



# Archdiocese of Atlanta

## 2010 ANNUAL REPORT

Dear Friends:

Every year at this time, we offer to all, but especially to the Catholics of North and Middle Georgia, a report on the finances of the Archdiocese of Atlanta. This annual accounting is one of the happy obligations of a bishop. I say happy because the report is not simply a record of monies taken in and monies spent, but also a picture of the love of Christ circulating throughout the living body of the Church, and an expression of the trust you have placed in me, a trust which I am blessed to share with those who assist me to insure the secure and sound operation of the Church's many good works.

We are grateful to Brad Wilson, the Chief Financial Officer of the Archdiocese, and his entire staff, for their ongoing oversight of our finances, and for assembling and presenting, in cooperation with the staff of *The Georgia Bulletin*, this 2010 report in a manner that all can understand and appreciate. Due to their efforts, we can see a clear and vibrant explanation of how the local Church works, and the full

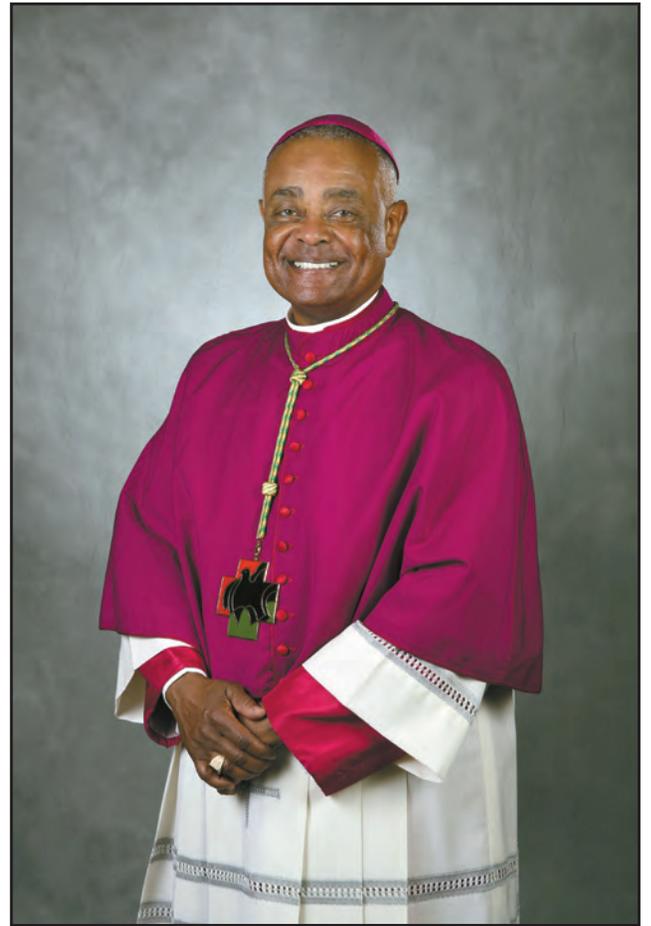
extent to which the Church depends on your generosity and good will.

This report may be an accounting, but its substance is far more than headings and numbers, columns and totals—it is a page in the log of an Apostolic journey, as we travel together towards salvation. And I am moved by its publication to recall words of St. Paul, in order to express, in the love of Jesus Christ, my gratitude to you all:

*I always thank my God, mentioning you in my prayers, because I hear of the love and the faith which you have for the Lord Jesus and for all God's holy people. I pray that your fellowship in faith may come to expression in full knowledge of all the good we can do for Christ. (Philemon 1: 4-6)*

Sincerely yours in Christ,

‡ Wilton D. Gregory  
Archbishop of Atlanta



The consolidated financial statements for the Administrative Offices of the Archdiocese of Atlanta for the fiscal years ended June 30, 2010 and 2009 are presented for your review. These statements include the operations of Chancery and several non-profit corporations as disclosed in Note 1 of the report. Parishes, missions, and parish schools publish results separately to their constituents. An unaudited compilation of the results of the parishes, missions, and parish schools is included in the last three pages of this report.

The challenging economic conditions during the fiscal year were a hardship to individuals, families, and communities. Even in these most difficult times, your generosity has been remarkable. As disclosed in the compilation report on page 27, offertory for the approximately 100 parishes and missions rose by 0.3 percent to \$84.9 million. Only one parish saw offertory decrease by more than 10 percent while ten parishes saw offertory increase by more than 10 percent.

We continue to execute the recommendations developed by the Archdiocesan Planning Council. Due to improved operational effectiveness, the Archdiocesan assessment rate was reduced for the third consecutive year. An additional decrease in the assessment rate is scheduled for next year. We are indebted to the many volunteers who served on the various Committees which serve the Archdiocese.

A positive change in net assets before capital items is our primary measure of annual operating performance. The Archdiocese reported an increase in net assets before capital items of approximately \$21.7 million. The lion's share of the increase, \$13.2 million, is due to contributions to the Catholic Foundation of North Georgia, Inc. The six schools comprising Catholic Education of North Georgia, Inc. account for \$5.2 million of the increase with the funds being used for expansion, capital replacement, and debt repayment. Lastly, \$4.3 million of the increase is due to favorable results in our self-insurance fund.

After reducing administrative cost by 15 percent last year, administrative cost rose 4 percent in fiscal year 2010. Overall, operating expenses rose less than 1 percent.

Our treasury operations remain strong. Liquidity is provided by lines of credit from Wells Fargo Bank. We entered into a new borrowing relationship with two regional banks to broaden our banking relationships. Repayment of debt continues with our school bond debt being reduced by \$2.4 million to \$63.4 million. Other bonds and notes payable were reduced by an additional \$1.4 million. The draw on our lines of credit was reduced by \$4.6 million. In total, our bonds and notes payable were reduced by almost \$8.5 million. Our loans to parishes and other entities

increased slightly to \$78 million.

Our investments total \$91 million. The majority of investments are related to Endowments and Designated Investment Funds as disclosed in Note 8. After two consecutive years of losses, our investment gain for the year was \$7.2 million. The rebound in financial markets was welcome.

Our interest rate swaps show an accounting loss of \$3.0 million which will swing back quickly if interest rates rise to normal levels. Our weighted average fixed interest rate is below 4 percent.

The sum of the reductions in capital items is approximately \$1.9 million. When combined with the positive change in net assets before capital items, the total change in net assets for the year is an increase of \$19.7 million, which is a vast improvement over the reduction in net assets of \$14.8 million last year.

During the year, the Archdiocese purchased a 96,000-square-foot office building on seven acres in Cobb County for \$3.25 million. Renovations are underway and the Chancery operations will occupy the building in the spring of 2011. The current Chancery land and building is on the market to be sold.

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 audits and by the Finance Council which is responsible directly to the Archbishop.

The integrity of these financial 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.

I thank the Archbishop, Auxiliary Bishop, Vicar General, Pastors, School Principals, and you for the unique opportunity to serve. I look forward to the challenges of the New Year.

