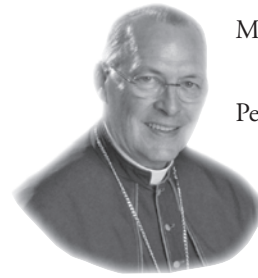


ARCHDIOCESE OF SEATTLE 2005-2006 ANNUAL REPORT



My dear friends in Christ:

Peace be with you. It is with profound gratitude to God for your committed service in our Lord Jesus Christ that I present to you the 2005-2006 Archdiocese of Seattle Annual Financial Report.

As a community of faith, we experienced many blessings in the past year. Seven men were ordained to the priesthood in the Archdiocese of Seattle and nearly 1,500 adults were either fully initiated or received into full communion with the Church in 2006. These are signs of God's abiding presence and the vitality of our mission to spread the gospel.

During the past year I also had the privilege of announcing creation of two high schools, one in Clark County and the other in Thurston County. I blessed new facilities to house the homeless and dedicated projects for farm workers, pregnant mothers and their infants, the sick and those addicted to drugs or alcohol. All of this was made possible by the power of the Holy Spirit and the faithful response of people like you.

In light of our many blessings, one of my highest priorities as Archbishop is to provide vigilant oversight of our resources. First and foremost, I am committed to helping all Catholic people in the Archdiocese of Seattle accept the call to deeper conversion, and to respond generously by sharing their gifts of time, talent and treasure with those who are poor and vulnerable. I also am aware that the Church must hold itself to the highest standards of accountability for the funds entrusted to us. This heightened sense of responsibility is reflected in the way we use the financial gifts you have given and the safety measures in place to ensure their security.

As we have for the past 20 years, the Archdiocese of Seattle continues to reach out to the victims of clergy abuse by providing counseling, pastoral care and, when appropriate, reasonable monetary settlements. My hope is that our efforts reflect our sincere contrition for past abuse as well as our commitment to create a safe environment for the protection of all children in our care.

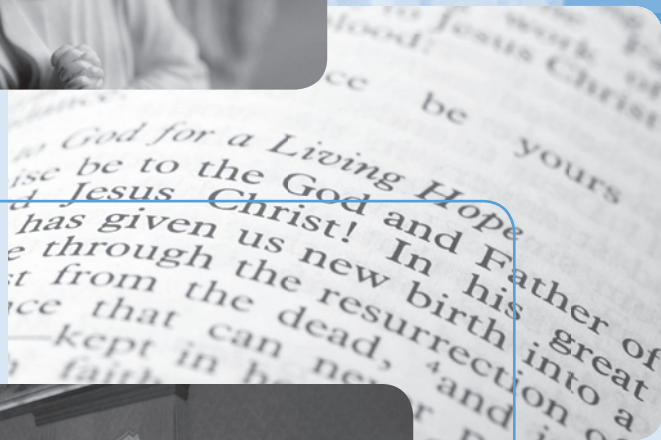
As you read through this year's annual report, my prayer is that you will recognize God's presence in the vitality of our local church. I also pray that you will continue responding generously as disciples of Christ and that God's spirit will bless and keep you in the year ahead.

With warmest wishes and regards, I remain

Your servant in Christ,

+ *Alex J. Brunett*

Most Rev. Alex J. Brunett



Statements of Activities

March 22, 2007

2F

For the Fiscal Years Ended 2005–2006 and 2004–2005

CHANCERY PROGRAMS & SERVICES

Below is the Statement of Activities for the Chancery for the years ended 2005–06 and 2004–05. Chancery offices and services assist Archbishop Brunett in his pastoral and administrative responsibilities. Management comments for the Revenue and Expenses may be found on the following page.

ANNUAL REPORT 2005/06

The information contained in this report provides a financial overview of the Archdiocese of Seattle. Archbishop Alexander J. Brunett is the spiritual leader of the Roman Catholic Church in Western Washington. He is also the CEO and a corporate member of the Corporation of the Catholic Archbishop of Seattle. The corporation is made up of a number of independent financial entities. They include: the Chancery (the Central Offices of the Archdiocese) which is under the direct control of the Archbishop; the parishes and parish elementary schools, which are separate canonical units; the Catholic Youth Organization (CYO); the Associated Catholic Cemeteries; and the four Archdiocesan high schools (O'Dea High School, Bishop Blanchet High School, St. Elizabeth Ann Seton High School and Kennedy High School).

Archbishop Brunett is also the corporate member of Catholic Community Services of Western Washington, the Archdiocesan Housing Authority, the Fulcrum Foundation and the 150th Anniversary Campaign; all separate corporations.

In the pages of this report you will find a summary of the statements of financial activities for the Chancery. There is also general financial information related to the Archdiocesan parishes, schools and other agencies, as well as Catholic Community Services, Archdiocesan Housing Authority and the Fulcrum Foundation. This report also includes a letter from the Archdiocesan Finance Council addressing the over-all financial health of the Church in Western Washington. We hope you find it to be informative.



PHOTO CREDITS:

Cover: Cathedral lanterns, Photobymike.com; Statue and bible words, Shutterstock.com; Archbishop Brunett with Pope Benedict, LOsservatore Romano.
 Page 2: Statue, Shutterstock.com.
 Page 3: Archbishop Brunett with parishioner, Photobymike.com.
 Page 4: Architectural model, Holy Redeemer Parish, Vancouver; Construction site, Seattle Prep Chapel Theatre.
 Page 5: Student photos, Fulcrum Foundation.
 Page 8: Business charts and calculator, Shutterstock.com.

