

Parishes—Archdiocese of Chicago

*Combined Financial Statements
as of and for the Years Ended
June 30, 2006 and 2005, and
Independent Accountants' Review Report*

PARISHES—ARCHDIOCESE OF CHICAGO

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

His Eminence
Francis Cardinal George, O.M.I.
Archbishop of Chicago:

We have reviewed the combined financial statements of the Parishes—Archdiocese of Chicago as of June 30, 2006 and 2005, and for the years then ended, listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these combined financial statements is the representation of the management of the Archdiocese of Chicago.

A review consists principally of inquiries of administrative personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying combined financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, Parishes—Archdiocese of Chicago changed its method of accounting for conditional asset retirement obligations in 2006.

Deloitte & Touche LLP

November 27, 2006

PARISHES—ARCHDIOCESE OF CHICAGO

COMBINED STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2006 AND 2005 (Amounts in thousands)

	2006	2005
ASSETS		
CASH	\$ 77,990	\$ 76,394
DEPOSITS WITH ARCHDIOCESAN PASTORAL CENTER	171,964	159,829
ACCOUNTS RECEIVABLE	750	1,348
BUILDING FUND PLEDGES RECEIVABLE—Net	36,773	33,871
GIFT ANNUITIES RECEIVABLE	<u>270</u>	<u>247</u>
LAND, BUILDINGS, AND EQUIPMENT:		
Land	155,353	154,589
Buildings and equipment	1,516,681	1,444,322
Accumulated depreciation	<u>(791,345)</u>	<u>(730,948)</u>
Land, buildings, and equipment—net	<u>880,689</u>	<u>867,963</u>
TOTAL	<u>\$1,168,436</u>	<u>\$1,139,652</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Loans from Archdiocesan Pastoral Center	\$ 97,092	\$ 100,709
Accounts payable and other liabilities	33,042	27,347
Accrued postretirement costs	37,662	33,683
Asset retirement obligations	<u>59,490</u>	<u>-</u>
Total liabilities	<u>227,286</u>	<u>161,739</u>
NET ASSETS:		
Unrestricted	876,366	919,450
Temporarily restricted	<u>64,784</u>	<u>58,463</u>
Total net assets	<u>941,150</u>	<u>977,913</u>
TOTAL	<u>\$1,168,436</u>	<u>\$1,139,652</u>

See independent accountants' review report and notes to combined financial statements.

PARISHES—ARCHDIOCESE OF CHICAGO

COMBINED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006 (Amounts in thousands)

	Unrestricted	Temporarily Restricted	Total
REVENUES:			
Parish operations:			
Collections and bequests	\$ 217,796	\$ -	\$ 217,796
Other revenues	92,892		92,892
Investment income	9,742		9,742
Total parish operations	<u>320,430</u>	<u>-</u>	<u>320,430</u>
Educational activities:			
Tuition and fees	221,617		221,617
Other revenues	40,676		40,676
Total educational activities	<u>262,293</u>	<u>-</u>	<u>262,293</u>
Total revenues	<u>582,723</u>	<u>-</u>	<u>582,723</u>
EXPENSES:			
Parish operations:			
Salaries, wages, and benefits	121,498		121,498
Utilities, repairs, and insurance	71,082		71,082
Religious education (CCD)	19,884		19,884
Sharing Christ's Gifts Assessment	11		11
Archdiocesan assessments	21,976		21,976
Office, printing, and postage	7,183		7,183
Depreciation	22,939		22,939
Other expenses	40,400		40,400
Interest expense	6,277		6,277
Total parish operations	<u>311,250</u>	<u>-</u>	<u>311,250</u>
Educational activities:			
Salaries, wages, and benefits	238,108		238,108
Utilities, repairs, and insurance	27,135		27,135
Books and instructional materials	12,343		12,343
Depreciation	9,809		9,809
Other expenses	18,540		18,540
Total educational activities	<u>305,935</u>	<u>-</u>	<u>305,935</u>
Total expenses	<u>617,185</u>	<u>-</u>	<u>617,185</u>

(Continued)

