudited

	June 30,	
Assets	2007	2006
Cash in banks	$ 20,485,908	$ 9,396,582
Funds on deposit with Administrative Office - Archdiocese of Atlanta	64,580,980	65,346,302
Investments at market value	2,995,387	2,301,403
Accounts and notes receivable	281,861	255,579
Land, buildings and equipment	395,995,823	379,261,291
Other assets	757,016	555,300
Total assets	$485,096,975	$457,116,457
Liabilities and Net Assets		
Accounts payable	$ 23,841,621	$ 28,714,868
Due to Administrative Offices - Archdiocese of Atlanta	75,765,596	74,329,698
Total liabilities	99,607,217	103,044,566
Net assets		
Balance, beginning of the year	354,071,891	326,310,490
Change in net assets	31,417,867	27,761,401
Balance, end of the year	385,489,758	354,071,891
Total liabilities and net assets	$485,096,975	$457,116,457

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Parishes and Missions
Statements of Activities - Unaudited

	Year Ended June 30,	
	2007	2006
Church revenues		
Offertory	$ 83,108,179	$ 77,052,954
Other parish collections	25,635,322	22,837,215
	108,743,501	99,890,169
Donations	722,720	1,022,735
Investment income	2,276,439	2,650,600
School of religion	3,621,917	3,012,135
Georgia Bulletin	318,061	295,297
Annual appeal	290,313	17,005
Organization and activities	5,084,526	5,432,245
Other	3,352,922	1,729,661
Total revenues	124,410,399	114,049,847
Church operating expenses	91,388,486	86,511,243
Church net operating income	33,021,913	27,538,604
School operations (cost)	(3,659,867)	(1,298,712)
Parish net operating income	29,362,046	26,239,892
Interest expense	3,156,562	3,769,762
Excess of revenues over expenses before other additions (deductions)	26,205,484	22,470,130
Other additions (deductions)		
Subsidies and transfers from Administrative Office	7,194,941	6,102,159
Gain on disposal of property and equipment	-	1,024,270
(Gain) loss on investments	261,099	(182,565)
Building renovations	(2,243,657)	(1,652,593)
Total other additions (deductions)	5,212,383	5,291,271
Change in net assets	$31,417,867	$27,761,401