Sincerely,

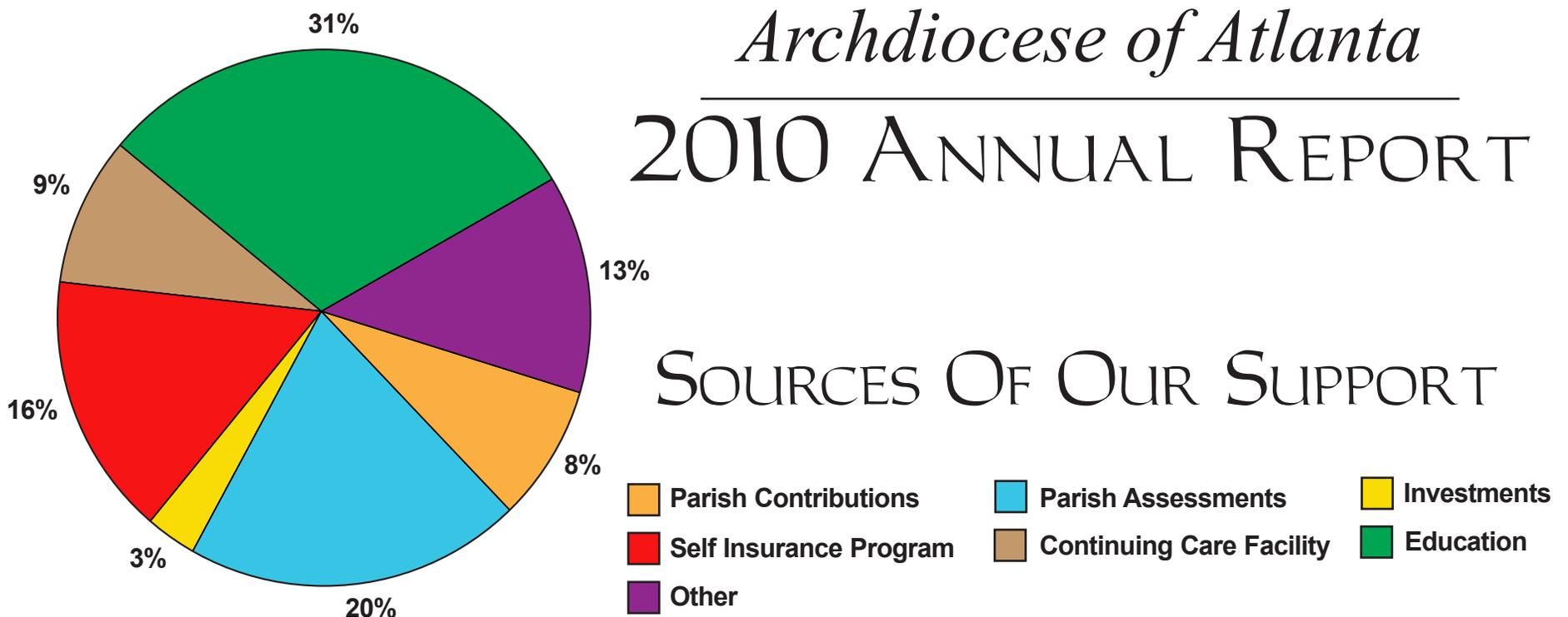
Bradley Wilson  
Chief Financial Officer, Archdiocese of Atlanta



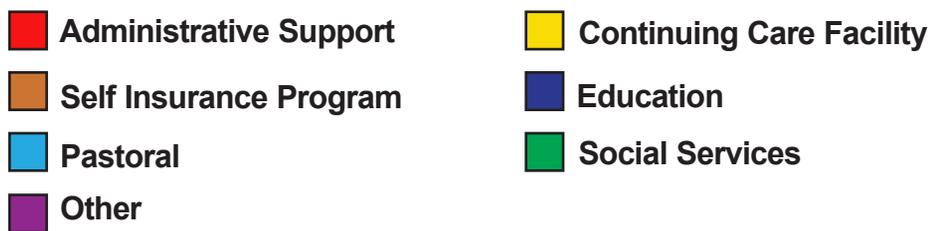
# Archdiocese of Atlanta

## 2010 ANNUAL REPORT

### SOURCES OF OUR SUPPORT



### USES OF OUR SUPPORT



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, 2010 and 2009, 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, 2010 and 2009, 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 1 to the financial statements, the Administrative Offices of the Archdiocese of Atlanta changed its policy regarding consolidating its subsidiary Catholic Education of North Georgia, Inc.

*Laney, Boteler & Killinger*

Atlanta, Georgia  
November 8, 2010



ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA  
Consolidated Statements of Financial Position  
(Amounts in Thousands)

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	June 30, 2010				June 30, 2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	Assets							
Cash and cash equivalents	\$ 3,899	\$ -	\$ -	\$ 3,899	\$ 5,975	\$ -	\$ -	\$ 5,975
Investments at fair value	27,303	15,188	48,708	91,199	33,553	13,148	39,874	86,575
Escrowed deposits	208			208	207			207
Accounts receivable	8,386			8,386	7,961			7,961
Pledges receivable	4,892			4,892	3,883			3,883
Bequests receivable	7,652			7,652				-
Loans receivable-parishes and agencies	78,151			78,151	77,123			77,123
Property and equipment, net	147,142			147,142	146,385			146,385
Other assets	6,471	-	-	6,471	6,398	-	-	6,398
<b>Total assets</b>	<b>284,104</b>	<b>15,188</b>	<b>48,708</b>	<b>348,000</b>	<b>281,485</b>	<b>13,148</b>	<b>39,874</b>	<b>334,507</b>
Liabilities and Net Assets								
Accounts payable and accrued expenses	18,097	-	-	18,097	20,506	-	-	20,506
Custodial funds payable			5,865	5,865			4,997	4,997
Deposits payable	58,040			58,040	56,473			56,473
Interest rate swap liability	10,337			10,337	7,361			7,361
Deferred revenue	42,669			42,669	43,469			43,469
Demand notes payable	220			220	4,827			4,827
Bonds and notes payable	94,358	-	-	94,358	98,198	-	-	98,198
<b>Total liabilities</b>	<b>223,721</b>	<b>-</b>	<b>5,865</b>	<b>229,586</b>	<b>230,834</b>	<b>-</b>	<b>4,997</b>	<b>235,831</b>
<b>Net assets</b>								
Investment funds	17,396	-	-	17,396	14,591	-	-	14,591
Insurance funds	16,047			16,047	11,835			11,835
Plant funds	1,635			1,635	4,392			4,392
Undesignated	25,305			25,305	19,833			19,833
Restricted	-	15,188	42,843	58,031	-	13,148	34,877	48,025
<b>Total net assets</b>	<b>60,383</b>	<b>15,188</b>	<b>42,843</b>	<b>118,414</b>	<b>50,651</b>	<b>13,148</b>	<b>34,877</b>	<b>98,676</b>
<b>Total liabilities and net assets</b>	<b>\$284,104</b>	<b>\$15,188</b>	<b>\$48,708</b>	<b>\$348,000</b>	<b>\$281,485</b>	<b>\$13,148</b>	<b>\$39,874</b>	<b>\$334,507</b>

See notes to consolidated financial statements.