PARISHES—ARCHDIOCESE OF CHICAGO

COMBINED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

(Amounts in thousands)

	Unrestricted	Temporarily Restricted	Total
CHANGE IN NET ASSETS BEFORE ARCHDIOCESAN PASTORAL CENTER SUPPORT, OTHER OPERATING ACTIVITIES, AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	\$ (34,462)	\$ -	\$ (34,462)
GRANTS FROM ARCHDIOCESAN PASTORAL CENTER	5,662		5,662
NONCASH GRANTS FROM THE ARCHDIOCESAN PASTORAL CENTER	<u>12,334</u>	<u>-</u>	<u>12,334</u>
CHANGE IN NET ASSETS BEFORE OTHER OPERATING ACTIVITIES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(16,466)		(16,466)
OTHER OPERATING ACTIVITIES:			
Gains on land, building, and equipment sales—net	659		659
Grants for noise abatement projects	1,296		1,296
Building fund collections	26,158	10,042	36,200
Net assets released from restrictions	<u>3,721</u>	<u>(3,721)</u>	<u> </u>
CHANGE IN NET ASSETS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	<u>15,368</u>	<u>6,321</u>	<u>21,689</u>
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	<u>(58,452)</u>	<u>-</u>	<u>(58,452)</u>
CHANGE IN NET ASSETS	<u>(43,084)</u>	<u>6,321</u>	<u>(36,763)</u>
NET ASSETS—Beginning of year	<u>919,450</u>	<u>58,463</u>	<u>977,913</u>
NET ASSETS—End of year	<u>\$ 876,366</u>	<u>\$ 64,784</u>	<u>\$ 941,150</u>
See independent accountants' review report and notes to combined financial statements.			(Concluded)

PARISHES—ARCHDIOCESE OF CHICAGO

COMBINED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005 (Amounts in thousands)

	Unrestricted	Temporarily Restricted	Total
REVENUES:			
Parish operations:			
Collections and bequests	\$ 210,397	\$ -	\$ 210,397
Other revenues	100,935		100,935
Interest income	6,851		6,851
Total parish operations	<u>318,183</u>	<u>-</u>	<u>318,183</u>
Educational activities:			
Tuition and fees	221,060		221,060
Other revenues	41,492		41,492
Total educational activities	<u>262,552</u>	<u>-</u>	<u>262,552</u>
Total revenues	<u>580,735</u>	<u>-</u>	<u>580,735</u>
EXPENSES:			
Parish operations:			
Salaries, wages, and benefits	115,918		115,918
Utilities, repairs, and insurance	67,329		67,329
Religious education (CCD)	19,366		19,366
Sharing Christ's Gifts Assessment	260		260
Archdiocesan assessments	21,827		21,827
Office, printing, and postage	6,888		6,888
Depreciation	21,508		21,508
Other expenses	49,661		49,661
Interest expense	6,199		6,199
Total parish operations	<u>308,956</u>	<u>-</u>	<u>308,956</u>
Educational activities:			
Salaries, wages, and benefits	244,594		244,594
Utilities, repairs, and insurance	25,508		25,508
Books and instructional materials	14,108		14,108
Depreciation	9,218		9,218
Other expenses	18,800		18,800
Total educational activities	<u>312,228</u>	<u>-</u>	<u>312,228</u>
Total expenses	<u>621,184</u>	<u>-</u>	<u>621,184</u>

(Continued)

PARISHES—ARCHDIOCESE OF CHICAGO

COMBINED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005 (Amounts in thousands)

