



# Archdiocese of Atlanta

## 2012 ANNUAL REPORT

*And whatever you do, in word or in deed, do everything in the name of the Lord Jesus, giving thanks to God the Father through him.*

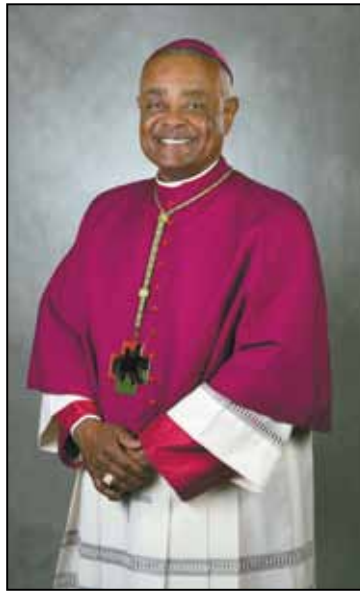
Dear Friends:

**A**t this time of year, we faithfully celebrate in special ways the generosity of God's love, by recalling the Incarnation and Birth of His Son, our Lord Jesus Christ. And wishing to do what the Father wants, wishing to become "as saints" in His eyes through Christ, we release in ourselves the generous impulse that reflects God's own Gift – we draw near to family and friends, and express in joy and giving, the reality of Emmanuel, God come among us.

What further blessings we reap, when we sow the spirit of Christmas throughout the year, through the good works of the Church and the tireless support

and labor of the Faithful on their behalf. In this issue of *The Georgia Bulletin*, it is my happy duty to publish a financial accounting of the local Church's good works over the past year, recorded for all to see and to consider.

I am grateful to Brad Wilson, the Chief Financial Officer of the Archdiocese, and to his staff, for their diligence in overseeing and chronicling the financial and monetary aspects of our work, and I thank



Archbishop Wilton D. Gregory

Mary Anne Castranio and her colleagues at *The Georgia Bulletin* for presenting the report in such a fashion that all might understand clearly the many aspects of the Church's work. It is our hope that the report will complement your own understanding of what we are doing, as we strive in the present to live the Gospel of Jesus Christ under the guidance of the Holy Spirit, and to plan with confidence for the future to which He leads us.

May Mary, the Holy Mother of God, whose "Yes" opened the door to Perfect Love, continue to open our own hearts to receive His grace and mercy, and to show forth His bounteous love.

Sincerely yours in Christ,

✠ Wilton D. Gregory,  
Archbishop of Atlanta

## A Summary From The Chief Financial Officer

**T**he consolidated financial statements for the Administrative Offices of the Archdiocese of Atlanta for the fiscal years ended June 30, 2012 and 2011 are presented for your review. These statements include the operations of The Chancery and several nonprofit 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 from the parishes, missions, and parish schools is included on the last three pages of this report.

Although economists tell us that the economy is out of recession, the improvement is, at best, uneven throughout the Archdiocese. The challenging economic conditions continue for many individuals, families, and communities. Even with these difficulties, you, the people of the Archdiocese, continue to be generous. As disclosed in the compilation report, offertory for the approximately 100 parishes and missions rose by 2.9 percent to \$89.7 million. Only 7 parishes saw offertory decrease by more than 5 percent while 33 parishes saw offertory increase by more than 5 percent.

We continue to reduce the burden placed on the parishes to support the Administrative Offices of the Archdiocese. Due to improved operational effectiveness, the Archdiocesan assessment rate was reduced for the fifth consecutive year. An additional decrease in the assessment rate is in place for fiscal year 2013.

Several significant financial events are included in this year's results:

- The Archdiocese was the sole beneficiary of the estate of Joseph R. Mitchell. The reports in *The Georgia Bulletin* of August 16, 2012, provide insight into the gift and the allocation of the funds to Mr. Mitchell's parish (the Cathedral of Christ the King), the allocation to charitable causes, primarily Catholic Charities of Atlanta, and the allocation to every parish and school to be used to establish a new, or enhance an existing, endowment at the Catholic Foundation of North Georgia. Income from the bequests is recorded in the Revenue line, Other Contributions. Distributions to the various entities are recorded in the Expense lines, Pastoral and Education.
- The municipal bond obligations for five schools and for St. George Village were restructured as Bank Qualified Loans for a term of three years. The bonds for St. Pius X High School were paid in full.
- A self-insured Long Term Care Plan for priests was created with initial funding of \$4.1 million.
- In our most recent actuarial valuation of the Priests' Pension Plan, the discount rate was reduced by 1.5 percent resulting in a non-cash charge of approximately \$4 million.



Bradley Wilson

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 million. The six schools comprising Catholic Education of North Georgia, Inc. account for \$8 million of the increase with the funds being used for expansion, capital replacement, and debt repayment. The Administrative Offices showed an \$8 million increase due primarily to the Mitchell bequest. Lastly, \$3 million is due to contributions to the Catholic Foundation of North Georgia, Inc.

Our treasury operations remain strong. Liquidity is provided by a line of credit from Wells Fargo Bank. Repayment of debt continues with our school bond debt being reduced by \$5.5 million to \$55 million. Other bonds and notes payable were reduced by an additional \$4.4 million. Our loans to parishes and other entities decreased by \$5 million to \$69.5 million.

Our investments total \$131 million. The majority of investments are related to Endowments and Designated Investment Funds as disclosed in Note 8. Our investments had a small loss for the year of approximately \$300,000.

Our interest rate swaps show an accounting loss of \$3.6 million. Our weighted average interest rate is below 4 percent.

Depreciation is nearly \$6.3 million, of which approximately half relates to physical plants of the six schools comprising Catholic Education of North Georgia, Inc. The remainder is split between the Chancery operations and St. George Village Retirement Community.

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, the people of the Archdiocese, for the unique opportunity to serve. I look forward to the challenges of the New Year.

