



**ARCHDIOCESE OF DETROIT**  
**ANNUAL FINANCIAL REPORT**  
**Year Ended June 30, 2009**



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## Independent Auditor's Report

His Excellency, Allen H. Vigneron  
Archbishop of Detroit  
Archdiocese of Detroit

We have audited the accompanying balance sheet of the Archdiocese of Detroit - Central Operations, Designated Funds, Archdiocesan Properties, Loan Deposit Program, and Diocesan Collections (the "Archdiocese") as of June 30, 2009 and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Archdiocese's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the above-mentioned funds of the Archdiocese of Detroit at June 30, 2009 and the changes in their net assets and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated December 9, 2009 on our consideration of the above-mentioned funds' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

December 9, 2009

*Plante & Moran, PLLC*

**ARCHDIOCESE OF DETROIT  
BALANCE SHEET  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<b><u>ASSETS:</u></b>	<b><u>CENTRAL OPERATIONS</u></b>	<b><u>DIOCESAN COLLECTIONS</u></b>
Cash	\$ 1,553,094	\$ 249,057
Accounts receivable	1,082,290	-
Assessment receivable	5,015,367	-
Catholic Services Appeal accounts receivable	1,547,028	-
Food inventory	9,478	-
Funds held by investment managers	-	-
Investment in Loan Deposit Program	7,890,338	545,246
Land contracts receivable	-	-
Loans to parishes and schools	-	-
Loans to others	-	-
Loans to other funds included in this report	-	-
Less: allowance for doubtful accounts	-	-
Pledges receivable	9,594,126	-
Prepaid expenses	266,642	-
Printing inventory	48,639	-
Real estate	-	-
Less: accumulated depreciation	-	-
Real estate for future parish sites	-	-
Real estate-other	-	-
	<hr/>	<hr/>
Total assets	<b>\$ 27,007,002</b>	<b>\$ 794,303</b>
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<b><u>Liabilities and Net Assets</u></b>		
<b><u>Liabilities:</u></b>		
Accounts payable	\$ 2,518,394	\$ -
Benefits payable	-	-
Deferred revenue	9,478	-
Due to Loan Deposit Program	5,008,086	-
Note payable	-	-
Due to parishes and schools	-	-
Due to cemeteries	-	-
Due to other organizations	-	-
Due included in this report	-	-
	<hr/>	<hr/>
Total liabilities	7,535,958	-
<b><u>Net Assets</u></b>		
Unrestricted - Undesignated	1,631,869	-
Unrestricted - Designated for future use	17,839,175	-
Temporarily restricted	-	794,303
	<hr/>	<hr/>
Total net assets	19,471,044	794,303
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Total liabilities and net assets	<b>\$ 27,007,002</b>	<b>\$ 794,303</b>
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See Notes to Financial Statements

<u>DESIGNATED FUNDS</u>	<u>LOAN/DEPOSIT PROGRAM</u>	<u>ARCHDIOCESAN PROPERTIES</u>	<u>COMBINED TOTAL</u>	<u>ELIMINATING ENTRIES</u>	<u>TOTAL</u>
\$ 29,817	\$ 12,080,872	\$ 976	\$ 13,913,816	\$ -	\$ 13,913,816
24,267	-	-	1,106,557	-	1,106,557
-	-	-	5,015,367	-	5,015,367
-	-	-	1,547,028	-	1,547,028
-	-	-	9,478	-	9,478
-	19,255,754	-	19,255,754	-	19,255,754
7,609,859	-	-	16,045,443	(16,045,443)	-
-	2,999,840	1,400,000	4,399,840	-	4,399,840
-	106,534,302	-	106,534,302	-	106,534,302
-	58,154,454	-	58,154,454	-	58,154,454
-	35,015,865	-	35,015,865	(35,015,865)	-
-	(62,261,658)	-	(62,261,658)	-	(62,261,658)
-	-	-	9,594,126	-	9,594,126
-	-	-	266,642	-	266,642
-	-	-	48,639	-	48,639
-	-	11,761,106	11,761,106	-	11,761,106
-	-	(5,880,555)	(5,880,555)	-	(5,880,555)
-	-	17,502,045	17,502,045	-	17,502,045
-	-	1,282,963	1,282,963	-	1,282,963
<b>\$ 7,663,943</b>	<b>\$ 171,779,429</b>	<b>\$ 26,066,535</b>	<b>\$ 233,311,212</b>	<b>\$ (51,061,308)</b>	<b>\$ 182,249,904</b>