	June 30, 2006 Total All Funds	June 30, 2005 Total All Funds
UNRESTRICTED NET ASSETS		
Revenue and Other Support		
Parish Assessments	\$4,893,000	\$4,731,000
Investment Income on Revolving Funds	3,984,000	3,508,000
Investment Income (Losses) on Endowments	418,000	781,000
Investment Income (Losses) on General Reserve	4,048,000	3,617,000
Realized Gains (Losses) on Sale of Property	9,254,000	2,797,000
Subscriptions, Advertising and Program Fees	2,729,000	3,738,000
Contributions and Bequests	1,460,000	1,916,000
Insurance Program Premiums	7,685,000	6,568,000
Other	970,000	926,000
Subtotal	35,441,000	28,582,000
Net Assets Released From Restrictions		
Annual Catholic Appeal	8,860,000	7,573,000
Restricted and Designated Funds	2,785,000	3,200,000
Total Revenue and Other Support	47,086,000	39,355,000
Expenses		
Catholic Faith Formation	818,000	965,000
Catholic Schools	1,151,000	1,076,000
Contributions to CCSWW	696,000	707,000
Donations, Grants and Subsidies	1,327,000	1,606,000
Missions Office	227,000	240,000
Vicar for Clergy and Seminarians	1,626,000	1,580,000
Vicar for Parishes/Pastoral Care & Multicultural	1,890,000	1,848,000
Office of Youth & Young Adult Ministry	745,000	609,000
Communications and NW Progress	1,314,000	1,436,000
Tribunal	420,000	450,000
Priest and Retired Bishop Support	1,618,000	1,478,000
Pension	2,775,000	3,234,000
General Administration	9,177,000	10,179,000
Insurance Program	9,326,000	11,136,000
Revolving Fund Interest & Bad Debts	3,345,000	3,156,000
Plant Fund Depreciation & Interest	1,969,000	2,208,000
Total Expenses	\$38,424,000	\$41,908,000
Change in Unrestricted Net Assets		
Change before Unrealized Losses and Transfers	\$8,662,000	\$(2,553,000)
Unrealized Gains (Losses) on Investments - General	613,000	(604,000)
Unrealized Gains (Losses) on Investments - Revolving Funds	50,000	5,000
Unrealized Gains (Losses) on Investments - Endowments	86,000	53,000
Change in Unrestricted Net Assets	\$9,411,000	\$(3,099,000)

REVENUE AND OTHER SUPPORT:

Parish Assessment and Billings

Assessment on parishes to support the operation of the Church of Western Washington and billings to parishes for specific needs and services.

Investment Income on Revolving Funds

The Parish/Archdiocesan/New Parish Revolving Funds is a loan and deposit fund operated by the Archdiocese for parishes and other Catholic organizations. Included is interest, dividends and realized gains (losses) on disposal of investments.

Investment Income on Endowments

Included is interest, dividends and realized gains (losses) on disposal of assets. Endowments are contributions set aside to generate investment income for restricted and unrestricted purposes.

Investment Income on General Reserve

The investments of the Archdiocese include Restricted, Unrestricted and Designated Funds. These investments are professionally managed under the guidance of the Investment Committee of the Archdiocesan Finance Council. The income includes interest, dividends and gains (losses) on disposal of assets.

Realized Gains (Losses) on Sale of Property

During the year ended June 30, 2006, St. Thomas Center and Shalom Center were sold realizing a gain of almost \$6.5M. The proceeds were used to pay down the debt on the Palisades Retreat Center and the Priest Retirement Center.

Subscriptions, Advertising and Program Fees

Revenue from The Progress, the official Archdiocesan newspaper. User fees for specific programs and services.

Contributions and Bequests

Represents various gifts both Restricted and Unrestricted received by the Archdiocese in the past year.

Insurance Program Premiums

Premiums from parishes and agencies, including CCSWW, for property, liability, automobile and worker's compensation insurance.

All Other Sources of Operating Funds

Includes facility rentals, donations and contributions and miscellaneous.

Annual Appeal

Contributions from Catholics throughout Western Washington to the Annual Catholic Appeal. Does not include over \$2,100,000 in rebates returned to parishes.

Restricted and Designated Funds

Donations from a variety of sources for a variety of programs and services. Restricted funds are set aside for a particular purpose stated by the donor and not expended until the purpose is satisfied. If the funds are temporarily restricted, they may be expended fully for the intended purpose. If the funds are permanently restricted, only the earnings on the donation may be used for the intended purpose. Other unrestricted contributions may be designated by the Archbishop for a particular purpose.

EXPENSES:

Catholic Faith Formation

Assists the Archbishop in establishing a program for formation and education for all clergy, religious and lay people throughout the Archdiocese.

Catholic Schools

Coordinates the development of Christian formation, curriculum, administrative and personnel policy for the Catholic elementary and high schools.

Contributions to Catholic Community Services of Western Washington

Subsidies to CCSWW to assist in their operations.

Donations, Grants and Subsidies

Support for the Washington State Catholic Conference, contributions to the National Conference of Catholic Bishops/United States Catholic Conference and a grant to Catholic University. Contributions to Peter's Pence and the Sisters' Pension. Subsidies to related organizations including CYO and donations to various ministries supported by the Archbishop.

Missions Office

Through several organizations, the Missions Office is responsible for fundraising and education for various efforts on behalf of the Church worldwide.

Vicar for Clergy and Seminarians

Assists the Archbishop in working for the wellbeing of the priests and deacons in their ministries. Includes the Office of the Permanent Diaconate. Also included is the Seminarians Office which coordinates and funds the selection, formation and ordination of candidates for the priesthood, including the cost of education. Also provides an internship program for newly ordained priests.

Vicar for Parishes/Pastoral Care & Multicultural

Includes Hispanic, African American, Native American and Asian/Pacific Island programs and various justice and peace ministries.

Office of Youth and Young Adult Ministry

Includes the cost of support and training for youth and young adult ministries, retreat ministries and leadership development, service and mission programs. Also included are the costs of youth and young adult events, Catholic scouting and university Catholic campus ministries.

Communications and NW Progress

Produces media communications and public information for the Archdiocese. The Broadcast Division provides video production services. The Progress is the official Archdiocesan newspaper. The Web Division creates and manages the Archdiocesan presence on the Web.

Tribunal

Provides the legal process by which an individual can resolve questions of marital status according to the norms and teachings of the Church.

Priest and Retired Bishop Support

Medical premiums and expenses for retired priests. Living expenses for priests between assignments or on leave. Living and medical expenses for priests who are temporarily or permanently unable to perform their priestly functions. The actuarial adjustment for the priest's post-retirement benefits for 2006 were \$598,000 and \$314,000 for 2005.