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA  
Consolidated Statements of Activities  
(Amounts in Thousands)

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	Year Ended June 30, 2010				Year Ended June 30, 2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues								
Parishes and missions								
Contributions	\$ 8,238	\$ -	\$ -	\$ 8,238	\$ 8,559	\$ -	\$ -	\$ 8,559
Assessments	21,636			21,636	20,654			20,654
Continuing care	9,837			9,837	9,060			9,060
Education	32,827			32,827	32,816			32,816
Insurance premiums	17,371			17,371	16,512			16,512
Other contributions	4,013	350	7,965	12,328	2,357	474	428	3,259
Investment income	2,519	796	1	3,316	2,159	1,937	1	4,097
Other	1,073			1,073	698			698
Net assets released from restrictions	3,181	(3,181)	-	-	1,429	(1,429)	-	-
<b>Total revenues</b>	<b>100,695</b>	<b>(2,035)</b>	<b>7,966</b>	<b>106,626</b>	<b>94,244</b>	<b>982</b>	<b>429</b>	<b>95,655</b>
Expenses								
Administrative support	7,204	-	-	7,204	6,917	-	-	6,917
Pastoral	7,793			7,793	7,561			7,561
Education	44,398			44,398	44,665			44,665
Social services	1,560			1,560	1,880			1,880
Insurance services	13,129			13,129	12,875			12,875
Continuing care	8,851			8,851	8,587			8,587
Other	2,040			2,040	1,899			1,899
<b>Total expenses</b>	<b>84,975</b>	<b>-</b>	<b>-</b>	<b>84,975</b>	<b>84,384</b>	<b>-</b>	<b>-</b>	<b>84,384</b>
Change in net assets before capital additions (reductions)	15,720	(2,035)	7,966	21,651	9,860	982	429	11,271
Capital additions (reductions)								
Realized and unrealized gain (loss) on investments	3,135	4,075	-	7,210	(6,521)	(8,256)	-	(14,777)
Loss on interest rate swap agreements	(2,976)			(2,976)	(3,492)			(3,492)
Depreciation and amortization	(5,543)			(5,543)	(5,420)			(5,420)
Loss on disposal of property and equipment	(105)			(105)	(34)			(34)
Other FASB ASC 715 pension costs	(499)			(499)	(2,324)			(2,324)
<b>Total capital additions (reductions)</b>	<b>(5,988)</b>	<b>4,075</b>	<b>-</b>	<b>(1,913)</b>	<b>(17,791)</b>	<b>(8,256)</b>	<b>-</b>	<b>(26,047)</b>
Change in net assets	9,732	2,040	7,966	19,738	(7,931)	(7,274)	429	(14,776)
Reclassification of beginning net assets	-	-	-	-	(14,821)	14,821	-	-
Net assets at beginning of year	50,651	13,148	34,877	98,676	73,403	5,601	34,448	113,452
<b>Net assets at end of year</b>	<b>\$60,383</b>	<b>\$15,188</b>	<b>\$42,843</b>	<b>\$118,414</b>	<b>\$50,651</b>	<b>\$13,148</b>	<b>\$34,877</b>	<b>\$98,676</b>

See notes to consolidated financial statements.



ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

Consolidated Statements of Cash Flows  
(Amounts in Thousands)

	Year Ended June 30,	
	2010	2009
Cash flows from operating activities		
Change in net assets	\$19,738	\$(14,776)
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation and amortization	5,543	5,420
Amortization of entrance fees	(970)	(967)
Loss on disposal of property and equipment	105	34
Realized and unrealized (gain) loss on investments	(7,210)	14,777
Loss on interest rate swap agreements	2,976	3,492
Restricted contributions	(7,966)	(428)
In-kind contributions	(193)	(36)
Increase in accounts receivable	(599)	(2,638)
Increase in pledges receivable	(1,010)	(641)
Increase in bequest receivable	(7,652)	-
Increase in other assets	(11)	(2,507)
Increase (decrease) in accounts payable and accrued expenses	(2,265)	7,400
Deferred revenues	(1,037)	(14)
Net cash (used) provided by operating activities	<u>(551)</u>	<u>9,116</u>
Cash flows from investing activities		
Proceeds from sale and maturity of investments	75,125	91,720
Purchase of investments	(72,540)	(88,338)
Net increase in entrance fee escrow fund	(0)	(1)
Parish and mission loans	(19,015)	(32,070)
Parish and mission loan repayments	17,988	29,461
Proceeds from sale of property and equipment	35	9
Purchase of property and equipment	(6,273)	(9,547)
Net cash used by investing activities	<u>(4,680)</u>	<u>(8,766)</u>
Cash flows from financing activities		
Decrease in demand notes payable	(4,607)	(3,868)
Proceeds from bonds and notes payable	-	10,000
Payments on bonds and notes payable	(3,840)	(2,892)
Proceeds from residents entrance fees	1,203	1,707
Restricted contribution received	7,966	429
Parish and mission deposits received	32,260	24,856
Parish and mission deposits paid	(30,694)	(26,645)
Increase (decrease) in custodial funds payable	867	(927)
Net cash provided by financing activities	<u>3,155</u>	<u>2,660</u>
Net increase (decrease) in cash and cash equivalents	(2,076)	3,010
Cash and cash equivalents, beginning of the year	5,975	2,965
Cash and cash equivalents, end of the year	<u>\$ 3,899</u>	<u>\$ 5,975</u>

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

**Note 1 - Summary of significant accounting policies**

**Basis of reporting**

The accompanying consolidated financial statements include the accounts and transactions of the Administrative Offices of the Archdiocese of Atlanta and the accounts and transactions of the following separate legal entities which are affiliated with or related to the Administrative Offices of the Archdiocese of Atlanta:

- AoA Properties Holding, Inc.
- Catholic Construction Services, Inc.
- Catholic Continuing Care Retirement Communities, Inc.
- Catholic Education of North Georgia, Inc.
- The Catholic Foundation of North Georgia, Inc.

Catholic Education of North Georgia, Inc. (CENGI) owns and operates six schools within the Archdiocese of Atlanta. Prior to 2010, the Archdiocese included in its consolidated financial statements substantially all of the CENGI assets, liabilities, capital expenses, and school subsidies, but did not include the school operations or the school operating assets and liabilities. Beginning in 2010, the Archdiocese began including the CENGI school operations and school operating assets and liabilities in its consolidated financial statements. The 2009 financial statements have been restated to include the operations and the operating assets and liabilities of the CENGI schools. Including the CENGI school operations in the consolidated financial statements increased the change in net assets by \$1,607,726 and \$1,781,016 in 2010 and 2009, respectively.

All of the consolidated organizations are collectively referred to in this report as the Archdiocese. 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 consolidated 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.

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

**Temporarily Restricted Net Assets**

Temporarily restricted net assets are utilized to account for contributions that are donor-restricted for uses which have not yet been fulfilled either in time or by purpose.