\$ 19,962	\$ 6,561	\$ 54,899	\$ 2,599,816	\$ -	\$ 2,599,816
140,000	-	-	140,000	-	140,000
-	-	-	9,478	-	9,478
-	-	30,007,779	35,015,865	(35,015,865)	-
-	18,957,419	-	18,957,419	-	18,957,419
-	134,615,676	-	134,615,676	-	134,615,676
-	27,343,023	-	27,343,023	-	27,343,023
-	26,243,393	-	26,243,393	-	26,243,393
-	16,045,443	-	16,045,443	(16,045,443)	-
<b>159,962</b>	<b>223,211,515</b>	<b>30,062,678</b>	<b>260,970,113</b>	<b>(51,061,308)</b>	<b>209,908,805</b>
<b>4,197,169</b>	<b>(51,432,086)</b>	<b>(3,996,143)</b>	<b>(49,599,191)</b>	<b>-</b>	<b>(49,599,191)</b>
<b>-</b>	<b>-</b>	<b>-</b>	<b>17,839,175</b>	<b>-</b>	<b>17,839,175</b>
<b>3,306,812</b>	<b>-</b>	<b>-</b>	<b>4,101,115</b>	<b>-</b>	<b>4,101,115</b>
<b>7,503,981</b>	<b>(51,432,086)</b>	<b>(3,996,143)</b>	<b>(27,658,901)</b>	<b>-</b>	<b>(27,658,901)</b>
<b>\$ 7,663,943</b>	<b>\$ 171,779,429</b>	<b>\$ 26,066,535</b>	<b>\$ 233,311,212</b>	<b>\$ (51,061,308)</b>	<b>\$ 182,249,904</b>

**ARCHDIOCESE OF DETROIT**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>CENTRAL OPERATIONS</u>	<u>DIOCESAN COLLECTIONS</u>
<b><u>UNRESTRICTED REVENUE AND OTHER SUPPORT:</u></b>		
Bequests and donations	\$ 1,164,482	\$ -
Donations - National collections		2,305,250
Diocesan assessments	13,747,350	-
Catholic Services Appeal pledge income	17,791,556	-
Federal food program	2,708,944	-
Federal refugee program	1,363,586	-
Interest	119,713	36,863
Local share of diocesan collections	-	-
Rent	-	-
Net loss on investments	-	-
Sale of property and other	-	-
Unemployment premiums	-	-
	<hr/>	<hr/>
Total unrestricted revenue and other support	36,895,631	2,342,113
<b>Departmental income:</b>		
Communications	1,562,181	-
Education	359,147	-
Development	193,749	-
Finance	1,537,529	-
Finance - Sacred Heart Major Seminary Conference Center	1,622,405	-
Moderator of the Curia	93,198	-
Parish Life	623,414	-
	<hr/>	<hr/>
Total departmental income	5,991,623	-
	<hr/>	<hr/>
Total revenue, other support and departmental income	42,887,254	2,342,113
<b>Net Assets Released from Restrictions - Purpose restrictions fulfilled</b>		
	<hr/>	<hr/>
Total unrestricted revenue, other support, departmental income and net assets released from restrictions	42,887,254	2,342,113
<b>Expenses:</b>		
<b>Departmental expenses:</b>		
Communications	3,235,722	-
Education	3,939,601	-
Development	1,045,741	-
Finance	12,863,800	-
Moderator	3,526,027	-
Parish Life	4,622,145	-
	<hr/>	<hr/>
Total departmental expenses	29,233,036	-