Pension

The Archdiocese contributes to three separate plans for the benefit of its employees: The Archdiocesan Pension Plan for Lay Employees, The Priests' Pension Plan and the Supplemental Retirement Program for Priests. The plans are separately managed and are not included in the financial statements. The adjustment to accrue the Archdiocesan future pension liability is based on actuarial assumptions. The accrual for 2006 was \$2,215,682 and for 2005, \$2,659,245.

General Administration

Includes The Office of the Archbishop, Chancellor's office, Archives, Liturgy, Planning & Research, Human Resources, Chancery Management including Computer and Support Services, Facilities and Operations, New Parishes, Interest, Department of Administration including Accounting, Development, Property and Construction and Parish Financial Services.

Insurance Program

The cost of insurance programs including annual premiums and claims for property, liability, automobile and worker's compensation for parishes, schools, agencies, including CCSWW, and employees of the Archdiocese. Includes projected payments for settlement of abuse claims.

Revolving Fund Interest and Bad Debts

These expenses are related to the loans and deposits in the various revolving funds.

Plant Fund Depreciation & Interest

The depreciation is taken on the Fixed Assets of the Archdiocese and the interest is on the debt to acquire Archdiocesan assets.

Unrealized Gains (Losses) on Investments — General

Represents the difference between market and book value on investments at the fiscal year end on the General Reserve.

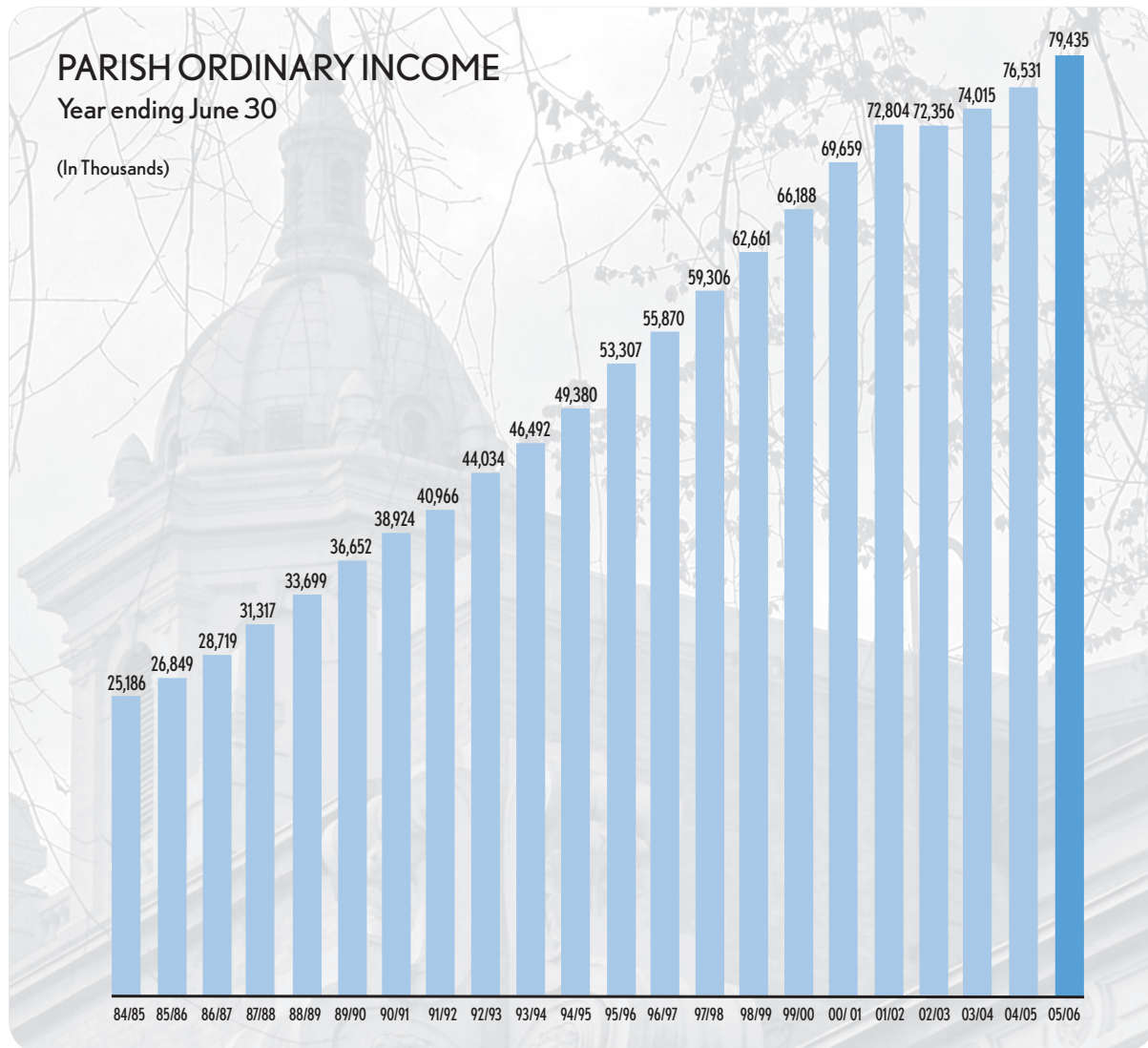
Unrealized Gains (Losses) on Investments — Revolving Funds

Represents the difference between market and book value on investments at the fiscal year end on the Revolving Funds.

Unrealized Gains (Losses) on Investments — Endowments

Represents the difference between market and book value on investments at the fiscal year end on the Endowments.





Despite some continuing economic uncertainty, Catholics throughout Western Washington continued to give generously in support of their parishes and missions during 2005/2006. Through this generosity, Parish Ordinary Income (Sunday and Holy Day Collections) increased 3.5% in the current fiscal year to \$79.4 million. Total parish revenue from all sources, including parish schools, was in excess of \$205.3 million. Over 77% of our parishes and missions ended the year with an operating surplus. The economic diversity and variations in community size continue to be reflected in parish collections. In 2005/2006, 19 parishes recorded over \$1 million in collections with one over \$2 million. At the same time, Ordinary Income in 16 parishes, primarily in rural areas, was under \$100,000.