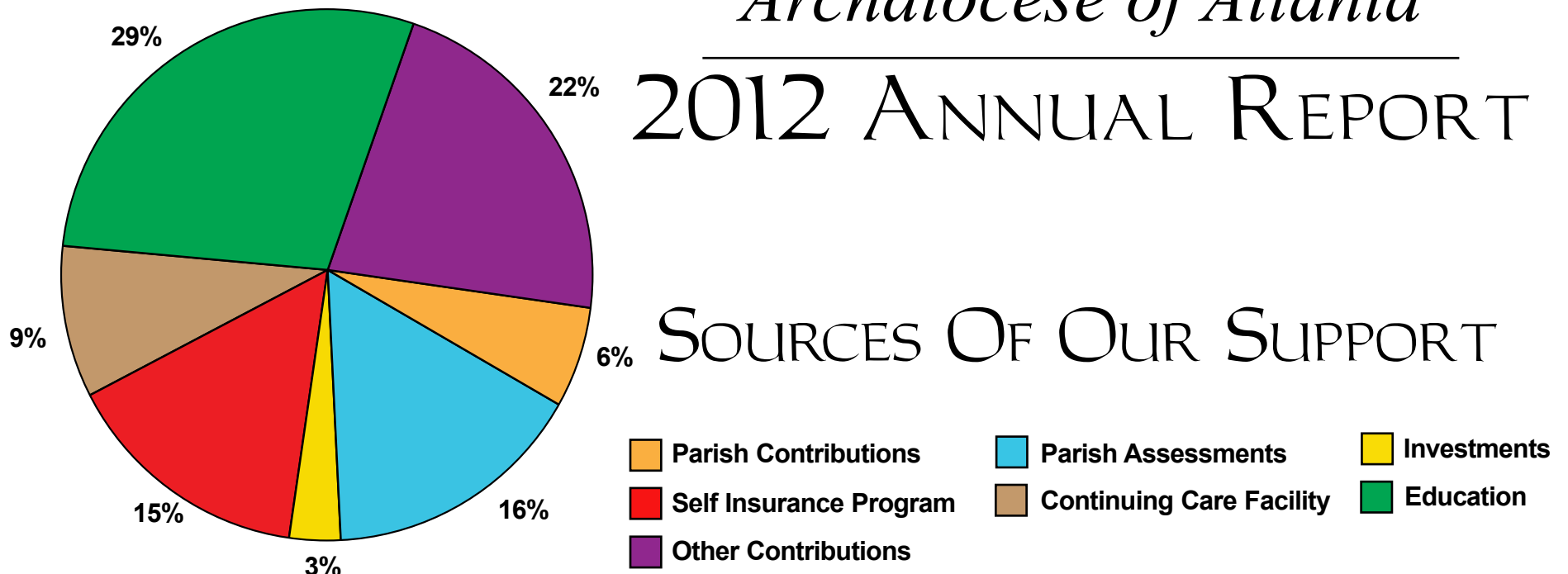
Sincerely,

Bradley Wilson  
Chief Financial Officer, Archdiocese of Atlanta

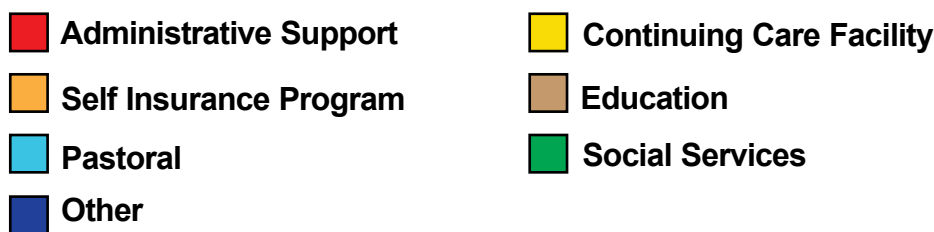
# Archdiocese of Atlanta

## 2012 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, 2012 and 2011, 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, 2012 and 2011, and the changes in their net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Laney, Boteler & Killinger*

Atlanta, Georgia  
November 7, 2012



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

2

	June 30, 2012				June 30, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	Assets							
Cash and cash equivalents	\$ 3,362	\$ -	\$ -	\$ 3,362	\$ 4,165	\$ -	\$ -	\$ 4,165
Investments at fair value	47,251	21,315	62,393	130,959	45,089	19,816	49,424	114,329
Escrowed deposits	208			208	208			208
Accounts receivable	9,580			9,580	10,377			10,377
Pledges receivable	6,520			6,520	6,843			6,843
Loans receivable-parishes and agencies	69,470			69,470	74,622			74,622
Property and equipment, net	156,911			156,911	156,756			156,756
Other assets	10,431			10,431	6,818			6,818
<b>Total assets</b>	<b>303,733</b>	<b>21,315</b>	<b>62,393</b>	<b>387,441</b>	<b>304,878</b>	<b>19,816</b>	<b>49,424</b>	<b>374,118</b>
Liabilities and Net Assets								
Accounts payable and accrued expenses	23,233	-	-	23,233	19,918	-	-	19,918
Custodial funds payable	-		14,438	14,438	-		5,388	5,388
Deposits payable	63,867			63,867	62,981			62,981
Interest rate swap liability	12,685			12,685	9,054			9,054
Deferred revenue	42,777			42,777	43,327			43,327
Notes payable	3,828			3,828	-			-
Bonds and notes payable	76,720			76,720	90,408			90,408
<b>Total liabilities</b>	<b>223,110</b>	<b>-</b>	<b>14,438</b>	<b>237,548</b>	<b>225,688</b>	<b>-</b>	<b>5,388</b>	<b>231,076</b>
Net assets								
Investment funds	19,650	-	-	19,650	20,401	-	-	20,401
Insurance funds	17,705			17,705	22,106			22,106
Plant funds	(4,686)			(4,686)	(1,396)			(1,396)
Undesignated	47,954			47,954	38,079			38,079
Restricted	-	21,315	47,955	69,270	-	19,816	44,036	63,852
<b>Total net assets</b>	<b>80,623</b>	<b>21,315</b>	<b>47,955</b>	<b>149,893</b>	<b>79,190</b>	<b>19,816</b>	<b>44,036</b>	<b>143,042</b>
<b>Total liabilities and net assets</b>	<b>\$303,733</b>	<b>\$21,315</b>	<b>\$62,393</b>	<b>\$387,441</b>	<b>\$304,878</b>	<b>\$19,816</b>	<b>\$49,424</b>	<b>\$374,118</b>

See notes to consolidated financial statements.