See Notes to Financial Statements

<u>DESIGNATED FUNDS</u>	<u>LOAN/DEPOSIT PROGRAM</u>	<u>ARCHDIOCESAN PROPERTIES</u>	<u>COMBINED TOTAL</u>	<u>ELIMINATING ENTRIES</u>	<u>TOTAL</u>
\$ 3,124,267	\$ -	\$ -	\$ 4,288,749	-	\$ 4,288,749
-	-	-	2,305,250	-	2,305,250
-	-	-	13,747,350	-	13,747,350
-	-	-	17,791,556	-	17,791,556
-	-	-	2,708,944	-	2,708,944
-	-	-	1,363,586	-	1,363,586
123,486	7,698,691	4,992	7,983,745	(285,054)	7,698,691
18,765	-	-	18,765	-	18,765
248,747	-	400,000	648,747	-	648,747
-	(5,902,144)	-	(5,902,144)	-	(5,902,144)
-	(12,106)	-	(12,106)	-	(12,106)
1,537,322	-	-	1,537,322	-	1,537,322
5,052,587	1,784,441	404,992	46,479,764	(285,054)	46,194,710
-	-	-	1,562,181	-	1,562,181
-	-	-	359,147	-	359,147
-	-	-	193,749	-	193,749
-	-	-	1,537,529	-	1,537,529
-	-	-	1,622,405	-	1,622,405
-	-	-	93,198	-	93,198
-	-	-	623,414	-	623,414
-	-	-	5,991,623	-	5,991,623
5,052,587	1,784,441	404,992	52,471,387	(285,054)	52,186,333
2,938,568	-	-	2,938,568	-	2,938,568
7,991,155	1,784,441	404,992	55,409,955	(285,054)	55,124,901
-	-	-	3,235,722	-	3,235,722
-	-	-	3,939,601	-	3,939,601
-	-	-	1,045,741	-	1,045,741
-	-	-	12,863,800	-	12,863,800
-	-	-	3,526,027	-	3,526,027
-	-	-	4,622,145	-	4,622,145
-	-	-	29,233,036	-	29,233,036

**ARCHDIOCESE OF DETROIT  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>CENTRAL OPERATIONS</u>	<u>DIOCESAN COLLECTIONS</u>
<b>Other Expenses:</b>		
Administrative expenses	-	30,100
Capital expenditures and other projects	3,445,670	-
Clergy Health	3,430,223	-
Collections	500,000	2,695,708
Depreciation	-	-
Donations	220,490	-
Interest	-	-
Loss on sale of property	-	-
PEF grants	737,161	-
Priests pension contribution	739,606	-
Provision for doubtful accounts	-	-
School grants	2,330,826	-
USCCB	220,541	-
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Total other expenses	11,624,517	2,725,808
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Total departmental and other expenses	40,857,553	2,725,808
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<b>Unrestricted revenue, other support, departmental income and net assets released from restrictions over (under) departmental and other expenses</b>	<b>2,029,701</b>	<b>(383,695)</b>
<b>Designated Fund expenses:</b>		
Angel Fund	-	-
Archbishop's Stewardship grants	-	-
Campaign for Human Development grants	-	-
Communications grants	-	-
Rice Bowl grants	-	-
Tuition grants	-	-
Unemployment benefits	-	-
Youth Apostolate grants	-	-
Youth and Family Ministry grants	-	-
	<hr/>	<hr/>
Total Designated Fund expenses	-	-
<b>Non-Central Operations Expenses:</b>		
Cathedral property purchases	705,302	-
Cathedral subsidy	660,000	-
St. Aloysius subsidy	305,000	-
Cemetery subsidy	1,500,000	-
Michigan Catholic subsidy	330,000	-
PAV Bond subsidy	277,591	-
SHMS - Formation/direct Archdiocese of Detroit subsidy	2,031,160	-
SHMS - Theologate students - Tuition and room and board	571,630	-
SHMS - Sacred Heart Archdiocesan Center	5,158,631	-
St. John's Retreat Center subsidy	1,197,039	-
	<hr/>	<hr/>
Total non-Central Operations expenses	12,736,353	-
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See Notes to Financial Statements