Revolving Funds

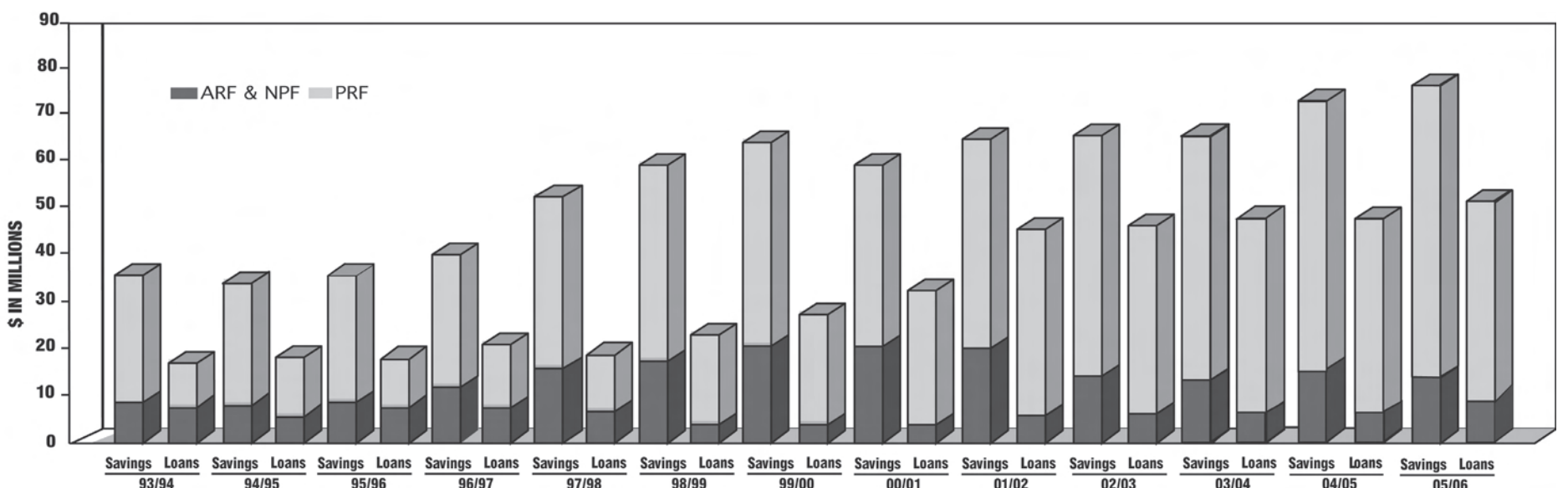


The Parish Revolving Fund (PRF) and Archdiocesan Revolving Fund (ARF) are separately maintained savings and loan organizations within the Archdiocese. Parishes and other institutions deposit surplus funds in the appropriate fund and receive loans at less than market interest rates. The PRF serves parishes while the ARF provides the same service for other institutions.

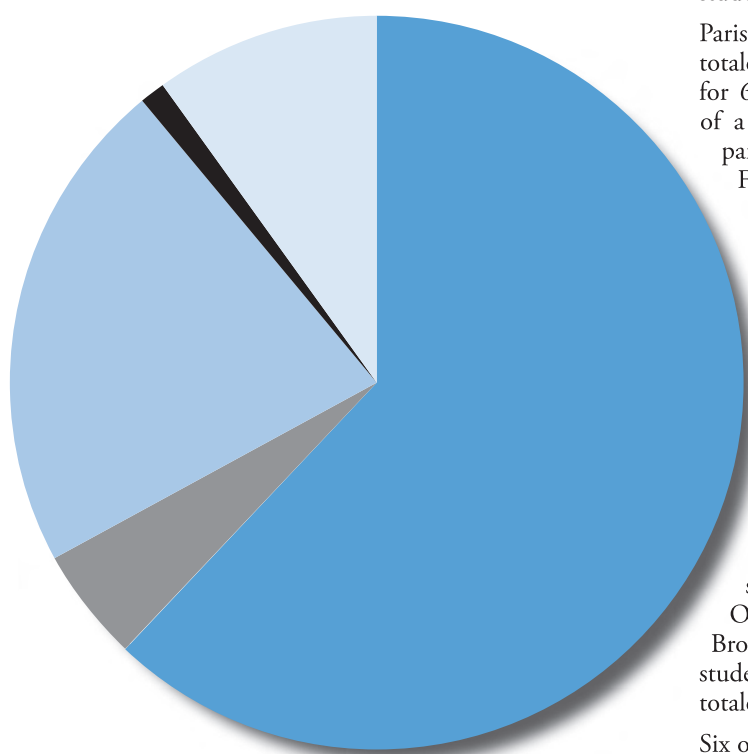
A seven member Commission oversees PRF operations, Commission members are listed on page 8. PRF savings at 6/30/06 totaled \$61.8 million in 553 accounts up from last year's \$59.9 million. Loans decreased to \$42.2 million from last year's \$42.7 million with the number of loans also decreasing from 123 to 104.

ARF savings decreased to \$10.9 million from \$13.1 million primarily as the result of the transfer of some high school funds to the Fulcrum Foundation. Loans increased from \$5.0 million to \$5.6 million.

The Archdiocese supports new parishes throughout the Archdiocese with the New Parish Fund (NPF). Loans to our three newest parishes at 6/30/06 totaled \$3.6 million down slightly from last year's \$3.7. Savings increased from \$1.0 million to \$1.3 million.



SOURCES OF SCHOOL REVENUE



- Tuition/Fees 62%
- Fund-raising/Gift Revenue 22%
- Parish Subsidy 10%
- All Other Revenue 5%
- Neighboring Parishes 1%

During 2005/2006, the 56 parish elementary schools provided a quality education emphasizing Catholic values to 15,391 students (87% Catholic). Ethnic minority students comprised 27% of the student population.

Parish school operating revenues for 2005/2006 totaled \$90.4 million. Tuition and fees accounted for 62% of the total with the balance made up of a combination of parish grants, neighboring parish grants, Archdiocesan grants through the Fulcrum Foundation, and local fund-raising and development efforts. The parish grant amounted to 20% of the school parishes' collection income.