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

3

	Year Ended June 30, 2012				Year Ended June 30, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues								
Parishes and missions								
Contributions	\$ 7,134	\$ -	\$ -	\$ 7,134	\$ 8,090	\$ -	\$ -	\$ 8,090
Assessments	20,016			20,016	20,015			20,015
Continuing care	10,659			10,659	10,378			10,378
Education	36,440			36,440	34,198			34,198
Insurance premiums	19,043			19,043	18,381			18,381
Other contributions	21,458	4,176	639	26,273	3,252	419	1,237	4,908
Investment income	1,881	1,523	1	3,405	2,314	1,332	1	3,647
Other	1,192			1,192	1,554			1,554
Net assets released from restrictions	3,871	(3,871)	-	-	4,327	(4,282)	(45)	-
<b>Total revenues</b>	<b>121,694</b>	<b>1,828</b>	<b>640</b>	<b>124,162</b>	<b>102,509</b>	<b>(2,531)</b>	<b>1,193</b>	<b>101,171</b>
Expenses								
Administrative support	8,440			8,440	7,696			7,696
Pastoral	15,514			15,514	6,969			6,969
Education	45,476			45,476	44,503			44,503
Social services	2,369			2,369	1,623			1,623
Insurance services	19,431			19,431	13,585			13,585
Continuing care	9,555			9,555	9,224			9,224
Other	2,131			2,131	2,104			2,104
<b>Total expenses</b>	<b>102,916</b>	<b>-</b>	<b>-</b>	<b>102,916</b>	<b>85,704</b>	<b>-</b>	<b>-</b>	<b>85,704</b>
Change in net assets before capital additions (reductions)	18,778	1,828	640	21,246	16,805	(2,531)	1,193	15,467
Capital additions (reductions)								
Realized and unrealized gain (loss) on investments	121	(404)	(6)	(289)	6,284	7,159		13,443
Gain (loss) on interest rate swap agreements	(3,632)			(3,632)	1,283			1,283
Depreciation and amortization	(6,339)			(6,339)	(5,963)			(5,963)
Loss on disposal of property and equipment	(25)			(25)	(10)			(10)
<b>Total capital additions (reductions)</b>	<b>(9,875)</b>	<b>(404)</b>	<b>(6)</b>	<b>(10,285)</b>	<b>1,594</b>	<b>7,159</b>	<b>-</b>	<b>8,753</b>
Change in net assets	8,903	1,424	634	10,961	18,399	4,628	1,193	24,220
Other ASC 715 pension (charge) credit	(4,110)			(4,110)	408			408
Net assets transfers	(3,360)	75	3,285	-	-			-
Net assets at beginning of year	79,190	19,816	44,036	143,042	60,383	15,188	42,843	118,414
<b>Net assets at end of year</b>	<b>\$80,623</b>	<b>\$21,315</b>	<b>\$47,955</b>	<b>\$149,893</b>	<b>\$ 79,190</b>	<b>\$19,816</b>	<b>\$44,036</b>	<b>\$143,042</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,	
	2012	2011
Cash flows from operating activities		
Change in net assets	\$ 10,961	\$ 24,628
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation and amortization	6,339	5,963
Amortization of entrance fees	(979)	(1,019)
Loss on disposal of property and equipment	25	10
Realized and unrealized (gain) loss on investments	289	(13,443)
(Gain) loss on interest rate swap agreements	3,631	(1,283)
Restricted contributions	(639)	(1,237)
In-kind contributions	(850)	-
(Increase) decrease in accounts receivable	323	(1,167)
(Increase) decrease in pledges receivable	323	(1,951)
Decrease in bequest receivable	-	7,652
Increase in other assets	(3,786)	(543)
Increase (decrease) in accounts payable and accrued expenses	(796)	1,822
Decrease in deferred revenue	(182)	(327)
Net cash provided by operating activities	<u>14,659</u>	<u>19,105</u>
Cash flows from investing activities		
Proceeds from sale and maturity of investments	88,579	120,971
Purchase of investments	(105,509)	(130,627)
Net increase in entrance fee escrow fund	-	-
Parish and mission loans	(4,129)	(11,582)
Parish and mission loan repayments	9,281	15,111
Proceeds from sale of property and equipment	-	20
Purchase of property and equipment	(5,469)	(15,377)
Net cash used by investing activities	<u>(17,247)</u>	<u>(21,484)</u>
Cash flows from financing activities		
Increase (decrease) in notes payable	3,828	(220)
Payments on bonds and notes payable	(13,688)	(3,950)
Proceeds from residents entrance fees	1,069	1,115
Restricted contributions received	639	1,237
Parish and mission deposits received	16,799	32,335
Parish and mission deposits paid	(15,913)	(27,395)
Increase (decrease) in custodial funds payable	9,050	(477)
Net cash provided by financing activities	<u>1,784</u>	<u>2,645</u>
Net increase (decrease) in cash and cash equivalents	(803)	266
Cash and cash equivalents, beginning of the year	<u>4,165</u>	<u>3,899</u>
Cash and cash equivalents, end of the year	<u>\$ 3,362</u>	<u>\$ 4,165</u>

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements  
June 30, 2012 and 2011

**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.

All of the consolidated organizations are collectively referred to in this report as the Archdiocese. All significant intercompany transactions have been eliminated in consolidation.

Subsidiaries 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.

**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.

Notes to Consolidated Financial Statements  
June 30, 2012 and 2011

**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(c)3 of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the financial statements. The organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to 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 \$2,560,000 and \$1,790,000 at June 30, 2012 and 2011, respectively.