<u>DESIGNATED FUNDS</u>	<u>LOAN/DEPOSIT PROGRAM</u>	<u>ARCHDIOCESAN PROPERTIES</u>	<u>COMBINED TOTAL</u>	<u>ELIMINATING ENTRIES</u>	<u>TOTAL</u>
-	186,426	90,126	306,652	-	306,652
-	-	-	3,445,670	-	3,445,670
-	-	-	3,430,223	-	3,430,223
-	-	-	3,195,708	-	3,195,708
-	-	392,037	392,037	-	392,037
-	-	-	220,490	-	220,490
-	5,415,153	1,270,934	6,686,087	(388,535)	6,297,552
-	-	99,909	99,909	-	99,909
-	-	-	737,161	-	737,161
-	-	-	739,606	-	739,606
-	13,261,525	-	13,261,525	-	13,261,525
-	-	-	2,330,826	-	2,330,826
-	-	-	220,541	-	220,541
-	18,863,104	1,853,006	35,066,435	(388,535)	34,677,900
-	18,863,104	1,853,006	64,299,471	(388,535)	63,910,936
<b>7,991,155</b>	<b>(17,078,663)</b>	<b>(1,448,014)</b>	<b>(8,889,516)</b>	<b>103,481</b>	<b>(8,786,035)</b>
3,269,418	-	-	3,269,418	-	3,269,418
525,788	-	-	525,788	-	525,788
353,000	-	-	353,000	-	353,000
141,034	-	-	141,034	-	141,034
25,750	-	-	25,750	-	25,750
1,825,885	-	-	1,825,885	-	1,825,885
896,704	-	-	896,704	-	896,704
225,687	-	-	225,687	-	225,687
208,145	-	-	208,145	-	208,145
7,471,411	-	-	7,471,411	-	7,471,411
-	-	-	705,302	-	705,302
-	-	-	660,000	-	660,000
-	-	-	305,000	-	305,000
-	-	-	1,500,000	-	1,500,000
-	-	-	330,000	-	330,000
-	-	-	277,591	-	277,591
-	-	-	2,031,160	-	2,031,160
-	-	-	571,630	-	571,630
-	-	-	5,158,631	-	5,158,631
-	-	-	1,197,039	-	1,197,039
-	-	-	12,736,353	-	12,736,353



**ARCHDIOCESE OF DETROIT  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>CENTRAL OPERATIONS</u>	<u>DIOCESAN COLLECTIONS</u>
<b>Unrestricted revenue, other support, departmental income and net assets released from restrictions over (under) departmental, other, Designated Fund and non-Central Operations expenses</b>	(10,706,652)	(383,695)
<b>Transfers:</b>		
Transfer LDP - Central Operations subsidy	7,419,538	-
Transfer LDP - Archdiocese of Detroit capital expenses & projects	3,445,670	-
	<hr/>	<hr/>
Total transfers	10,865,208	-
	<hr/>	<hr/>
<b>Increase (Decrease) in Unrestricted Net Assets</b>	158,556	(383,695)
<b>Changes in Temporarily Restricted Net Assets</b>		
<b>Temporarily Restricted Revenue and Other Support:</b>		
Local share of diocesan collections	-	-
Contributions	-	-
Interest	-	-
	<hr/>	<hr/>
Total temporarily restricted revenue and other support	-	-
<b>Contribution from Endowment Foundation, Inc.</b>	-	-
<b>Net Assets Released from Restrictions - Purpose Restrictions Fulfilled</b>	-	-
	<hr/>	<hr/>
<b>Increase (Decrease) in Temporarily Restricted Net Assets</b>	-	-
	<hr/>	<hr/>
<b>Increase (Decrease) in Net Assets</b>	158,556	(383,695)
<b>Net Assets (Deficit) - Beginning of year</b>	19,312,488	1,177,998
	<hr/>	<hr/>
<b>Net Assets (Deficit) - End of Year</b>	<u>\$ 19,471,044</u>	<u>\$ 794,303</u>