In addition to the parish elementary schools, Villa Academy in Seattle, Forest Ridge in Bellevue, Holy Family in Lacey and Pacific Crest Academy in Camas operate elementary schools within the educational program of the Archdiocesan Schools Department. In 2005/2006, these four schools served 882 students.

The Archdiocese operates three Seattle high schools — Bishop Blanchet, Kennedy, and O'Dea (under the direction of the Christian Brothers). These three schools served 2,386 students in 2005/2006. Budgets for the three totaled \$19.8 million.

Six other Catholic high schools operate within the Archdiocese, Bellarmine Prep (Tacoma), Eastside Catholic High School (Bellevue), Forest Ridge (Bellevue), Archbishop Murphy High School (Everett), Holy Names (Seattle) and Seattle Prep (Seattle) served a total of 3,650 students in 2005/2006.

In addition, plans for two new Catholic high schools have been approved by the Archbishop. One of them, currently named as South Sound Catholic High School, will be opening near the Lacey/Olympia area and the other called St. Elizabeth Ann Seton will be opened at Ridgefield in Southern Washington.



Fulcrum Foundation



In 2005-06, the Fulcrum Foundation publicly announced our capital campaign, "Embracing Our Legacy – Endowing the Future of Catholic Schools." The campaign is the cornerstone of our plan to secure the future of Catholic schools in western Washington – a plan to raise \$40 million for two endowments: one for tuition assistance for students (\$25 million) and the other for assistance to schools in need (\$10 million), and \$5 million to meet immediate needs while the endowments are being fully funded.

When the campaign succeeds in building the endowments, the Fulcrum Foundation will be able to provide more than 1,200 tuition assistance grants of \$1,000 and more than \$500,000 in assistance to schools in need annually.



We are proud to report that the Fulcrum Foundation is more than halfway toward its goal, having raised over \$26 million. With the campaign in full force, excitement is building for ensuring the accessibility of Catholic schools for the families and communities of the Archdiocese. During the next few months, many parishes throughout the Archdiocese have invited the Fulcrum Foundation to present its case to parishioners and to request their financial contributions toward the campaign.

Meanwhile, the Foundation's annual fundraising continues to strengthen through the generosity of our donors. This year's Celebration of Light was very successful, welcoming more than 1,100 guests and raising more than \$725,000 in support of Fulcrum's mission.

"I am grateful to the Fulcrum Foundation for sponsoring this event that brings together so many supporters of Catholic education," said Archbishop Alex J. Brunett. "Our support of Catholic schools through the Fulcrum Foundation provides essential funding for tuition assistance, assistance to schools in need, and funding for formation and innovation in the classroom."



In 2005-06, the Fulcrum Foundation increased its support to Catholic schools in the three programs of its mission:

- \$593,100 for 842 tuition assistance grants to schoolchildren;
- \$615,000 in budget assistance to 22 schools in struggling communities of western Washington;
- \$23,905 for 17 teacher excellence grants in collaboration with the Ferry Foundation.

The Fulcrum Foundation was incorporated in March 2002 to ensure that Catholic schools remain excellent and accessible by leveraging financial support for tuition assistance, assistance to schools in need, and assistance for initiatives that promote academic excellence and faith formation.

Just over 10,300 individual youth participated in CYO programs in 2005-2006. Participants range in age between six and eighteen. Approximately twenty-three percent are low-income and receive either partial or full financial assistance. Fifty-one percent are girls and forty-nine percent are boys. Approximately fifteen percent are non-white. Approximately thirty percent are non-Catholic.

ATHLETICS

School year 2005-2006: CYO coordinated league competition for Catholic parishes with schools and several other private elementary schools within King, Pierce and Snohomish counties. The purpose of these programs was to develop attitudes of fair play, teamwork, self-discipline and physical fitness based upon Catholic Christian principles.

Sports included soccer, cross country, basketball, volleyball, baseball and track and field. The majority of participants were in grades 4 through 8. There were approximately 15,000 youth athletes (9,000 non-duplicated individuals) involved and an estimated 4,000 adult volunteer coaches, coordinators and commissioners.

OUTDOOR MINISTRIES

Summer 2005: CYO operated three resident camps, Don Bosco, Hamilton and Gallagher in addition to the Nanamakee wilderness expedition program that served just under 2000 youth summer campers in a wide variety of programs fostering personal, social and spiritual development.

Campers came from all over Western Washington. CYO's campership programs and discounts provided over \$62 thousand in financial aid to participants.

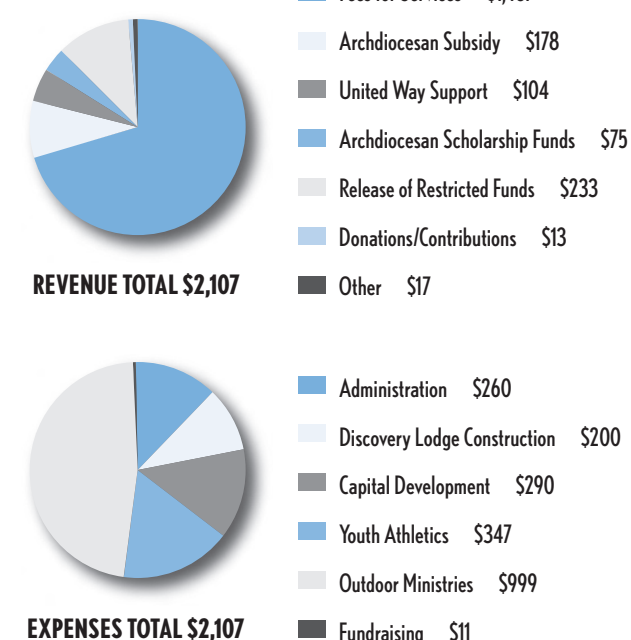
Spring 2006: CYO offered an environmental education program at Camp Hamilton emphasizing Christian stewardship of the earth. This program served 822 fifth and sixth graders from 26 area Catholic schools.