**Permanently Restricted Net Assets**

Permanently restricted net assets are utilized to account for true endowments whereby the donor has permitted the Archdiocese to use the income for operations, but has prohibited the use of principal.

**Income Taxes**

The Archdiocese is a religious organization exempt from income taxes under Section 501(a) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the financial statements.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Archdiocese considers all unrestricted highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Investments in marketable securities**

The Archdiocese carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are recognized as changes in net assets in the periods they occur. Investment income and realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

**Accounts receivable**

Accounts receivable are primarily due from Archdiocesan parishes, missions, and schools for insurance premiums and assessments owed to the Administrative Offices. The carrying amounts of receivables have been reduced by a valuation allowance of \$1,773,000 and \$503,000 at June 30, 2010 and 2009, respectively.

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

**Pledges and bequests receivable**

Promises to give that are scheduled to be received after the end of the reporting period are shown as increases in temporarily restricted net assets and reclassified to unrestricted net assets when the purpose or time restriction is met. Promises to give subject to donor-imposed restrictions that the corpus is maintained permanently are recognized as increases in permanently restricted net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at the risk-free rate and carried at the present value of estimated future cash flows. Amortization of the discount is recorded as contribution revenue.

The Archdiocese uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

**Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting periods. Actual results could differ from the estimates.

**Property and equipment**

Property and equipment are recorded at cost if acquired by purchase and at fair market value at the date of receipt if acquired by gift. Maintenance and repairs are charged to operations and major improvements are capitalized. Upon retirement, sale or other disposition, the cost and accumulated depreciation are eliminated from the accounts and any gain or loss is included in the statements of activities. Property and equipment at June 30, 2010 and 2009, consisted of the following:

	2010	2009
Land	\$ 21,713,219	\$ 21,702,580
Land improvements	4,288,128	4,236,559
Buildings	139,793,647	139,963,892
Furniture and equipment	23,936,703	25,540,505
Automobiles	1,323,756	1,253,873
Construction in progress	4,657,029	-
	<u>195,712,482</u>	<u>192,697,409</u>
Less accumulated depreciation	<u>(48,570,870)</u>	<u>(46,312,796)</u>
Property and equipment, net	<u>\$147,141,612</u>	<u>\$146,384,613</u>

# ARCHDIOCESE OF ATLANTA / 2010 ANNUAL REPORT

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 8

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

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

Land improvements	15 years
Buildings	40-50 years
Furniture and equipment	3-10 years
Automobiles	5-7 years

Depreciation expense for 2010 and 2009 was \$5,311,390 and \$5,187,203, respectively.

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

Construction in progress consists of costs incurred on construction projects that have not been completed and placed in service as of year-end. At June 30, 2010, construction in progress primarily consisted of renovations to an office building purchased by the Archdiocese in Smyrna, Georgia. The building was under renovation at June 30, 2010, and work is expected to be completed in February 2011.

**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.

**Contributions**

Contribution revenues are recorded as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions that are not fulfilled in the accounting period. Contributions subject to donor-imposed restrictions are recorded as temporarily restricted support and are reclassified to unrestricted support when the donor-imposed restriction has been fulfilled or the stipulated time period has elapsed.

**Revenue recognition - Catholic Continuing Care Retirement Communities, Inc.**

Revenues for Catholic Continuing Care Retirement Communities, Inc. (CCCRC) are primarily generated from monthly fees for the independent living units, amortization of entrance fees, and monthly fees and per diem charges for assisted living units and skilled nursing beds. Additional revenue is also generated from ancillary services such as activity fees, additional housekeeping, guest meals, and beauty services.

Entrance fees that are expected to be non-refundable to the resident are recorded as deferred revenue and are amortized into revenue using the straight-line method over the estimated remaining life expectancy of the resident, as determined by actuarial life

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 9

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

expectancy tables. The remaining life expectancy is re-evaluated annually and amortization periods adjusted accordingly. Entrance fees that are refundable to the resident to the extent of subsequent re-occupancy proceeds are recorded as deferred revenue and are amortized into revenue using the straight-line method over the estimated remaining useful life of the facility.

**Residency agreements**

All residents at Catholic Continuing Care Retirement Communities are required to sign a residency agreement that defines the terms of their residency at the Community. The residency agreement requires an entrance fee ranging from approximately \$191,000 to \$505,000. The entrance fee is 80%, 90%, or 95% refundable at the time the resident no longer lives at the Community. Except under special circumstances stipulated in the agreement, residents receive their refund after receipt of sufficient proceeds to fully refund the obligation from the next remarketing and occupancy of a similar residence.

**Note 2 - Investments**

At June 30, 2010 and 2009, investments consisted of the following:

	2010		2009	
	Fair Value	Cost	Fair Value	Cost
Short-term investments	\$ 5,648,154	\$ 5,648,154	\$11,365,692	\$11,365,692
U. S. Treasury obligations	19,595,322	19,119,108	18,280,527	18,184,506
Marketable equity securities	34,556,957	37,537,384	31,337,655	35,291,573
Equity mutual funds	15,211,850	15,692,011	11,190,509	13,742,862
Marketable debt securities	15,957,596	15,041,104	14,192,533	13,966,605
Debt mutual funds	229,282	216,174	208,399	207,000
	<u>\$91,199,161</u>	<u>\$93,253,935</u>	<u>\$86,575,315</u>	<u>\$92,758,238</u>

**Note 3 - Pledges receivable**

Pledges receivable of \$4,892,000 and \$3,883,000 at June 30, 2010 and 2009, respectively, represent unconditional promises to give. Substantially all of the pledges are due in less than one year. Pledges receivable at June 30, 2010 and 2009, have been reduced by a valuation allowance of \$633,000 and \$655,000, respectively.

**Note 4 - Loans receivable and deposits payable**

The amounts due from parishes relate primarily to interest-bearing loans made to the parishes and agencies by the Administrative Offices. Interest rates range from 0% to 6%. Loans receivable have been reduced by a \$250,000 and \$90,000 allowance for uncollectible loans at June 30, 2010 and 2009, respectively.