**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

Notes to Consolidated Financial Statements  
June 30, 2012 and 2011

depend are substantially met. Contributions to be received after one year are discounted 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, 2012 and 2011, consisted of the following:

	2012	2011
Land	\$ 27,247,929	\$ 26,397,390
Land improvements	7,079,947	4,596,249
Buildings	150,534,659	147,204,004
Furniture and equipment	30,579,430	28,023,471
Automobiles	1,429,050	1,306,179
Construction in progress	96,091	3,346,037
	<u>216,967,106</u>	<u>210,873,330</u>
Less accumulated depreciation	(60,056,731)	(54,117,169)
Property and equipment, net	<u>\$156,910,375</u>	<u>\$156,756,161</u>

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



Notes to Consolidated Financial Statements  
June 30, 2012 and 2011

Depreciation expense for 2012 and 2011 was \$6,108,813 and \$5,732,432, 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, 2011, construction in progress primarily consisted of the construction of baseball and practice fields and HVAC and electrical renovations at two schools. Both projects were completed during fiscal year 2012.

**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. Bond issuance costs, totaling \$1,896,540, have been capitalized and are being amortized over the life of the bonds using the interest method. Amortization of bond issuance costs for the years ended June 30, 2012 and 2011, totaled \$81,339 and \$82,179, respectively, and accumulated amortization at June 30, 2012 and 2011, totaled \$800,546 and \$719,207, respectively.

**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 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.

Notes to Consolidated Financial Statements  
June 30, 2012 and 2011

**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 \$540,000. 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, 2012 and 2011, investments consisted of the following:

	2012		2011	
	Fair Value	Cost	Fair Value	Cost
Short-term investments	\$ 5,939,147	\$ 5,939,147	\$ 31,901,353	\$ 31,901,353
Corporate obligations	7,448,159	7,065,028	9,958,943	8,416,928
Equity securities	34,693,542	31,691,751	28,478,765	24,526,071
Equity funds	32,168,560	33,216,340	23,866,093	21,410,921
Debt mutual funds	30,472,535	30,111,205	10,367,454	10,291,460
U.S. Government obligations	20,237,232	19,819,027	9,755,920	9,633,300
	<u>\$130,959,175</u>	<u>\$127,842,498</u>	<u>\$114,328,528</u>	<u>\$106,180,033</u>

**Note 3 - Pledges receivable**

Pledges receivable of \$6,519,773 and \$6,843,028 at June 30, 2012 and 2011, respectively, represent unconditional promises to give. Substantially all of the pledges are due in less than one year. Pledges receivable at June 30, 2012 and 2011, have been reduced by a valuation allowance of \$750,000 and \$600,000, 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 5.5% for the years ended June 30, 2012 (0% to 6% prior to July 1, 2011). Loans receivable have been reduced by a \$275,000 and \$250,000 allowance for uncollectible loans at June 30, 2012 and 2011, respectively.

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 3.25% for the years ended June 30, 2012 and 3.75% prior to July 1, 2011.

Notes to Consolidated Financial Statements  
June 30, 2012 and 2011

**Note 5 - Bonds and notes payable**

Bonds and notes payable consist of the following at June 30, 2012 and 2011:

	2012	2011
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated February 1, 1999, and maturing April 1, 2024	\$18,200,000	\$19,400,000
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated February 1, 1999, and maturing April 1, 2024. These bonds were paid in full in 2012.	-	3,000,000
Tax-Exempt Adjustable Mode Educational Facilities Revenue Bonds dated March 1, 1999, and maturing April 1, 2024.	11,900,000	12,800,000
Tax-Exempt Variable Rate Educational Facilities Revenue Bonds dated December 19, 2002, and maturing April 1, 2028.	18,630,000	18,885,000
Tax-Exempt Variable Rate Educational Facilities Revenue Bonds dated December 19, 2002, and maturing April 1, 2028.	6,640,000	6,740,000
Development Authority of Fulton County Tax-Exempt Variable Rate Revenue Bonds (CCCRC bonds) dated April 1, 2004, and maturing April 1, 2034.	21,350,000	21,750,000
Unsecured bank note payable in the original amount of \$10,000,000 with interest at LIBOR plus 1.875%. This note was paid in full in 2012.	-	7,833,333
	<u>\$76,720,000</u>	<u>\$90,408,333</u>

Maturities of bonds and notes payable are as follows:

Year Ending June 30,	Amount
2013	\$ 2,955,000
2014	3,155,000
2015	3,235,000
2016	3,435,000
2017	3,550,000
2018-2034	<u>60,390,000</u>
	<u>\$76,720,000</u>

Notes to Consolidated Financial Statements  
June 30, 2012 and 2011

Effective January 26, 2012, the educational bond debt was modified whereby the bank that originally issued a letter of credit securing the bonds, purchased the outstanding bonds. As part of the restructuring, the variable interest rate on the bonds was modified and the letter of credit was cancelled. Interest at 67% of LIBOR plus 1.25% is payable monthly. The bonds are secured by various school properties owned by Catholic Education of North Georgia, Inc. The total carrying amount of these properties was approximately \$72,000,000 and \$73,000,000 at June 30, 2012 and 2011, respectively. All of the educational bonds require monthly interest payments and mature in varying annual amounts through April 1, 2028. The rate at June 30, 2012, was 1.410%.

Effective November 1, 2011, the CCCRC bond debt agreements were amended and restated. Included in the restructuring, the bank that originally issued a letter of credit securing the bonds purchased all of the outstanding bonds, cancelled the letter of credit, and replaced it with a continuing covenant agreement whereby CCCRC is required to meet certain operating covenants. In lieu of CCCRC paying the bond principal and interest and letter of credit fees, CCCRC is obligated to pay a note dated November 1, 2011, and maturing October 1, 2014, with an original principal amount equal to the outstanding bonds of \$21,750,000. Interest at 67% of LIBOR plus 1.32% is payable monthly. The rate at June 30, 2012, was 1.48%. Annual principal payments are the same as bond maturities shown above. Unless the bank otherwise agrees, CCCRC is required to purchase the bonds from the bank at the bank note maturity on October 1, 2014. The CCCRC bonds are secured by substantially all of the CCCRC assets and a Keep Well agreement. The total carrying amount of these assets was approximately \$55,300,000 and \$55,700,000 at June 30, 2012 and 2011, respectively. Under the Keep Well agreement, the Archdiocese has committed to fund any operating deficits, as defined in the agreement, of CCCRC up to \$3,000,000.