	Unrestricted	Temporarily Restricted	Total
CHANGE IN NET ASSETS BEFORE ARCHDIOCESAN PASTORAL CENTER SUPPORT AND OTHER OPERATING ACTIVITIES	\$ (40,449)	\$ -	\$ (40,449)
GRANTS FROM ARCHDIOCESAN PASTORAL CENTER	7,272		7,272
NONCASH GRANTS FROM THE ARCHDIOCESAN PASTORAL CENTER	<u>7,983</u>	<u> </u>	<u>7,983</u>
CHANGE IN NET ASSETS BEFORE OTHER OPERATING ACTIVITIES	(25,194)	-	(25,194)
OTHER OPERATING ACTIVITIES:			
Gains on land, building, and equipment sales—net	5,312		5,312
Grants for noise abatement projects	1,710		1,710
Building fund collections	27,166	15,281	42,447
Net assets released from restrictions	<u>16,111</u>	<u>(16,111)</u>	<u>-</u>
CHANGE IN NET ASSETS	25,105	(830)	24,275
NET ASSETS—Beginning of year	<u>894,345</u>	<u>59,293</u>	<u>953,638</u>
NET ASSETS—End of year	<u>\$ 919,450</u>	<u>\$ 58,463</u>	<u>\$ 977,913</u>

See independent accountants' review report and notes to combined financial statements. (Concluded)

PARISHES—ARCHDIOCESE OF CHICAGO

COMBINED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2006 AND 2005 (Amounts in thousands)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (36,763)	\$ 24,275
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	32,748	30,726
Cumulative effect of change in accounting principle	58,452	
Gains on land, buildings, and equipment sales—net	(659)	(5,312)
Noncash grants received	(13,334)	(7,983)
Noncash property donations		(815)
Noncash property transfer		1,945
Change in assets and liabilities:		
Accounts receivable	598	640
Accounts payable and other liabilities	5,695	(1,997)
Accrued postretirement costs	3,979	2,157
Net cash flows from operating activities	<u>50,716</u>	<u>43,636</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of land, buildings, and equipment	890	6,233
Additions of land, buildings, and equipment	(44,667)	(61,706)
Net change in deposits with Archdiocesan Pastoral Center	<u>(12,135)</u>	<u>(7,430)</u>
Net cash flows from investing activities	<u>(55,912)</u>	<u>(62,903)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Building fund pledges receivable—net	(2,902)	18,584
Gift annuities receivable	(23)	(36)
Loan borrowings from Archdiocesan Pastoral Center	31,680	27,913
Loan repayments to Archdiocesan Pastoral Center	<u>(21,963)</u>	<u>(28,429)</u>
Net cash flows from financing activities	<u>6,792</u>	<u>18,032</u>
NET CHANGE IN CASH	1,596	(1,235)
CASH—Beginning of year	<u>76,394</u>	<u>77,629</u>
CASH—End of year	<u>\$ 77,990</u>	<u>\$ 76,394</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION—Cash		
paid during the year for interest	<u>\$ 6,429</u>	<u>\$ 6,085</u>

See independent accountants' review report and notes to combined financial statements.

PARISHES—ARCHDIOCESE OF CHICAGO

NOTES TO COMBINED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2006 AND 2005 (See independent accountants' review report) (Amounts in thousands)

1. NATURE OF OPERATIONS

The Parishes—Archdiocese of Chicago (the “Parishes”) include the parishes, schools, and various shrines and oratories owned by the Archdiocese in Lake and Cook counties of Illinois. These sites minister to the spiritual, social, and educational needs of the faithful. They provide catechesis for people at all age levels—from young children to the elderly, as part of the educational ministry of the church. The Parishes’ fiscal operations include sacramental services, religious education training, formal preschool through 12th grade educational instruction, fundraising, and investment of reserve funds. Operating support is derived primarily from parishioners’ contributions, tuition and fees, and fund-raising activities.

These financial statements only reflect the operations of the agencies and other organizations of the Catholic Bishop of Chicago, a corporation sole, that are identified above. These financial statements do not reflect the operations of the other agencies and organizations that also are a part of the Catholic Bishop of Chicago, a corporation sole.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents—Cash and cash equivalents are defined as all highly liquid debt instruments with purchased maturities of three months or less (includes deposits with the Archdiocesan Pastoral Center (“Pastoral Center”)).

Building Fund Pledges Receivable—From time to time, individual parishes solicit funds from parishioners to assist in the financing of parish capital projects. Management makes significant assumptions regarding the outstanding pledges and ultimate collectibility of these receivables. Actual results could differ from those estimates.