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 10

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

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

**Note 5 - Bonds and notes payable**

Bonds and notes payable consist of the following at June 30, 2010 and 2009:

	2010	2009
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated February 1, 1999, and maturing April 1, 2024	\$20,600,000	\$21,700,000
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated February 1, 1999, and maturing April 1, 2024.	3,200,000	3,400,000
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated March 1, 1999, and maturing April 1, 2024.	13,700,000	14,500,000
Tax-Exempt Variable Rate Educational Facilities Revenue Bonds dated December 19, 2002, and maturing April 1, 2028.	19,035,000	19,275,000
Tax-Exempt Variable Rate Educational Facilities Revenue Bonds dated December 19, 2002, and maturing April 1, 2028.	6,840,000	6,940,000
Development Authority of Fulton County Tax-Exempt Variable Rate Revenue Bonds (CCCRC bonds) dated April 1, 2004, and maturing April 1, 2034.	22,150,000	22,550,000
Unsecured bank note payable in the original amount of \$10,000,000 with interest at LIBOR plus 1.875%. The note requires monthly payments of \$83,333 plus interest with a final balance of \$6,833,333 due on June 30, 2012.	<u>8,833,000</u>	<u>9,833,000</u>
	<u>\$94,358,000</u>	<u>\$98,198,000</u>

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 11

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

Maturities of bonds and notes payable are as follows:

Year Ending June 30,	Amount
2011	\$ 3,950,000
2012	10,888,000
2013	3,155,000
2014	3,355,000
2015	3,455,000
2016-2034	<u>69,555,000</u>
	<u>\$94,358,000</u>

All of the educational bonds require monthly or quarterly interest payments and mature in varying annual amounts through April 1, 2028. The bonds are secured by bank letters of credit and various school properties owned by Catholic Education of North Georgia, Inc. Interest on the bonds varies weekly. The rates at June 30, 2010, were .30% to .40%. As discussed in Note 6, the Archdiocese has entered into various interest rate swap agreements that provide for fixed rates of interest on the bonds.

The CCCRC bonds are secured by a bank letter of credit, a Keep Well agreement and substantially all of the CCCRC assets. The bonds are subject to a variable interest rate which was .32% at June 30, 2010. The entire principal balance of the bonds was originally due on April 1, 2034. During the year ended June 30, 2009, the letter of credit was amended to require annual principal payments beginning April 1, 2009. Under the Keep Well agreement, the Archdiocese of Atlanta has committed to fund any operating deficits, as defined in the agreement, of CCCRC up to \$3,000,000.

At June 30, 2010, the Archdiocese had available five unsecured bank lines of credit totaling \$37,000,000. Both of the notes are payable on demand and bear interest at LIBOR plus .70% to LIBOR plus 2.2% (1.05% to 2.55% at June 30, 2010). The total outstanding under the demand notes at June 30, 2010 and 2009, was \$220,000 and \$4,827,000, respectively. The Archdiocese is required to comply with various covenants in relation to the lines of credit. The Archdiocese is in compliance with these requirements as of June 30, 2010 and 2009.

Interest expense to the Archdiocese on bonds and demand notes payable and interest paid on deposits from parishes and agencies (Note 4) totaled \$8,139,733 and \$8,456,222 for the years ended June 30, 2010 and 2009, respectively. Cash payments for interest totaled \$8,687,286 and \$8,034,145 for fiscal years 2010 and 2009, respectively.



ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 12

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

Interest expense for the years ended June 30, 2010 and 2009, is reported in the statement of activities as follows:

	2010	2009
Interest included in subsidized school operations	\$3,222,287	\$3,506,487
Interest included in CCCRC operations	1,253,351	1,325,707
Interest charged against loan fund income (Note 4)	<u>3,664,095</u>	<u>3,624,028</u>
	<u>\$8,139,733</u>	<u>\$8,456,222</u>

**Note 6 - Interest rate swap agreements**

In order to mitigate its exposure to interest rate fluctuations, the Archdiocese entered into various interest rate swap agreements that provide for fixed rates of interest on the school bonds, CCCRC bonds and note payable (Note 5). The purpose of entering into these swaps is to eliminate long-term interest rate variability by converting LIBOR-based variable-rate payments to fixed-rate payments. The Archdiocese's interest rate swap agreements have been designed and qualify as cash flow hedging instruments. The fair value of the liabilities represent the discounted amount the Archdiocese would have to pay the bank to terminate the agreements before the respective balance sheet dates. The change in fair value of the interest rate swap agreements is recorded in the statement of activities as a gain or loss on interest rate swap agreements. The Archdiocese has no plans to terminate the interest rate swap agreements prior to the expiration date of the agreements.

By using a derivative financial instrument to hedge its exposure to changes in interest rates, the Archdiocese exposes itself to credit and market risk. Credit risk is the failure of the counter party to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counter party owes the Archdiocese, which creates credit risk for the Archdiocese. When the fair value of a derivative contract is negative the Archdiocese owes the counter party and, therefore, it does not possess credit risk. The Archdiocese minimized the credit risk in derivative instruments by entering into transactions with high-quality counter parties.

Market risk is an adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate contracts is managed by establishing the monitoring parameters that limit the types and degree of market risk may be undertaken.

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 13

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

The table below summarizes the swap information reported in the financial statements as of June 30, 2010 and 2009, and for the years then ended.

Issue	Effective Date	Expiration Date	Notional Amount		Fixed Interest Rate	Variable Interest Rate as of	Fair Value of Asset (Liability) in Statement of Financial Position		Gain (loss) on interest rate Swap Agreements in Statement of Activities	
			June 30, 2010	June 30, 2009			June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
School Bonds	1/1/2004	10/1/2008	\$ -	\$ -	3.10%	0.00000%	\$ -	\$ -	\$ -	\$ 65,514
School Bonds	4/1/2004	10/4/2014	19,600,000	20,650,000	4.53%	0.25613%	(2,320)	(820,489)	816,169	92,847
School Bonds	11/2/2007	11/4/2010	-	26,230,000	3.87%	0.00000%	(481,624)	(481,624)	481,624	171,965
School Bonds	10/1/2008	10/1/2017	17,900,000	18,950,000	3.58%	0.25613%	(1,936,369)	(1,510,326)	(426,043)	(849,292)
CCRC Bonds	5/15/2008	5/1/2017	22,150,000	22,550,000	3.90%	0.29467%	(2,442,953)	(1,538,887)	(904,066)	(697,537)
Note Payable	4/8/2009	6/30/2010	8,833,000	8,833,000	3.80%	2.22875%	(167,525)	5,627	(173,152)	5,627
School Bonds	14/2010	7/1/2020	25,810,000	26,230,000	3.25%	0.25613%	(3,304,103)	(1,447,854)	(1,856,249)	(1,605,895)
			<u>94,393,000</u>	<u>124,443,000</u>			<u>(7,853,270)</u>	<u>(6,793,353)</u>	<u>(2,059,917)</u>	<u>(2,817,871)</u>

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

Issue	Effective Date	Expiration Date	Notional Amount		Fixed Interest Rate	Variable Interest Rate as of	Fair Value of Asset (Liability) in Statement of Financial Position		Gain (loss) on interest rate Swap Agreements in Statement of Activities	
			June 30, 2010	June 30, 2009			June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
School Bonds	7/1/2010	10/1/2014	\$ 19,600,000	\$ 19,600,000	4.53%	0.25613%	\$(2,483,171)	\$(1,567,306)	\$(915,865)	\$(674,738)
Total			<u>\$19,600,000</u>	<u>\$19,600,000</u>			<u>\$(2,483,171)</u>	<u>\$(1,567,306)</u>	<u>\$(915,865)</u>	<u>\$(674,738)</u>

**Note 7 - Contingencies**

The Archdiocese has been named defendant in various civil lawsuits. The Archdiocese considers all of these suits to be without basis and plans to vigorously contest the claims. The likely outcome of the various lawsuits cannot be determined.