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.

At June 30, 2012, the Archdiocese had one unsecured bank line of credit totaling \$20,000,000. This note is payable on demand and bears interest at 1.25%. The total outstanding under the demand note at June 30, 2012 and 2011, was \$828,257 and \$0, respectively.

In 2012, the Archdiocese received an interest free loan from a private foundation. The balance at June 30, 2012, was \$3,000,000. The loan requires annual principal payments of \$600,000.

Interest expense to the Archdiocese on bonds and notes payable and interest paid on deposits from parishes and agencies (Note 4) totaled \$7,981,270 and \$8,245,525 for the years ended June 30, 2012 and 2011, respectively. Cash payments for interest totaled \$8,321,327 and \$8,272,000 for fiscal years 2012 and 2011, respectively.



ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 12

Notes to Consolidated Financial Statements  
June 30, 2012 and 2011

Interest expense for the years ended June 30, 2012 and 2011, is reported in the statements of activities as follows:

	2012	2011
Interest included in school operations	\$2,978,508	\$2,994,671
Interest included in CCCRC operations	1,239,519	1,214,206
Interest charged against loan fund income (Note 4)	<u>3,763,243</u>	<u>4,036,648</u>
	<u>\$7,981,270</u>	<u>\$8,245,525</u>

Under the debt and swap agreements, the Archdiocese is required to maintain certain financial covenants, including ratios of unrestricted cash and marketable securities to consolidated funded debt and unrestricted net assets to consolidated funded debt. The Archdiocese is in compliance with these requirements as of June 30, 2012 and 2011.

**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 at the respective balance sheet dates. The change in fair value of the interest rate swap agreements is recorded in the statements 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, 2012 and 2011

The table below summarizes the swap information reported in the financial statements as of June 30, 2012 and 2011, 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	
			2012	2011			2012	2011	2012	2011
School Bonds	4/1/2004	7/1/2011	\$ -	\$ -	-	-	\$ -	\$ -	\$ -	\$ 2,320
CCRC Bonds	5/15/2007	5/1/2017	21,305,000	21,750,000	3.90%	0.18233%	(3,088,718)	(2,405,984)	(682,734)	36,969
School Bonds	10/1/2008	1/24/2012	-	16,750,000	3.58%	0.14000%	-	(1,698,027)	1,698,027	238,342
Note Payable	4/6/2009	6/30/2012	-	7,833,333	3.80%	0.19103%	-	(113,682)	113,682	53,843
School Bonds	1/4/2010	1/24/2012	-	25,705,000	3.25%	0.14000%	-	(2,799,037)	2,799,037	505,095
School Bonds	7/1/2010	1/24/2012	-	18,450,000	4.53%	0.14000%	-	(2,036,984)	2,036,984	446,187
School Bonds	1/26/2012	7/1/2020	<u>55,370,000</u>	-	3.55%	1.41000%	<u>(9,596,561)</u>	-	<u>(9,596,561)</u>	-
			<u>\$76,675,000</u>	<u>\$90,488,333</u>			<u>\$12,685,279</u>	<u>\$19,053,984</u>	<u>\$13,631,995</u>	<u>\$1,282,756</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 donor-restricted endowment funds. Unrestricted net assets include 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) 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:

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 14

Notes to Consolidated Financial Statements  
June 30, 2012 and 2011

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, 2012 and 2011:

June 30, 2012	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds				
Campus ministry	\$ -	\$ 49,133	\$ 135,000	\$ 184,133
Cemeteries		187,416	-	187,416
Community service		411,996	3,153,896	3,565,892
Dependent children		946,886	387,207	1,334,093
Education	(23,326)	12,252,511	33,554,860	45,784,045
Elderly	(37)	266,703	441,468	708,134
Operations		333,594	5,160,834	5,494,428
Parishes		81,333	1,463,638	1,544,971
Seminary		-	-	-
	<u>(23,363)</u>	<u>2,445,698</u>	<u>3,658,000</u>	<u>6,103,698</u>
Board-designated endowment funds				
Charitable gift annuity	444,108	-	-	444,108
Clergy welfare	134,128			134,128
Dependent children	49,823			49,823
Donor-advised fund	1,826,082			1,826,082
Education	1,717,362			1,717,362
Operations	1,438,384			1,438,384
Parishes	8,912,376			8,912,376
Retired priests	1,246,007			1,246,007
Seminary	<u>3,881,929</u>	<u>-</u>	<u>-</u>	<u>3,881,929</u>
	<u>19,650,199</u>	<u>-</u>	<u>-</u>	<u>19,650,199</u>
<b>Total</b>	<b>\$19,626,836</b>	<b>\$16,975,270</b>	<b>\$47,954,903</b>	<b>\$84,557,009</b>

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 15

Notes to Consolidated Financial Statements  
June 30, 2012 and 2011

June 30, 2011	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds				
Campus ministry	\$ -	\$ 56,720	\$ 135,000	\$ 191,720
Cemeteries		188,459	-	188,459
Community service		454,913	1,003,896	1,458,809
Dependent children		1,181,750	387,207	1,568,957
Education	(20,221)	13,579,554	33,046,615	46,605,948
Elderly		279,811	441,368	721,179
Operations		448,056	5,119,994	5,568,050
Parishes		71,196	243,978	315,174
Seminary		-	-	-
	<u>(20,221)</u>	<u>2,515,705</u>	<u>3,657,900</u>	<u>6,173,605</u>
Board-designated endowment funds				
Charitable gift annuity	426,504	-	-	426,504
Clergy welfare	131,508			131,508
Dependent children	48,759			48,759
Donor-advised fund	2,544,967			2,544,967
Education	1,790,371			1,790,371
Operations	1,483,821			1,483,821
Parishes	8,737,640			8,737,640
Retired priests	1,221,434			1,221,434
Seminary	<u>4,015,716</u>	<u>-</u>	<u>-</u>	<u>4,015,716</u>
	<u>20,400,720</u>	<u>-</u>	<u>-</u>	<u>20,400,720</u>
<b>Total</b>	<b>\$20,380,499</b>	<b>\$18,776,164</b>	<b>\$44,035,958</b>	<b>\$83,192,621</b>