<u>DESIGNATED FUNDS</u>	<u>LOAN/DEPOSIT PROGRAM</u>	<u>ARCHDIOCESAN PROPERTIES</u>	<u>COMBINED TOTAL</u>	<u>ELIMINATING ENTRIES</u>	<u>TOTAL</u>
519,744	(17,078,663)	(1,448,014)	(29,097,280)	103,481	(28,993,799)
-	(7,419,538)	-	-	-	-
-	(3,445,670)	-	-	-	-
-	(10,865,208)	-	-	-	-
519,744	(27,943,871)	(1,448,014)	(29,097,280)	103,481	(28,993,799)
377,658	-	-	377,658	-	377,658
360,000	-	-	360,000	-	360,000
103,481	-	-	103,481	(103,481)	-
841,139	-	-	841,139	(103,481)	737,658
3,118,971	-	-	3,118,971	-	3,118,971
(2,938,568)	-	-	(2,938,568)	-	(2,938,568)
1,021,542	-	-	1,021,542	(103,481)	918,061
1,541,286	(27,943,871)	(1,448,014)	(28,075,738)	-	(28,075,738)
5,962,695	(23,488,215)	(2,548,129)	416,837	-	416,837
\$ 7,503,981	\$ (51,432,086)	\$ (3,996,143)	\$ (27,658,901)	\$ -	\$ (27,658,901)

**ARCHDIOCESE OF DETROIT  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<b><u>CENTRAL OPERATIONS</u></b>	<b><u>DIOCESAN COLLECTIONS</u></b>
<b>Cash Flows from Operating Activities:</b>		
Increase (decrease) in net assets	\$ 158,556	\$ (383,695)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Loss on investments	-	-
Provision for doubtful accounts	-	-
Depreciation	-	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(2,699,802)	-
Decrease in land contracts	-	-
Increase in land contract receivable	-	-
Increase in printing inventory	(79)	-
Decrease in prepaid expenses	24,404	-
Increase in benefits payable	-	-
Increase in accounts payable	93,326	-
Net cash provided by (used in) operating activities	<u>(2,423,595)</u>	<u>(383,695)</u>
<b>Cash Flows from Investing Activities:</b>		
Increase (decrease) in investment in Loan Deposit Program	1,744,062	316,995
Purchase of investments	-	-
Purchase of real estate	-	-
Proceeds from sale of investments	-	-
Payments to parishes and schools	-	-
Proceeds from Catholic cemeteries	-	-
Proceeds from other organizations	-	-
Payments to other funds	-	-
Net cash provided by (used in) investing activities	<u>1,744,062</u>	<u>316,995</u>
<b>Cash Flows from Financing Activities:</b>		
Decrease in Due to Loan Deposit Program	345,836	-
Proceeds from parishes and schools	-	-
Advances to other funds	-	-
Advances to other organizations	-	-
Payments on note payable	-	-
Net cash provided by financing activities	<u>345,836</u>	<u>-</u>
<b>Net Increase (Decrease) in Cash Equivalents</b>	<b>(333,697)</b>	<b>(66,700)</b>
<b>Cash Equivalents - Beginning of year</b>	<b><u>1,886,791</u></b>	<b><u>315,757</u></b>
<b>Cash Equivalents - End of year</b>	<b><u>\$ 1,553,094</u></b>	<b><u>\$ 249,057</u></b>

See Notes to Financial Statements

<u>DESIGNATED FUNDS</u>	<u>LOAN/DEPOSIT PROGRAM</u>	<u>ARCHDIOCESAN PROPERTIES</u>	<u>TOTAL</u>
\$ 1,541,286	\$ (27,943,871)	\$ (1,448,014)	\$ (28,075,738)
-	5,902,144	-	5,902,144
-	13,261,525	-	13,261,525
-	-	392,037	392,037
(24,267)	858,918	-	(1,865,151)
-	-	718,912	718,912
-	(25,781)	-	(25,781)
-	-	-	(79)
-	-	-	24,404
15,000	-	-	15,000
1,732	6,561	35,975	137,594
1,533,751	(7,940,504)	(301,090)	(9,515,133)
(1,659,551)	-	-	401,506
-	(5,010,039)	-	(5,010,039)
-	-	(152,488)	(152,488)
-	19,069,338	-	19,069,338
-	(3,931,192)	-	(3,931,192)
-	1,437,954	-	1,437,954
-	739,319	-	739,319
-	(401,454)	-	(401,454)
(1,659,551)	11,903,926	(152,488)	12,152,944
-	-	453,859	799,695
-	6,970,386	-	6,970,386
-	(799,695)	-	(799,695)
-	(3,229,447)	-	(3,229,447)
-	(955,139)	-	(955,139)
-	1,986,105	453,859	2,785,800
(125,800)	5,949,527	281	5,423,611
155,617	6,131,345	695	8,490,205
\$ 29,817	\$ 12,080,872	\$ 976	\$ 13,913,816