**Note 8 - Endowment and designated investment funds**

Permanently restricted net assets include 22 donor-restricted endowment funds. Unrestricted net assets include 18 funds that have been designated by the Archbishop (board-designated) to function as endowments. The donor-restricted endowment funds and the board designated funds are collectively referred to as endowment funds. The endowment funds are restricted or designated for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Archdiocese has interpreted Georgia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Archdiocese classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c)

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 14

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Archdiocese in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Archdiocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Archdiocese and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Archdiocese
7. The investment policies of the Archdiocese

Endowment net assets composition by type of fund as of June 30, 2010:

June 30, 2010	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds				
Campus ministry	\$ (381)	\$ 31,663	\$ 135,000	\$ 166,282
Community service	-	316,006	1,003,896	1,319,902
Dependent children	-	1,336,253	387,207	1,723,460
Education	(49,036)	9,667,393	32,115,065	41,733,422
Elderly	(1,118)	174,208	183,827	356,917
Operations	(184,973)	58,917	5,085,784	4,959,728
Parishes	(716)	30,942	274,409	304,635
Seminary	-	1,907,385	3,657,900	5,565,285
	<u>(236,224)</u>	<u>13,522,767</u>	<u>42,843,088</u>	<u>56,129,631</u>
Board-designated endowment funds				
Charitable gift annuity	383,301	-	-	383,301
Clergy welfare	111,650	-	-	111,650
Dependent children	114,436	-	-	114,436
Donor-advised fund	1,729,796	-	-	1,729,796
Education	1,564,743	-	-	1,564,743
Operations	1,274,210	-	-	1,274,210
Parishes	7,413,857	-	-	7,413,857
Retired priests	1,315,107	-	-	1,315,107
Seminary	3,489,223	-	-	3,489,223
	<u>17,396,323</u>	<u>-</u>	<u>-</u>	<u>17,396,323</u>
Total	<u>\$17,160,099</u>	<u>\$13,522,767</u>	<u>\$42,843,088</u>	<u>\$73,525,954</u>

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 15

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

June 30, 2009	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds				
Campus ministry	\$ -	\$ 25,393	\$ 35,000	\$ 60,393
Community service	-	259,637	1,000,000	1,259,637
Dependent children	-	1,149,717	387,207	1,536,924
Education	(59,442)	6,982,584	24,328,737	31,251,879
Elderly	(9,968)	148,094	183,827	321,953
Operations	(410,241)	50,584	5,052,100	4,692,443
Parishes	-	7,117	231,873	238,990
Seminary	-	1,794,947	3,657,900	5,452,847
	<u>(479,651)</u>	<u>10,418,073</u>	<u>34,876,644</u>	<u>44,815,066</u>
Board-designated endowment funds				
Charitable gift annuity	-	-	-	-
Clergy welfare	99,117	-	-	99,117
Dependent children	723,741	-	-	723,741
Donor-advised fund				
Education	1,200,859	-	-	1,200,859
Operations	1,658,739	-	-	1,658,739
Parishes	6,577,417	-	-	6,577,417
Retired priests	1,166,216	-	-	1,166,216
Seminary	3,164,549	-	-	3,164,549
	<u>14,590,638</u>	<u>-</u>	<u>-</u>	<u>14,590,638</u>
Total	<u>\$14,110,987</u>	<u>\$10,418,073</u>	<u>\$34,876,644</u>	<u>\$59,405,704</u>

Changes in endowment net assets for the years ended June 30, 2010 and 2009:

June 30, 2009	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$33,891,045	\$ 2,847,358	\$34,447,623	\$ 71,186,026
Net asset reclassification based on change in law	(14,820,972)	14,820,972	-	-
Endowment net assets, after reclassification	19,070,073	17,668,330	34,447,623	71,186,026
Contributions	-	25,900	428,465	454,365
Transfers to increase board designated funds	398,240	-	-	398,240
Investment return				
Investment income	511,434	1,422,571	556	1,934,561
Net realized and unrealized depreciation	(3,124,332)	(8,235,426)	-	(11,359,758)
Appropriation of endowment net assets for expenditure	(2,264,777)	(942,953)	-	(3,207,730)
Reclassification of donor restricted endowment funds with deficiencies	(479,651)	479,651	-	-
Endowment net assets, end of year	<u>\$14,110,987</u>	<u>\$10,418,073</u>	<u>\$34,876,644</u>	<u>\$59,405,704</u>



## ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 16

### Notes to Consolidated Financial Statements June 30, 2010 and 2009

June 30, 2010	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$14,110,987	\$10,418,073	\$34,876,644	\$59,405,704
Contributions	2,048,972	4,420	7,965,857	10,019,249
Transfers to increase board designated funds	303,218			303,218
Investment return				
Investment income	340,864	1,025,816	587	1,367,267
Net realized and unrealized appreciation	1,460,967	4,057,755		5,518,722
Appropriation of endowment net assets for expenditure	(1,348,336)	(1,739,870)		(3,088,206)
Restoration of deficiencies in donor-restricted endowment funds	243,427	(243,427)		
Endowment net assets, end of year	\$17,160,099	\$13,522,767	\$42,843,088	\$73,525,954

The Archdiocese has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Archdiocese must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy the endowment assets are invested in a manner that is intended to produce a reasonable rate of return under current market conditions with minimal risk.

The Archdiocese's spending policy reflects the fundamental objective of preserving and enhancing the resources of the Archdiocese, both at present and in the future. Current spending and the long term objectives of preserving and enhancing the assets are balanced by considerations given to reasonable expectations of investment returns, contributions, operating expenses, and inflation. The Archdiocese has a policy of appropriating for distribution each year amounts that are required to be distributed under the terms of donor-restricted endowment agreements and amounts needed to fund and subsidize Archdiocesan programs and agencies. In establishing this policy, the Archdiocese considered the long-term expected return on its endowment. Accordingly, over the long term, the Archdiocese expects the current spending policy to allow its endowment to grow at a rate that will maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

## ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 17

### Notes to Consolidated Financial Statements June 30, 2010 and 2009

#### Note 9 - Restrictions on net assets

Temporarily restricted net assets and permanently restricted net assets, including donor-restricted endowment funds, are available for the following purposes at June 30, 2010 and 2009:

	June 30, 2010			June 30, 2009		
	Temporarily Restricted	Permanently Restricted	Total	Temporarily Restricted	Permanently Restricted	Total
Campus ministry	\$ 31,663	\$ 135,000	\$ 166,663	\$ 25,393	\$ 35,000	\$ 60,393
College Catholic Centers	-	-	-	211,452	-	211,452
Community service	316,006	1,003,896	1,319,902	259,637	1,000,000	1,259,637
Dependent children	1,336,253	387,207	1,723,460	1,149,717	387,207	1,536,924
Education	9,667,393	32,115,065	41,782,458	6,982,584	24,328,737	31,311,321
Elderly	174,208	183,827	358,035	148,094	183,827	331,921
Operations	58,917	5,085,784	5,144,701	50,584	5,052,100	5,102,684
Parishes	30,942	274,409	305,351	7,117	231,873	238,990
Retired Priests	250,000	-	250,000	250,000	-	250,000
School operations	1,415,546	-	1,415,546	2,268,828	-	2,268,828
Seminary	1,907,385	3,657,900	5,565,285	1,794,947	3,657,900	5,452,847
	\$15,188,313	\$42,843,088	\$58,031,401	\$13,148,353	\$34,876,644	\$48,024,997