Changes in endowment net assets for the years ended June 30, 2012 and 2011:

June 30, 2012	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 20,380,499	\$18,776,164	\$ 44,035,958	\$83,192,621
Contributions			639,040	639,040
Transfers to increase board designated funds	88,020			88,020
Net asset transfers	(275,000)	75,000	3,285,000	3,085,000
Investment return				
Investment income	430,356	1,523,500	889	1,954,745



ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 16

Notes to Consolidated Financial Statements  
June 30, 2012 and 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net realized and unrealized depreciation	(126,041)	(403,406)	(5,984)	(535,431)
Appropriation of endowment net assets for expenditure	(867,856)	(2,999,130)		(3,866,986)
Restoration of deficiencies in donor-restricted endowment funds	(3,142)	3,142	-	-
Endowment net assets, end of year	<u>\$19,626,836</u>	<u>\$ 16,975,270</u>	<u>\$47,954,903</u>	<u>\$84,557,009</u>

June 30, 2011

Endowment net assets, beginning of year	\$17,160,099	\$13,522,767	\$42,843,088	\$73,525,954
Contributions		163,993	1,237,223	1,401,216
Transfers to increase board designated funds	615,530			615,530
Investment return				
Investment income	412,882	1,331,999	697	1,745,578
Net realized and unrealized appreciation	2,632,573	7,158,738		9,791,311
Appropriation of endowment net assets for expenditure	(656,588)	(3,185,330)	(45,050)	(3,886,968)
Restoration of deficiencies in donor-restricted endowment funds	216,003	(216,003)	-	-
Endowment net assets, end of year	<u>\$20,380,499</u>	<u>\$18,776,164</u>	<u>\$44,035,958</u>	<u>\$83,192,621</u>

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

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 17

Notes to Consolidated Financial Statements  
June 30, 2012 and 2011

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.

**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, 2012 and 2011:

	June 30, 2012			June 30, 2011		
	Temporarily Restricted	Permanently Restricted	Total	Temporarily Restricted	Permanently Restricted	Total
Campus ministry	\$ 49,133	\$ 135,000	\$ 184,133	\$ 56,720	\$ 135,000	\$ 191,720
Cemeteries	187,416	-	187,416	188,459	-	188,459
Community service	411,996	3,153,896	3,565,892	454,913	1,003,896	1,458,809
Dependent children	946,886	387,207	1,334,093	1,181,710	387,207	1,568,917
Education	12,252,511	33,554,860	45,807,371	13,579,554	33,046,615	46,626,169
Elderly	266,703	441,468	708,171	279,811	441,368	721,179
Operations	333,594	5,160,834	5,494,428	448,056	5,119,994	5,568,050
Parishes	81,333	1,463,638	1,544,971	71,196	243,978	315,174
Religious purposes	2,012,299	-	2,012,299	-	-	-
School operations	2,327,601	-	2,327,601	1,039,487	-	1,039,487
Seminary	2,445,698	3,658,000	6,103,698	2,515,705	3,657,900	6,173,605
	<u>\$21,315,170</u>	<u>\$47,954,903</u>	<u>\$69,270,073</u>	<u>\$19,815,651</u>	<u>\$44,035,958</u>	<u>\$63,851,609</u>

**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.

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 18

Notes to Consolidated Financial Statements  
June 30, 2012 and 2011

The Archdiocese places its cash and investments with various financial institutions. All funds in non-interest bearing bank accounts are fully insured by the Federal Deposit Insurance Company (FDIC) through December 31, 2012. After that date, FDIC insurance coverage will be limited to \$250,000. 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 payable 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 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 3.25% to 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.

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 19

Notes to Consolidated Financial Statements  
June 30, 2012 and 2011

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, 2012 and 2011:

June 30, 2012	Total	Level 1	Level 2	Level 3
<b>Investments</b>				
Short-term investments	\$ 5,939,147	\$ -	\$ 5,939,147	\$ -
Corporate obligations - domestic bonds	6,518,413	-	6,518,413	-
Corporate obligations - international bonds	929,746	929,746	-	-
Equity securities - domestic	25,911,364	25,911,364	-	-
Equity securities - exchange traded funds	7,893,073	7,893,073	-	-
Equity securities - international	889,105	889,105	-	-
Equity funds - domestic	22,307,080	22,307,080	-	-
Equity funds - international	9,861,480	9,861,480	-	-
Debt funds - domestic and international	30,472,535	30,472,535	-	-
U.S. agency funds	4,347,569	-	4,347,569	-
U.S. agency securities	1,717,827	1,717,827	-	-
U.S. treasury notes	3,336,408	3,336,408	-	-
U.S. government bond funds	10,835,428	10,835,428	-	-
	<u>\$130,959,175</u>	<u>\$114,154,046</u>	<u>\$16,805,129</u>	<u>\$ -</u>
Pledges receivables	\$ 6,519,773	\$ -	\$ -	\$ 6,519,773
Interest rate swap liability	\$ 12,685,279	\$ -	\$ -	\$ 12,685,279
<b>June 30, 2011</b>				
<b>Investments</b>				
Short-term investments	\$ 31,901,353	\$ -	\$31,901,353	\$ -
Corporate obligations - domestic bonds	8,785,873	-	8,785,873	-
Corporate obligations - international bonds	1,173,070	1,173,070	-	-
Equity securities - domestic	20,426,249	20,426,249	-	-
Equity securities - exchange traded funds	7,835,556	7,835,556	-	-
Equity securities - international	216,960	216,960	-	-
Equity funds - domestic	12,266,756	12,266,756	-	-
Equity funds - international	11,599,337	11,599,337	-	-
Debt funds - domestic and international	10,367,454	7,347,616	3,019,838	-
U.S. agency funds	3,354,220	-	3,354,220	-
U.S. agency securities	1,918,548	1,622,648	295,900	-
U.S. treasury notes	4,483,152	4,483,152	-	-
	<u>\$114,328,528</u>	<u>\$66,971,344</u>	<u>\$47,357,184</u>	<u>\$ -</u>
Pledges receivables	\$ 6,843,028	\$ -	\$ -	\$ 6,843,028
Interest rate swap liability	\$ 9,053,684	\$ -	\$ -	\$ 9,053,684



ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 20

Notes to Consolidated Financial Statements  
June 30, 2012 and 2011

The following is a reconciliation of the change in fair value for the years ended June 30, 2012 and 2011 for Level 3:

	Year Ended June 30,	
	2012	2011
Interest rate swap liability		
Liability at beginning of year	\$ 9,053,684	\$10,336,441
Change in value	<u>3,631,595</u>	<u>(1,282,757)</u>
Liability at end of year	<u>\$12,685,279</u>	<u>\$ 9,053,684</u>
Pledges receivable		
Receivable at beginning of year	\$ 6,843,028	\$ 4,892,499
New pledges received	10,909,135	10,514,804
Payments on pledges	(6,312,555)	(5,823,234)
Change in value of pledges	<u>(4,919,835)</u>	<u>(2,741,041)</u>
Receivable at end of year	<u>\$ 6,519,773</u>	<u>\$ 6,843,028</u>

The change in value of the interest rate swap agreements in 2012 and 2011, 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, 2012 and 2011.

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 - Post retirement benefits**

**Clergy retirement plan**

On July 1, 1969, the Archdiocese adopted a retirement plan which covers all priests within the Archdiocese. The Archdiocese's 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 \$750,000 to the Plan during the fiscal year ending June 30, 2013.

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 21

Notes to Consolidated Financial Statements  
June 30, 2012 and 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:

	2012	2011
Obligation and Funded Status		
Projected benefit obligation	\$(18,259,987)	\$(14,229,528)
Plan assets at fair value	<u>9,517,233</u>	<u>8,420,105</u>
Funded status	<u>\$ (8,742,754)</u>	<u>\$ (5,809,423)</u>
Accumulated benefit obligation	\$ 18,259,987	\$ 14,229,528
Employer contributions	1,878,764	883,949
Benefits paid	861,817	803,776

Amounts recognized in the consolidated statements of financial position:

Noncurrent liabilities	<u>\$ 8,742,754</u>	<u>\$5,809,423</u>
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Amounts recognized in the consolidated statements of activities:

	2012	2011
Service cost with interest	\$ 440,449	\$ 398,425
Interest cost	760,498	763,473
Expected return on plan assets	(601,337)	(492,165)
Amortization of prior service cost (credit) and net (gain)/loss	<u>239,655</u>	<u>269,076</u>
Net periodic pension cost (income)	<u>\$ 839,265</u>	<u>\$ 938,809</u>

Other changes in net assets:

Actuarial gain (loss)	\$(4,212,485)	\$ 138,710
Amortization of prior service cost	<u>239,655</u>	<u>269,076</u>
	<u>\$(3,972,830)</u>	<u>\$ 407,786</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 2013 are \$425,547 and \$0, respectively.

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 22

Notes to Consolidated Financial Statements  
June 30, 2012 and 2011

The following assumptions were used in accounting for the plan:

	2012	2011
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	4.0%	5.5%
Expected return on plan assets	7.5%	7.5%
Future cost of living adjustments	3.0%	3.0%

	2012	2011
Weighted-average assumptions used to determine the net periodic benefit cost:		
Discount rate	5.5%	6.0%
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

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 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.

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 23

Notes to Consolidated Financial Statements  
June 30, 2012 and 2011

No plan assets are expected to be returned to the Archdiocese during the fiscal year ending June 30, 2013.

The following benefits are expected to be paid:

Year Ending June 30,	Amount
2013	\$ 828,820
2014	833,525
2015	834,701
2016	840,003
2017	843,059
2018-2022	<u>4,374,800</u>
	<u>\$8,554,908</u>

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

	Year Ended June 30,	
	2012	2011
Pension and administrative expenses	\$ 853,948	\$ 979,285
Billings to parishes and agencies	<u>(879,918)</u>	<u>(882,118)</u>
	<u>\$ (25,970)</u>	<u>\$ 97,167</u>

The fair values of the Archdiocese's pension plan assets at June 30, 2012 and 2011, by asset category as follows:

	Total	Level 1	Level 2	Level 3
<b>June 30, 2012</b>				
Short-term investments	\$1,184,307	\$1,184,307	\$ -	\$ -
U.S. Treasury obligations	735,340	428,748	306,591	-
Marketable debt securities	585,710	-	585,710	-
Marketable equity securities	4,470,405	4,470,405	-	-
Equity mutual funds	<u>2,541,470</u>	<u>2,541,470</u>	-	-
	<u>\$9,517,233</u>	<u>\$8,624,931</u>	<u>\$ 892,302</u>	<u>\$ -</u>
<b>June 30, 2011</b>				
Short-term investments	\$ 964,654	\$ 964,654	\$ -	\$ -
U.S. Treasury obligations	475,647	331,794	143,853	-
Marketable debt securities	517,855	-	517,855	-
Marketable equity securities	4,418,147	4,418,147	-	-
Equity mutual funds	<u>2,043,802</u>	<u>2,043,802</u>	-	-
	<u>\$8,420,105</u>	<u>\$7,758,397</u>	<u>\$ 661,708</u>	<u>\$ -</u>





ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 24

Notes to Consolidated Financial Statements  
June 30, 2012 and 2011

**Clergy long-term care plan**

On January 1, 2012, the Archdiocese adopted a long-term care plan covering priests within the Archdiocese. To be eligible for the plan, a priest must be incardinated within the Archdiocese and must be an active participant in the clergy retirement plan. There are no minimum age or service requirements to qualify for benefits under the plan.