RETREAT MINISTRY

This program hosted fall, winter and spring group retreats and conferences at Camps Don Bosco, Hamilton and Gallagher. There were approximately 65 different groups that utilized CYO facilities in 2005-06. Catholic parish and school groups accounted for 70% of the groups.

SUMMARY OF OPERATIONS

Fiscal Year 2005/2006
(In Thousands)



Associated Catholic Cemeteries

MISSION STATEMENT

We trust in Jesus to use our hearts and hands to comfort His people, celebrate the dignity of life and offer hope. Catholic cemeteries are signs of hope that are places of prayer and witness our faith in the Lord Jesus and the hope we share in resurrection. This ministry is extended through the education of parishioners concerning pre-arrangement planning, and scheduled opportunities for prayer. ACC also serves as a resource to parishes regarding funeral and burial issues.

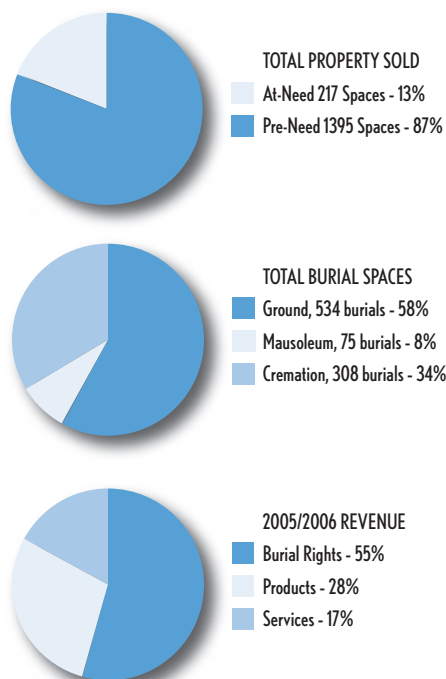
Associated Catholic Cemeteries is comprised of four cemeteries and has buried approximately 74,500 people in nearly 120 years. Calvary, located near the University of Washington in Seattle, was established in 1889. Holyhood, serving North Seattle, King, and Snohomish Counties, was established in 1953. Gethsemane, dedicated in 1975, serves South Seattle, King and Pierce Counties. St. Patrick, begun in 1890 as the parish cemetery for St. Anthony (now Holy Spirit) Parish in Kent, was transferred to ACC in 1989. These four cemeteries provided 917 burial services during 2005/2006. In keeping with the Church's teaching of a preferential option for the poor, Associated Catholic Cemeteries continues to provide burial services at no charge or at a reduced cost to those in need. This is made possible due to the support of other families who choose their Catholic cemetery for their burial needs.

Associated Catholic Cemeteries continues its long-standing practice of operating without financial subsidy from the Archdiocese. Financial results for the year ending June 30, 2006 show a positive Net Income from Operations which is used for development and equipment replacement. The cemeteries also have a Care Fund to ensure long-term care and maintenance. The Fund showed a growth of approximately 11.9% due to capital additions as well as realized and unrealized gains on investments.

In addition to the four Archdiocesan Cemeteries, there are 20 active parish cemeteries throughout the Archdiocese. The financial results of these cemeteries are included in parish operations.

A Pre-Need Planning Guide as well as *A Guide for Making Good Decisions for the End of Life* are both available at no charge by calling 1-888-784-8683. To learn more about the Catholic Cemeteries of the Archdiocese visit them on the internet at www.acc-seattle.org.

Fiscal Year 2005/2006 (In Thousands)	
REVENUE	
Burial/Entombment Rights	3,628
Products	1,862
Services	1,142
Cemetery & Mausoleum Care	69
	<u>6,701</u>
SURRENDERS/DISCOUNTS (942)	
NET SALES	5,759
COST OF SALES	2,228
GROSS MARGIN	<u>3,531</u>
OTHER REVENUE	
Endowment Income	770
Interest (net)	107
All Other Income	279
	<u>1,156</u>
OPERATING EXPENSES	
Personnel	1,445
Depreciation	156
All Other Expenses	1,122
	<u>2,723</u>
NET INCOME FROM OPERATIONS	<u>1,964</u>



Good News from the Missions Office

The Missions Office has as its focus the social mission of the Church, providing educational and funding support for local and international evangelization, relief and development work. The office represents the Pontifical Missions Societies, Catholic Relief Services and the Catholic Campaign for Human Development, integrating their educational and fundraising components. Included in programs are year-around Catholic social teaching resources for parishes and schools, and grants for charity and justice projects. Information on all of the above can be found at www.seattlearch.org/missions.

Catholic Relief Services (CRS) is our U.S. Catholic community's international relief and development agency, working in 99 countries solely on the basis of need, not creed, race or nationality. The fundamental motivating force of CRS is the Gospel of Jesus Christ as it pertains to the development of people, alleviating human suffering and fostering charity and justice world-wide. CRS provides direct aid to the poor and involves people in their own development, helping them to realize their potential. And CRS educates the people of the U.S. to fulfill their moral responsibilities toward our brothers and sisters around the world by helping the poor, working to remove the causes of poverty, and promoting social justice.

Propagation of the Faith, one of the four Pontifical Mission Societies, seeks to foster an ever-deeper spirit of universal mission, to inform Catholics of the life

and the needs of the Catholic Church in the missions, and to encourage prayer and financial help for those mission churches. Through the offerings of Catholics worldwide, the Propagation of the Faith provides ongoing support for the pastoral and evangelizing programs in Africa, Asia, the islands of the Pacific and in remote regions of Latin America. This includes aid through **Society of St. Peter the Apostle** for the education and support of seminarians, Religious novices and lay catechists; for the work of Religious Communities in education, health care and social services; and for communication and transportation needs. **The Holy Childhood Association**, another Pontifical Mission Society, is dedicated to mission awareness among elementary school-age children – children serving children in need.

The Catholic Campaign for Human Development is the domestic anti-poverty, social justice program of the U.S. Catholic community. Its mission is to address the root causes of poverty in the United States through promotion and support of community-controlled, self-help organizations and through transformative education in parishes, schools and faith communities.

In fiscal year 2005/2006, the Missions Office received \$ 3,870,609 for mission, relief and development work of the Church (primarily through the Catholic Relief Services Collection, CRS Operation Rice Bowl, the World Mission Sunday collection, the Build Hope collection, and bequests).