**ARCHDIOCESE OF DETROIT**  
**Notes to Financial Statements**  
**June 30, 2009**

**NOTE 1 - ACCOUNTING POLICIES**

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows:

**A. Principles of Reporting**

The financial statements include only those funds for which the Archdiocese of Detroit retains operational control. The financial statements do not include the financial condition and changes in net assets of the Priests' Pension Plan, the Endowment Foundation, Inc., the financial condition and results of operations of parishes, schools, cemeteries, The Michigan Catholic, the Propagation of Faith Office, Catholic charities, the C.Y.O., hospitals and other organizations authorized to operate independently. Some of these organizations have different fiscal year ends and receive substantial financial support from sources outside of the Archdiocese. They all prepare their own financial statements.

A description of the funds included in the financial statements follows:

**Central Operations** - Includes all of the central departments and offices of the Archdiocese. The main sources of funding are from Diocesan assessments, Catholic Services Appeal (C.S.A.) pledge income and transfers from the Loan Deposit Program.

Diocesan assessments are levied on each parish using a specific formula based on the parish's revenue and debt and transfers from the Archdiocesan Properties Fund, the Loan Deposit Program and the Catholic Services Appeal Fund. Diocesan assessments are recorded in the year levied. C.S.A. pledge income contributions are from an annual fund drive. A fund goal is set at the beginning of the drive and is achieved through contributions that are recorded as revenue when made. The amount shown as C.S.A. accounts receivable represents the uncollected pledges from individual parishioners and/or parishes required to attain the fund drive goal, and are due in less than one year.

Central Operations also accounts for the activity of the Archdiocese's Self Insurance Plan.

**Designated Funds** - Accounts for the handling of revenue designated for specific purposes. The revenue must be used within narrow limitations. Donor-restricted contributions to this fund are recorded as temporarily

**ARCHDIOCESE OF DETROIT**  
**Notes to Financial Statements**  
**June 30, 2009**

**NOTE 1 - ACCOUNTING POLICIES (Continued)**

**A. Principles of Reporting (Continued)**

restricted until spent on their intended purpose. The main source of funding is from unemployment premiums and contributions from the Endowment Foundation Inc.

**Archdiocesan Properties** - Accounts for future parish and school sites, land contracts and revenue-producing real estate operated by funds in these financial statements. Future parish and school sites are recorded at cost plus assessments, property taxes and other maintenance costs. Revenue-producing properties are recorded at cost. While the Archdiocese holds legal title, the Archdiocesan Properties Fund excludes the cost of land, buildings and equipment of parishes, schools and other institutions not presented in these financial statements and property and equipment used in other than revenue-producing activity of operation of the funds included in these financial statements.

**Loan Deposit Program** - Accounts for the deposits and loans made in the cooperative investment and lending program for the mutual benefit of the parishes and other organizations in the Archdiocese. Interest is paid to parishes semiannually on their deposits at a rate of 3 percent per annum; and to others at rates ranging from 3 percent to 3.5 percent per annum. Interest is charged semiannually on loans made to parishes and others at rates of up to 5 percent and 5.5 percent per annum for varying lengths of maturity.

The allowance for uncollectible loans is maintained based on a review of the loan balances and the financial condition of the related parishes and is considered adequate to cover possible uncollectible loans at June 30, 2009.

**Diocesan Collections** - Accounts for the receipts from parishes for extra-Diocesan appeals. Amounts received with donor restrictions as to the use are recorded as temporarily restricted revenues. The Archdiocese retains 25 percent of both the Human Development and Rice Bowl collections and 50 percent of the Catholic Communications collection for local programs and remits the remaining amount to the national headquarters for national programs.