Land, Buildings, and Equipment—

- Parish buildings are carried at reported insurable value as of July 1, 1980, with subsequent major additions recorded at cost. Land associated with these properties is carried at the estimated fair market value at July 1, 1980, with subsequent additions recorded at cost.

- Depreciation is computed using the straight-line method based upon the following lives:

Land and building improvements	20 years
Buildings (new construction)	50–75 years
Equipment, furniture, fixtures, and contents	25 years

Asset Impairment—Management reviews the carrying amount of long-lived assets whenever events or changes in circumstances indicate that impairment may have occurred. In 2003, Parishes implemented Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, (“SFAS 144”), effective July 1, 2002. Prior to the adoption of SFAS No. 144, certain parish property was considered held for sale and, as such, no depreciation was recorded on the buildings and equipment. As a result of the adoption of SFAS No. 144, certain inactive property no longer met the definition of held for sale and was reclassified as held for use. An adjustment was recorded in the year of adoption to record depreciation expense on these assets for all prior years in which the assets were previously classified as held for sale but for which they no longer meet that definition under SFAS No. 144. The provisions under this statement include a requirement that long-lived assets be reviewed for impairment by comparing the future cash flows expected from the asset to the carrying value of the asset. In management’s opinion, no impairment exists as of June 30, 2006 and 2005.

Classification of Net Assets—In accordance with SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*, resources are classified into three classifications of net assets according to externally (donor) imposed restrictions:

Unrestricted—Net assets which are expendable for any purpose in performing the primary objectives of the organization. Donor-restricted contributions whose restrictions are met in the same reporting period are also reported as unrestricted.

Temporarily Restricted—Net assets whose use is limited by donor-imposed restrictions that either expire with the passage of time or can be removed by fulfillment of the stipulated purpose for which the donation was restricted. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions.

Permanently Restricted—Net assets donated with stipulations that they be invested to provide a permanent source of income; such restrictions can neither expire with the passage of time nor be removed by fulfillment of a stipulated purpose.

Fair Value of Financial Instruments—The carrying amounts of accounts receivable and accounts payable approximate their fair value, as they are short-term in nature. The carrying values of deposits and loans with the Pastoral Center approximate their fair value.

Revenue Recognition—Unconditional promises to give cash and other assets to the Parishes are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the contribution is received. Cash received through parish collections or fundraisers is recognized when received. Tuition and fees for educational activities are recognized during the related academic year.

Contributed Services—Support arising from services contributed by religious personnel in parish schools totaling \$1,842 and \$1,979, during 2006 and 2005, respectively, has been recognized in the combined financial statements as both income and expense. The amounts recognized represent the difference between stipends paid and comparable compensation that would be paid to lay personnel.

Tax Status—The agencies that comprise the Parishes are tax-exempt organizations under Section 501(a) as organizations described in Section 501(c)(3) of the Internal Revenue Code.

Accounting Pronouncements—In March 2005, the Financial Accounting Standards Board (“FASB”) issued FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations—An Interpretation of FASB Statement No. 143* (“FIN 47”). FIN 47 clarifies the term conditional asset retirement obligation as it is used in Statement of Financial Accounting Standard No. 143, *Accounting for Asset Retirement Obligations*, and requires a liability to be recorded if the fair value of the obligation to retire an asset can be reasonably estimated. Asset retirement obligations covered by FIN 47 include those for which an entity has a legal obligation to perform an asset retirement activity, however the timing and (or) method of settling the obligation are conditional on a future event that may or may not be within the control of the entity.

In accordance with FIN 47, the Parishes record all known asset retirement obligations for which the fair value of the liability can be reasonably estimated, including certain obligations relating to regulatory remediation. As a result of adopting FIN 47 in fiscal 2006, the Parishes recorded a cumulative effect of change in accounting principle of \$58,452. The Parishes recorded a liability for asset retirement obligation of \$59,490 and increased the carrying value of the related assets by \$1,038.