As a faith-based and values-driven outreach of the Catholic Church in Western Washington, Catholic Community Services has provided help and created hope in the lives of men, women and children in need for 89 years. It is the largest local private provider of assistance to poor and vulnerable people in the State of Washington. Under the leadership of Archbishop Alex J. Brunett, the direction of Father Kenneth Haydock and the Board of Trustees, and Michael L. Reichert, President, the people of Catholic Community Services (CCS) and the Archdiocesan Housing Authority (AHA)

provide loving and compassionate service to persons in need throughout Western Washington.

CCS and AHA together have more than 80 programs. The 12 CCS family centers provide an array of services. Long Term Care services are provided in the homes of seniors and people with disabilities of all economic backgrounds. Chemical Dependency System Northwest provides a full continuum of outpatient chemical dependency treatment services for youth, adults and their families. The Family Preservation System assists children/youth and families with multiple and complex needs. AHA and its Special Ministries programs provide affordable housing, transitional housing, emergency shelters, and other services.

In each area of the Archdiocese, services are based on local needs and funding. They are provided through a variety of sources, including contracts with cities and counties; the state and federal governments; fees for services; private donations and foundations; and through United Way. Archdiocesan funding is provided through the Annual Catholic Appeal, CCS Week, and a variety of specific family center and program appeals during the year. The Catholic Charities Foundation also provides funding.

CCS FAMILY CENTERS

CCS family centers tailor a unique approach to each family that comes in need. Family center staff work to integrate all the services available in a community to nourish self-sufficiency and achieve wholeness and well-being for every member of the family. Family centers provide an array of services, including counseling, case management, information and referral, emergency services, shelters and transitional housing, mental health services, foster care, Volunteer Chore Services, and others.

LONG TERM CARE (LTC)

More than 3,500 people are served every day by Catholic Community Services' Long Term Care System. With more than 2,000 staff, 300 volunteers, and a budget in excess of \$35 million, the Long Term Care System serves seniors and people with disabilities of all economic backgrounds in all counties in Western Washington. Services include in-home personal care, two African-American outreach/case management programs, 17 senior meal sites, "meals-on-wheels" for homebound seniors, adult day services, limited home health services, and training.

CHEMICAL DEPENDENCY SYSTEM NORTHWEST

CCS Recovery Centers provide a full continuum of outpatient chemical dependency treatment services to youth, adults, and their families. The Recovery Centers are a safe, nurturing, and enriching environment where all are treated with dignity and respect, and where clients and their families become empowered to make healthy changes to stop the destruction of alcoholism and other drug

dependencies. CCS emphasizes a broad range of approaches to the treatment of alcoholism and other drug dependencies, striving to serve those most in need.

Locations: Whatcom County and Snohomish County.

THE FAMILY PRESERVATION SYSTEM

The Family Preservation System provides an array of mental health and social services to children/youth and families with multiple and complex needs, severe histories, and who tend to be involved with multiple child-serving systems.

Locations: Pierce County, Kitsap County, Thurston County, Mason County and Clark County.

THE ARCHDIOCESAN HOUSING AUTHORITY

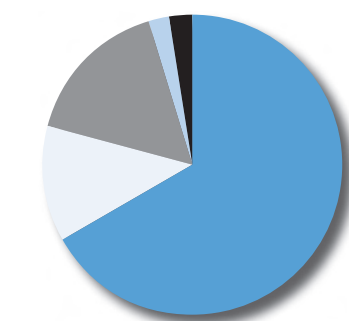
AHA provides a continuum of care for homeless and low-income persons throughout Western Washington. There are 25 day centers, emergency shelters and transitional housing programs that offer a warm, safe refuge from the streets. AHA provides homeless men, women and children with a place to bathe, launder clothes, receive medical attention, and alcohol and drug treatment. AHA also provides case management, refugee assistance services, and employment support. Throughout Western Washington, AHA offers more than 1,900 affordable permanent housing units in 38 programs, serving single persons, families, seniors, and persons with special physical and mental needs. Most AHA housing includes resident support services to assist low-income persons be successful in staying in decent, affordable housing. Affordable housing facilities are located in Bellevue, Bellingham, Bremerton, Burien, Centralia, Everett, Kelso, Mount Vernon, Puyallup, Redmond, Renton, Seattle, Sedro Woolley, Spanaway, Sumner, Tacoma, Tumwater and Woodland.

OPERATING BUDGET - \$83,980

Fiscal Year 2005/2006

(In Thousands)

REVENUE



Government Fees and Contracts
66.9% - \$56,216

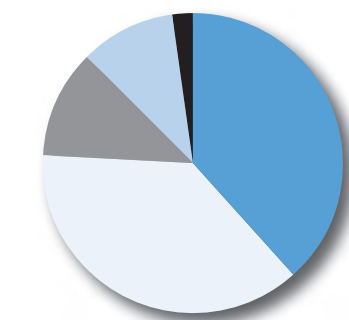
Public Support/Contributions
12.3% - \$10,341

Private Fees for Service
16.0% - \$13,466

United Way
2.5% - \$2,060

Other Revenue
2.3% - \$1,897

EXPENSES



Children and Families
38.4% - \$32,241

Aging and Disabled
37.6% - \$31,578

Housing and Shelter
11.6% - \$9,758

Administration, Fundraising and Awareness
10.2% - \$8,568

Capital Reserves
2.2% - \$1,835

ORDER FORM

Additional information is available upon request for the following:

- 2007 CYO Summer Camping Brochure for youth ages 6-18.
- Significant Savings** are available to those who pre-plan their cemetery arrangements. Return this order form for a **FREE Executor Survivor's Guide**, filled with useful information.
- Information about Planned Giving (Wills and Basic Estate Planning.)
- Crozier Society Information Brochure.
- Fulcrum Foundation Annual Report.
- Audited Financial Statements of the Catholic Youth Organization as of June 30, 2006.
- Audited Financial Statements of the Administrative Offices of the Corporation of the Catholic Archbishop of Seattle as of June 30, 2006.