#### Note 10 - Financial Instruments

The Financial Accounting Standards Board (FASB) requires disclosure about financial instruments and related off-balance sheet risk and concentrations of credit risk. The activity of the Administrative Offices of the Archdiocese of Atlanta and its subsidiaries is primarily with the parishes and missions within the Archdiocese, which covers approximately fifty percent of the State of Georgia. The accounts, pledges, and loans receivable from parishes and bonds, notes and mortgages payable are all associated with the parishes or other Archdiocesan activities. Any off-balance sheet risk or credit risk is dependent on the financial support of the parishioners to their local parish and the parishes subsequent support of the Archdiocese.

The Archdiocese 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 11 - Fair value measurements

Generally accepted accounting principles require that certain assets and liabilities be measured at fair value on a recurring basis. For the Archdiocese, the assets and liabilities that are adjusted to fair value on a recurring basis are investments in marketable securities, pledges and bequests receivable, charitable gift annuities payables and interest rate swap agreements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of

## ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 18

### Notes to Consolidated Financial Statements June 30, 2010 and 2009

observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

**Level 1** - Valuations based on unadjusted quoted prices for identical instruments in active markets that are available as of the measurement date

**Level 2** - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly

**Level 3** - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

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

Pledges receivable are valued at estimated net realizable value discounted to present value at 3.75%. Change in value includes changes in discount and adjustments to the allowance for uncollectible pledges.

Interest rate swap - fair value determined using a discounted cash flow method based on forward interest rates and expected cash flows.

The following table presents the Archdiocese's fair value hierarchy for the financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2010 and 2009:

June 30, 2010	Total	Level 1	Level 2	Level 3
Investments				
Short-term investments	\$ 5,648,154	\$ 5,648,154	\$ -	\$ -
U. S. Treasury obligations	19,595,322	15,231,254	4,364,068	-
Marketable equity securities	34,556,957	34,556,957	-	-
Equity mutual funds	15,211,850	15,211,850	-	-
Marketable debt securities	15,957,596	2,572,631	13,384,965	-
Debt mutual funds	229,282	229,282	-	-
	\$91,199,161	\$73,450,128	\$17,749,033	\$ -
Receivables				
Pledges	\$4,892,499	\$ -	\$ -	\$ 4,892,499
Bequest	7,652,172	-	-	7,652,172
	\$12,544,671	\$ -	\$ -	\$12,544,671
Charitable gift annuities payable	\$ 49,732	\$ -	\$ -	\$ 49,732
Interest rate swap liability	\$10,336,441	\$ -	\$ -	\$10,336,441

## ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 19

### Notes to Consolidated Financial Statements June 30, 2010 and 2009

June 30, 2009	Total	Level 1	Level 2	Level 3
Investments				
Short-term investments	\$11,365,692	\$11,365,692	\$ -	\$ -
U. S. Treasury obligations	18,280,527	15,625,627	2,654,900	-
Marketable equity securities	31,337,655	31,337,655	-	-
Equity mutual funds	11,190,509	11,190,509	-	-
Marketable debt securities	14,192,533	-	14,192,533	-
Debt mutual funds	208,399	208,399	-	-
	\$86,575,315	\$69,727,882	\$16,847,433	\$ -
Receivables				
Pledges	\$ 3,882,559	\$ -	\$ -	\$3,882,559
Bequest	-	-	-	-
	\$ 3,882,559	\$ -	\$ -	\$3,882,559
Charitable gift annuities payable	\$ 20,375	\$ -	\$ -	\$ 20,375
Interest rate swap liability	\$ 7,360,659	\$ -	\$ -	\$7,360,659

The following is a reconciliation of the change in fair value for the year ended June 30, 2010 and 2009 for Level 3:

	Year Ended June 30,	
	2010	2009
Interest rate swap liability		
Liability at beginning of year	\$ 7,360,659	\$3,868,250
Change in value	2,975,782	3,492,409
Liability at end of year	\$10,336,441	\$7,360,659
Pledges receivable		
Receivable at beginning of year	\$ 3,882,559	\$3,241,356
New pledges received	5,424,876	6,523,583
Payments on pledges	(4,676,849)	(4,795,626)
Change in value of pledges	261,913	(1,086,754)
Receivable at end of year	\$ 4,892,499	\$3,882,559
Bequest receivable		
Receivable at beginning of year	\$ -	\$ -
New bequest received	7,652,172	-
Receivable at end of year	\$7,652,172	\$ -
Charitable gift annuities payable		
Payable at beginning of year	\$ 20,375	\$ -
New contracts issued	30,193	21,127
Payments made to annuitants	(5,364)	(752)
Change in value of charitable gift annuities	4,528	-
Payable at end of year	\$ 49,732	\$ 20,375



ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 20

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

The change in value of the interest rate swap agreements in 2010 and 2009, is attributable to the revaluation of the interest rate swap agreements based on the current market conditions and is included in the change in net assets for the years ended June 30, 2010 and 2009.

Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amount that the Archdiocese could realize in a current market exchange.

**Note 12 - 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 \$910,000 to the Plan during the fiscal year ending June 30, 2011.

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

	2010	2009
Obligation and Funded Status		
Projected benefit obligation	\$(13,107,816)	\$(11,771,707)
Plan assets at fair value	<u>6,945,467</u>	<u>6,288,173</u>
Funded status	<u>\$ (6,162,349)</u>	<u>\$ (5,483,534)</u>
Accumulated benefit obligation	\$13,107,816	\$11,771,707
Employer contributions	716,974	1,512,500
Benefits paid	850,619	657,215

Amounts recognized in the consolidated statement of financial position:

Noncurrent liabilities	<u>\$6,162,349</u>	<u>\$5,483,534</u>
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ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 21

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

Amounts recognized in the consolidated statements of activities:

	2010	2009
Service cost with interest	\$ 351,465	\$ 318,651
Interest cost	742,598	706,118
Expected return on plan assets	(445,579)	(459,590)
Amortization of prior service cost	<u>247,986</u>	<u>147,288</u>
Net periodic pension cost (income)	<u>\$ 896,470</u>	<u>\$ 712,467</u>
Other changes in net assets		
Actuarial (gain) loss	\$1,092,665	\$1,021,260
Amortization of prior service cost	<u>(445,579)</u>	<u>(459,590)</u>
	<u>\$ 647,086</u>	<u>\$ 561,670</u>

The estimated net loss and prior service cost that will be amortized from changes in unrestricted net assets into net periodic benefit cost in 2011 are \$269,076 and \$0, respectively.