3. DEPOSITS WITH ARCHDIOCESAN PASTORAL CENTER

Deposits at June 30, 2006 and 2005, consisted of the following:

	2006	2005
General savings	\$ 104,832	\$ 101,192
Endowment funds	52,498	48,547
Investment accounts	<u>14,634</u>	<u>10,090</u>
Total	<u>\$ 171,964</u>	<u>\$ 159,829</u>

Investment income for the year ended June 30, 2006 and 2005, is as follows:

	2006	2005
Interest income on savings and investment accounts	\$ 2,954	\$ 2,455
Realized/unrealized gain on endowment funds	<u>6,788</u>	<u>4,396</u>
Total	<u>\$ 9,742</u>	<u>\$ 6,851</u>

4. BUILDING FUND PLEDGES RECEIVABLE

As of June 30, 2006 and 2005, the Parishes have remaining uncollected unconditional pledges totaling \$36,773 and \$33,871, respectively. For measurement purposes at June 30, 2006 and 2005, a 5.125% and 3.66% discount rate was used to determine the present value of the pledges receivable.

Aging and valuation of the building fund pledges receivable at June 30, 2006 is as follows:

	2006		
	Unrestricted	Temporarily Restricted	Total
Due in less than one year	\$ 22,898	\$ -	\$ 22,898
Due in two to five years	<u> </u>	<u>17,858</u>	<u>17,858</u>
Gross building fund pledges receivable	22,898	17,858	40,756
Less allowance for uncollectible pledges	(1,144)	(893)	(2,037)
Less discount to present value	<u> </u>	<u>(1,946)</u>	<u>(1,946)</u>
Total building fund pledges receivable—net	<u>\$ 21,754</u>	<u>\$ 15,019</u>	<u>\$ 36,773</u>

5. COMMITMENTS

At June 30, 2006 and 2005, contractual commitments on construction and sales pending or in process amounted to approximately \$49,143 and \$50,743, respectively. There were no purchases pending at June 30, 2006 and 2005.

The Archdiocese has entered into contracts with Exelon Energy to purchase substantially all of its natural gas needs until December 2007 and electricity needs until December 2009.

6. RETIREMENT BENEFITS

Employee Benefits—The Archdiocese of Chicago has noncontributory pension plans covering substantially all priests and eligible lay employees of the Pastoral Center, Parishes, and participating agencies. The lay employees’ plan provides retirement benefits (over and above normal Social Security benefits) based on length of service and annual salary. The priests’ plan provides level benefits at normal retirement (age 70) and also covers disability prior to retirement. Priests are also able to participate in a defined contribution plan with a match funded from the Priests’ Retirement & Mutual Aid Association (“PRMAA”) assessment.

Parishes are assessed for fringe benefits by the Pastoral Center based on the parish payroll. The assessment for these costs was \$17,371 and \$15,966 for 2006 and 2005, respectively.

Parishes are also assessed for health and medical benefits related to priests by the PRMAA. The assessment for these costs was \$6,850 and \$6,822 for 2006 and 2005, respectively, and is reflected in parish operations—salaries, wages, and benefits on the combined statements of activities.

Since the pension plans cover many agencies, benefit and asset information applicable to the Parishes is not available. The Pastoral Center has recorded the total minimum pension liability on its statements of financial position. The information to allocate the liability to the Parishes is available at this time and Parishes are responsible for their related costs. This liability may be transferred to the Parishes in the future.

Postretirement Benefits—Certain insurance (medical, life, and auto) and other aid is provided to retired priests. Retired priests do not contribute to the cost of these benefit plans, and the plans are currently not funded. These benefits are administered and partially funded through the PRMAA.

Summary information for the priests' postretirement benefit plan is as follows:

	2006	2005
Benefit obligation—end of year	\$ 57,418	\$ 61,582
Fair value of plan assets—end of year	<u> </u>	<u> </u>
Funded status	<u>\$ (57,418)</u>	<u>\$ (61,582)</u>
Accrued postretirement cost	<u>\$ 37,662</u>	<u>\$ 33,683</u>
Benefit cost	<u>\$ 6,221</u>	<u>\$ 4,358</u>
Employer contribution	<u>\$ 2,243</u>	<u>\$ 2,200</u>
Benefits paid	<u>\$ (2,243)</u>	<u>\$ (2,200)</u>

	2006	2005
Weighted-average assumptions used to determine benefit obligations as of June 30:		
Discount rate	6.50 %	5.25 %
Expected return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A
Weighted-average assumptions used to determine benefit cost for the years ended June 30:		
Discount rate	5.25 %	6.25 %
Expected return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A

For measurement purposes, a 10% net health care trend rate was used for fiscal year 2006. Trend rates were assumed to decrease gradually to 5% in fiscal year 2011 and remain at this level beyond.