Please send to:

Name _____

Address _____

City _____

State _____ Zip _____

Telephone (optional) _____

Please return this form to:

**Archdiocese of Seattle
Administration & Finance
710 9th Avenue
Seattle, WA 98104-2017**



FROM THE FINANCE COUNCIL



Dear Members of the Church in Western Washington:

Your generous donations to your parish and the Archdiocese make it possible for our local Church to carry out its mission to share the good news of Jesus Christ throughout Western Washington. In our role as members of the Archdiocesan Finance Council we assist Archbishop Brunett and his staff in the oversight of financial matters of the Archdiocese of Seattle. We are providing you with this Annual Report to keep you apprised of the financial condition of our Church, and to keep you informed about some of the issues and challenges we are addressing.

While the majority of the parishes had increases in their income, ongoing costs such as utilities, insurance, and employee benefits continue to grow faster than inflation and, in most cases, faster than the increases in parish income. To narrow this gap, parishes, with the help of the Archdiocese, are placing greater emphasis on educating Catholics to the importance of practicing stewardship. Your generosity and stewardship enables the Church to carry out its mission.

Last year our pastors also committed to higher Annual Catholic Appeal goals to cover the annual costs of providing pension and medical benefits to our retired priests and for funding the education of our young seminarians. You responded with record high contributions to the Annual Appeal. As a result, a total of \$11.9 million was raised and over \$2.8 million of this went back to parishes in rebates.

Another important aspect of stewardship is the responsible management of the monies entrusted to the Church. We continue to develop and implement policies and procedures to ensure that there is sound financial management at the Archdiocesan offices and at all the parishes.

During the past year we moved and consolidated our Archdiocesan offices. Through a generous gift from the Pigott family and the sale of excess property, we were able to purchase a new office building across from St. James Cathedral. This purchase allowed us to consolidate all the offices and programs of the Archdiocese on one campus, including CYO and Washington State Catholic Conference. These programs had been renting space at other locations in Seattle. This acquisition also gave us the ability to create a Catholic Faith Formation and Youth Center.

Our Catholic Community Services and Archdiocesan Housing Authority also grew this year as they continue to expand their efforts to serve those most in need in our community by adding new programs and building more housing for low-income families and the homeless.

As you know, over these last few years our Archdiocese, along with many others throughout the country, has faced significant financial challenges as we respond to the victims of child sexual abuse. Over the past 20 years the Archdiocese has provided pastoral care and settlements to approximately 230 victims of child sexual abuse. To date the cost of settlements, counseling fees and attorney's fees has totaled approximately \$26.8 million.

These costs were primarily paid by 10 different insurance companies that were providing coverage at the time of the abuse. The vast majority of all the abuse cases, in fact, over 98% of our current cases, are pre-1980 and date back as far as 1941. During those years the Archdiocese had more than 10 different insurance companies. Prior to 1973 our insurance coverage was not centralized and each parish carried its own insurance. Fortunately, we have been able to find the majority of the relevant insurance policies, but there are gaps in coverage due to missing policies and policies with very low limits of liability coverage.

In cases where there were gaps or low limits we funded the settlements through our Archdiocesan Self-Insurance Reserve. This Fund has been depleted. Now, when there is a lack of insurance coverage, we are funding the settlements from the Archdiocesan General Reserve Fund. This Reserve Fund was created in the late 1970's and mid-1980's from the sale of property which was not being used by the Archdiocese.

This means that no funds donated to the Annual Catholic Appeal nor any funds from the parish assessment have been used to fund settlements related to child sexual abuse. If the Archdiocese continues to settle the cases for fair and reasonable amounts, as it has for the last 20 years, and if our insurance carriers remain cooperative, the Archdiocese will not be forced into seeking relief from the bankruptcy court as some of our neighboring dioceses have.

It is important to remember that we have not had an accusation that a child has been sexually abused by a member of the Archdiocesan clergy during the last 20 years. Nevertheless, there are many children who were sexually abused in the past. We, as a Church, are taking responsibility for this. We continue to reach out to victims and to provide pastoral care and the assistance they need for healing. This ministry is as important as any other ministry that the Church is currently providing.

We hope this report provides insight into the financial affairs of the Archdiocese.

As we move into the future the Archdiocesan Finance Council is committed to providing good stewardship and to assisting Archbishop Brunett and his staff in the financial management of our Church in Western Washington.

Sincerely,

Thomas J. Hoover, Chair
Archdiocesan Finance Council



ARCHDIOCESAN FINANCE COUNCIL:

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Ms. Mary Almonte
Mr. Dan Brotherton
Mr. James DeFranco
Mr. Lou Dell'Osso, Jr.
Mr. Brian Dempsey
Mr. Timothy Golob
Rev. Dennis Kemp
Ms. Ruth Marie Nizolak
Ms. Marie Lotzgesell

Staff: Mr. Pat Sursely
*Archbishop's Delegate
for Administration and Finance*

AFC SUBCOMMITTEE FOR INVESTMENTS:

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Dr. Hildegard Hendrickson
Mr. Dick Kennedy
Ms. Marie Lotzgesell
Mr. James (Paddy) Ouillette
Ms. Nan Severns, *Controller*
Mr. Pat Sursely
*Archbishop's Delegate
for Administration and Finance*

PARISH REVOLVING FUND COMMISSION:

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Vice-Chair: Ms. Kathleen Nordlund
Rev. Gary Morelli
Rev. Hans Olson
Ms. Carol Thompson
Rev. Jack Walmesley

Staff: Mr. Pat Sursely
*Archbishop's Delegate
for Administration and Finance*
Mr. Ed Williams
Director of Parish Financial Services

ARCHDIOCESAN BUILDING COMMISSION:

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Mr. Kevin Broderick
Mr. Art Butler
Rev. Dick Hayatsu
Mr. Dennis Lehtinen
Mr. Jim Napolitano
Mr. Bill Rutledge
Mr. Joe Sacquitne
Mr. Don Severide
Ms. Peg Staeheli
Mr. Jay Taylor
Rev. Tom Vandenberg

Staff: Mr. Ed Foster
*Director of Property
and Construction Services*
Ms. Carolyn Lassek
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