The following table provides further information about the clergy long-term care plan:

	<u>2012</u>
Obligation and Funded Status	
Projected benefit obligation	\$ (4,713,816)
Plan assets at fair value	<u>4,150,369</u>
Funded status	<u>\$ (563,447)</u>
Accumulated benefit obligation	\$ 4,713,816
Employer contributions	4,100,000
Benefits paid	42,600

Amounts recognized in the consolidated statements of financial position:

Noncurrent liabilities	<u>\$ 563,447</u>
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Amounts recognized in the consolidated statements of activities:

	<u>2012</u>
Service cost with interest	\$ 42,901
Interest cost	94,504
Expected return on plan assets	-
Immediate recognition of prior service cost	<u>4,388,783</u>
Net periodic pension cost (income)	<u>\$ 4,526,188</u>

Other changes in net assets:

Actuarial (gain) loss	<u>\$137,259</u>
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The following assumptions were used in accounting for the plan:

	<u>2012</u>
Weighted-average assumptions used to determine the net periodic benefit obligations:	
For the year end disclosure	
Discount rate	4.25%
Expected return on plan assets	7.50%
Future cost of living adjustments	2.75%

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 25

Notes to Consolidated Financial Statements  
June 30, 2012 and 2011

Weighted-average assumptions used to determine the net periodic benefit cost:

Discount rate	4.50%
Expected return on plan assets	7.50%
Future cost of living adjustments	2.75%

Mortality rates (per 1,000 lives):

Age	Not on long term care	On long term care
20	0.27	N/A
35	0.73	N/A
50	1.72	76.12
60	5.56	150.42

Long-term care incidence rates:

Age	Probability of Retirement
60-64	0.485%
65-69	0.621%
70-74	1.007%
75-79	2.092%
80-84	4.595%
85-89	7.997%
90-99	11.545%
100+	100.000%

No plan assets are expected to be returned to the Archdiocese during the fiscal year ending June 30, 2013.

The following benefits are expected to be paid:

Year Ending June 30,	Amount
2013	\$ 105,209
2014	106,631
2015	113,196
2016	118,873
2017	126,782
2018-2022	<u>744,535</u>
	<u>\$1,315,226</u>

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA 26

Notes to Consolidated Financial Statements  
June 30, 2012 and 2011

	<u>June 30, 2012</u>
Plan and administrative expenses	\$4,560,568
Billings to parishes and agencies	<u>(83,286)</u>
	<u>\$4,477,282</u>

The fair values of the Archdiocese's long-term care plan assets at June 30, 2012 and 2011, by asset category as follows:

June 30, 2012	Total	Level 1	Level 2	Level 3
Short-term investments	\$ 196,798	\$ 196,798	\$ -	\$ -
Marketable equity securities	<u>3,953,570</u>	<u>3,953,570</u>	-	-
	<u>\$4,150,369</u>	<u>\$4,150,369</u>	-	-

**Lay employee retirement plan**

The Archdiocese sponsors a defined contribution retirement plan that covers all lay employees within the Archdiocese. Contributions to the plan are predetermined amounts based on compensation paid to each lay employee. Benefits under the plan are computed based on the pension fund assets.

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:

	<u>Year Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
Pension and administrative expenses	\$ 3,234,465	\$ 3,854,383
Billings to parishes and agencies	<u>(3,596,750)</u>	<u>(3,815,352)</u>
	<u>\$ (362,285)</u>	<u>\$ 39,031</u>

**Note 13 - Fund raising cost**

The Archdiocese incurred fund raising costs related to the annual appeal campaign of \$706,242 in 2012 and \$488,218 in 2011.

**Note 14 - Subsequent events**

Management has evaluated subsequent events through November 7, 2012, which is the date the financial statement were available to be issued.

ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

**Parishes, Missions, and Parish Schools**

In addition to the financial statements of the Archdiocese, which were audited by our independent accountants, we also present statements of financial position at June 30, 2012 and 2011, and statements of activities for the years ended June 30, 2012 and 2011, of the parishes, missions, and parish schools of the Archdiocese of Atlanta.

It is important to note that these statements are prepared by the Archdiocese, 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 \$585,827,000 increased by \$26,569,000 during the year ended June 30, 2012. The major portion of this increase is reflected in purchases of land, buildings, and equipment. Land, buildings, and equipment accounts for 85% (\$497,388,000) of the total assets of parishes, missions, and parish schools at June 30, 2012.

The amount due to the Administrative Offices of the Archdiocese of Atlanta totaled \$69,269,000 at June 30, 2012, a decrease of \$5,118,000 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 financial institutions.



## ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

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

(Amounts in Thousands)

#### Assets

June 30,

2012 2011

Cash in banks	\$ 13,092	\$12,173
Funds on deposit with Administrative Office - Archdiocese of Atlanta	61,610	54,436
Investments at fair value	12,038	4,650
Property and equipment	497,388	487,634
Other assets	1,699	365
<b>Total assets</b>	<b>\$585,827</b>	<b>\$559,258</b>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 28,750	\$ 22,794
Due to Administrative Offices - Archdiocese of Atlanta	69,269	74,387
<b>Total liabilities</b>	<b>98,019</b>	<b>97,181</b>
<b>Net assets</b>		
Balance, beginning of the year	462,077	441,331
Change in net assets	25,731	20,746
Balance, end of the year	487,808	462,077
<b>Total liabilities and net assets</b>	<b>\$585,827</b>	<b>\$559,258</b>

## ADMINISTRATIVE OFFICES OF THE ARCHDIOCESE OF ATLANTA

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

(Amounts in Thousands)

Year Ended June 30,

2012 2011

Church revenues		
Offering	\$ 89,716	\$ 87,161
Other parish collections	3,236	1,708
	92,952	88,869
Investment income	1,337	1,476
Other income	27,462	35,775
<b>Total revenues</b>	<b>121,751</b>	<b>126,120</b>
Church operating expenses	108,006	108,369
Church net operating income	13,745	17,751
School operations excess (cost)	92	(1,025)
Excess of revenues over expenses before subsidies and transfers from Administrative Office	13,837	16,726
Subsidies and transfers from Administrative Office	11,894	4,020
<b>Change in net assets</b>	<b>\$25,731</b>	<b>\$20,746</b>



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