Benefits paid in fiscal years 2006 and 2005 of \$2,243 and \$2,200, respectively, have been recorded in the PRMAA financial statements. The excess of total postretirement benefit expense over such benefits paid (\$3,979 in 2006 and \$2,158 in 2005) has been recorded in the Parishes' combined financial statements.

The PRMAA expects to contribute \$2,755 to its plan in 2007.

The following benefit payments, which reflect expected future services, as appropriate, are expected to be paid:

2007	\$ 2,755
2008	2,844
2009	2,929
2010	3,077
2011	3,240
2012–2016	18,607

7. TRANSACTIONS WITH RELATED PARTIES

Archdiocesan Assessments—Each parish is assessed annually from the Pastoral Center for the support of Pastoral Center activities. This assessment is computed as 10% of operating revenue from two years prior. For example, the 2006 assessment is 10% of 2004 operating revenue.

PRMAA Assessments—Each parish is assessed annually from the PRMAA to reimburse the PRMAA for health and medical benefits, for current and retired priests. This assessment is computed as 3.5% of prior year ordinary income.

Sharing Christ's Gifts Assessment—The purpose of the Sharing Christ's Gifts Campaign is to raise funds for the capital, endowment and ministerial needs of parishes. As part of the campaign, parishes will provide 20% of their ordinary income (defined as total revenues from parish operations) for the fiscal year prior to their participation in Sharing Christ's Gifts. The portion of funds to be shared will be remitted to the Pastoral Center and used to support various Archdiocesan-wide capital projects (e.g. grants to support Archdiocesan programs at needy parishes, priests' retirement home, repairs at University of St. Mary of the Lake) and pay for the primary expenses of the campaign. The Parishes have recorded sharing amounts due to the Pastoral Center in the year which the campaign was commenced. Included in accounts payable is the net amount due to the Pastoral Center related to prior years' and current year Sharing Christ's Gifts Assessments totaling \$2,247 and \$5,001 at June 30, 2006 and 2005, respectively.

Insurance Program—The Parishes participate in a self-insurance program coordinated by the Archdiocese of Chicago. In the event that the Parishes withdraw from participation in the program, amounts may be payable to the Archdiocese of Chicago for residual liabilities relating to historical claims experience or for claims incurred but not yet reported.

Grants—Certain parishes receive financial assistance from the Pastoral Center.

Deposits with and Loans from Archdiocesan Pastoral Center—Generally, deposits bear interest at rates which are contingent upon the amount and availability of the deposit. During 2005, the interest rates paid on deposits ranged from 1.0% to 3.2%. During 2006, the interest rates paid on deposits ranged from 1.0% to 4.9%. Parishes may invest in pooled investment accounts which are in various equity and bond investments, and whose returns are dependent upon market conditions. The estimated fair values of equity securities that do not have readily determined fair values, and of other investments, are based on estimates provided by external investment managers and are examined through a valuation review process performed by management. After this review, management may determine that an adjustment to the external managers' valuations is appropriate in recording the securities' fair value at June 30. A range of possible values exists for these securities, and therefore the estimated values may differ from the values that would have been used had a ready market for these securities existed. Loans bear interest at rates below the prevailing commercial interest rates. In 2006, the Pastoral Center changed the timing of conversion of outstanding operating receivables to loans resulting in two conversions in fiscal year 2006.

Parish and School Endowments—The Parishes can invest in board-designated as well as donor-restricted endowment funds. These endowments are invested in equity and bond securities and their returns are based upon market conditions.

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