The following assumptions were used in accounting for the plan:

	2010	2009
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	6.0%	6.5%
Expected return on plan assets	7.5%	7.5%
Future cost of living adjustments	3.0%	3.0%
Weighted-average assumptions used to determine the net periodic benefit obligations:		
Discount rate	6.5%	7.0%
Expected return on plan assets	7.5%	7.5%
Future cost of living adjustments	3.0%	3.0%

Retirement age: Age based retirement rates are given below:

Age	Probability of Retirement
65	33.33%
66-74	15.00%
75+	100.00%

Mortality rates (per 1,000 lives): RP-2000 combined mortality table

Age	Male	Female
20	0.35	0.19
35	0.77	0.48
50	2.14	1.68
60	6.75	5.06

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 22

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

Disability: Rates varying by age and service:

Age	Male	Female
N/A	N/A	N/A

The Archdiocese's overall investment strategy is to achieve a mix of investments for long-term growth and near-term benefit payments with a diversification of asset types, fund strategies, and fund managers. The target allocation for plan assets is 65% equity securities and 35% corporate bonds and U.S. Treasury securities.

The fair values of the Archdiocese's pension plan assets at June 30, 2010 and 2009, by asset category as follows:

June 30, 2010	Total	Level 1	Level 2	Level 3
Short-term investments	\$ 280,447	\$ 280,447	\$ -	\$ -
U.S. Treasury obligations	1,324,955	1,118,541	206,414	-
Marketable debt securities	859,192	-	859,192	-
Marketable equity securities	3,578,520	3,578,520	-	-
Equity mutual funds	<u>902,353</u>	<u>902,353</u>	-	-
	<u>\$6,945,467</u>	<u>\$5,879,861</u>	<u>\$1,065,606</u>	<u>\$ -</u>
June 30, 2009	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 11,405	\$ 11,405	\$ -	\$ -
Short-term investments	233,057	233,057	-	-
U.S. Treasury obligations	862,539	684,482	178,057	-
Marketable debt securities	910,461	-	910,461	-
Marketable equity securities	3,562,792	3,562,792	-	-
Equity mutual funds	<u>707,919</u>	<u>707,919</u>	-	-
	<u>\$6,288,173</u>	<u>\$5,199,655</u>	<u>\$1,088,518</u>	<u>\$ -</u>

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, 2011.

The following benefits are expected to be paid:

Year Ending June 30,	Amount
2011	\$ 766,528
2012	772,083
2013	785,719
2014	801,755
2015	818,033
2016 - 2020	<u>4,300,377</u>
	<u>\$8,244,495</u>

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 23

Notes to Consolidated Financial Statements  
June 30, 2010 and 2009

Billings to the parishes and agencies and related pension and administrative expenses, excluding the effects of adopting FASB ASC 715, for clergy retirement are reported in insurance revenues and expenses as follows:

	Year Ended June 30, 2010	2009
Pension contributions and administrative expenses	\$ 896,470	\$ 712,467
Billings to parishes and agencies	<u>(551,974)</u>	<u>(512,500)</u>
	<u>\$ 344,496</u>	<u>\$ 199,967</u>

**Lay employee retirement plan**

Effective July 1, 1982, the Archdiocese amended its plan to change from a defined benefit retirement plan to a defined contribution plan. The plan covers all lay employees within the Archdiocese. Contributions to the amended plan are predetermined amounts based on compensation paid to each lay employee. Benefits under the amended plan are computed based on the pension fund assets. The defined benefit plan was terminated during the year ended June 30, 2009.

The parishes and agencies were billed for their respective share of pension and administrative costs which are included in insurance revenue and expenses as follows:

	Year Ended June 30, 2010	2009
Pension contributions and administrative expenses	\$ 3,154,443	\$ 1,702,163
Billings to parishes and agencies	<u>(3,784,171)</u>	<u>(3,648,173)</u>
	<u>\$ (629,728)</u>	<u>\$ (1,946,010)</u>

**Note 13 - Fund raising cost**

The Archdiocese incurred fund raising cost related to the annual appeal campaign of \$374,000 in 2010 and \$350,000 in 2009.

**Note 14 - Subsequent events**

Management has evaluated subsequent events through November 30, 2010, which is the date the financial statement were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2010.



## ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

### Parishes, Missions, and Parish Schools Statements of Financial Position - Unaudited

(Amounts in Thousands)

	June 30,	
	2010	2009
Assets		
Cash in banks	\$ 9,593	\$ 11,667
Funds on deposit with Administrative Office - Archdiocese of Atlanta	55,712	53,614
Investments at fair value	4,250	3,721
Property and equipment	467,965	441,731
Other assets	482	830
<b>Total assets</b>	<b><u>\$538,002</u></b>	<b><u>\$511,563</u></b>
Liabilities and Net Assets		
Accounts payable	\$ 19,730	\$ 15,103
Due to Administrative Offices - Archdiocese of Atlanta	77,941	76,909
<b>Total liabilities</b>	<b><u>97,671</u></b>	<b><u>92,012</u></b>
<b>Net assets</b>		
Balance, beginning of the year	419,551	398,694
Change in net assets	20,780	20,857
Balance, end of the year	<u>440,331</u>	<u>419,551</u>
<b>Total liabilities and net assets</b>	<b><u>\$538,002</u></b>	<b><u>\$511,563</u></b>

## ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

### Parishes, Missions, and Parish Schools

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, 2010 and 2009, and statements of activities for the years ended June 30, 2010 and 2009, of the parishes, missions, and parish schools of the Archdiocese of Atlanta.

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

As reported in the statements of financial position, total assets of \$538,002,000 increased by \$26,439,000 during the year ended June 30, 2010. The major portion of this increase is reflected in purchases of land, buildings, and equipment. Land, buildings, and equipment accounts for 87% (\$467,965,000) of the total assets of parishes, missions, and parish schools at June 30, 2010.

The amount due to the Administrative Offices of the Archdiocese of Atlanta totaled \$77,941,000 at June 30, 2010, an increase of \$1,032,000 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.

## ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

### Parishes, Missions, and Parish Schools Statements of Activities - Unaudited

(Amounts in Thousands)

	Year Ended June 30,	
	2010	2009
Church revenues		
Offerory	\$ 84,931	\$ 84,651
Other parish collections	1,114	2,196
	86,045	86,847
Investment income	1,441	1,626
Other income	35,646	38,041
<b>Total revenues</b>	<b>123,132</b>	<b>126,514</b>
Church operating expenses		
	<u>105,437</u>	<u>106,969</u>
<b>Church net operating income</b>	<b>17,695</b>	<b>19,545</b>
Cost of school operations	<u>(1,298)</u>	<u>(3,372)</u>
Excess of revenues over expenses before subsidies and transfers from Administrative Office	16,397	16,173
Subsidies and transfers from Administrative Office	<u>4,383</u>	<u>4,684</u>
<b>Change in net assets</b>	<b><u>\$20,780</u></b>	<b><u>\$20,857</u></b>

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