**B. Cash Equivalents**

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

**ARCHDIOCESE OF DETROIT**  
**Notes to Financial Statements**  
**June 30, 2009**

**NOTE 1 - ACCOUNTING POLICIES (Continued)**

**C. Investments**

Investments of the Loan Deposit Program are stated at fair market value.

Land contracts receivable result from real estate sales. The contracts are expected to be held by the Archdiocese to their maturities.

Investment income is recorded as earned for all funds.

**D. Property and Equipment**

The Archdiocese of Detroit records as assets, real estate and equipment used in revenue-producing activity by funds included in these financial statements. Other real estate and equipment used in the operations under fiscal responsibility of the Archdiocese are recorded as expenditures in current operations when acquired. Depreciation of recorded assets is computed using the straight-line method over the useful lives of the assets. Revenue from the sale of property and equipment is recognized at the time of sale. The recorded cost and all expenditures related to property taken out of service are offset against the revenue.

**E. Contributions**

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, and are measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets.

**F. Expenditures**

All expenditures are recorded on the accrual basis.

**ARCHDIOCESE OF DETROIT**  
**Notes to Financial Statements**  
**June 30, 2009**

**NOTE 1 - ACCOUNTING POLICIES (Continued)**

**G. Tax Status**

The Archdiocese of Detroit is exempt from income tax under Internal Revenue Code Section 501(c)(3).

**H. Classification of Net Assets**

Net assets of the Archdiocese are classified as permanently restricted, temporarily restricted or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the Archdiocese's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

**Unrestricted** - Net assets designated for future use in the Central Operations Fund are designated for use in the fiscal year beginning July 1, 2009.

**Temporarily Restricted** - Net assets in the Designated Funds are restricted for various specific purposes as specified by the donor. Net assets in Diocesan Collections are restricted to use for the country or purpose for which they were donated.

**I. 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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**J. Risks and Uncertainties**

The Archdiocese invests in various securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments securities, it is at least



**ARCHDIOCESE OF DETROIT**  
**Notes to Financial Statements**  
**June 30, 2009**

**NOTE 1 - ACCOUNTING POLICIES (Continued)**

**J. Risks and Uncertainties (Continued)**

reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

**K. Subsequent Events**

The financial statements and related disclosures include evaluation of events up through and including December 9, 2009, which is the date the financial statements were issued.

**NOTE 2 - INVESTMENTS**

A summary of all investments and cash equivalents held by the Archdiocese of Detroit at June 30, 2009 is as follows:

	<b>Fair Market At 6/30/09</b> -----
Cash and cash equivalents.....	\$ 4,709,018
Stocks.....	75,775,378
Government and agency securities.....	40,424,929
	-----
Total	\$ 120,909,325
	-----

The Loan Deposit Program investments are allocated 16.8 percent of the total investment portfolio at June 30, 2009. The Endowment Foundation, Inc. and Priests' Pension Plan investments are included above, but both are reported separately, and are allocated approximately 53.2 percent and 30.0 percent of the total portfolio at June 30, 2009.

**NOTE 3 - LAND CONTRACTS RECEIVABLE**

**Archdiocesan Properties Fund** - The total consists of one contract with a 3 percent per annum interest rate and due August 2010.

**ARCHDIOCESE OF DETROIT**  
**Notes to Financial Statements**  
**June 30, 2009**

**NOTE 3 - LAND CONTRACTS RECEIVABLE (Continued)**

**Loan Deposit Program Fund** – The total consists of two 0 percent interest-bearing contracts due in 2025 and 2026.

Land contract receivable	\$6,250,000
Discount on loan	<u>(3,250,160)</u>
Net loan contract receivable	<u>\$2,999,840</u>

**NOTE 4 - SELF-INSURANCE PLAN**

During the year ended June 30, 1987, the Archdiocese entered into a self-insurance plan with the other Michigan dioceses for workers' compensation, liability and property coverage. The plan is managed by the Michigan Catholic Conference and claims administered by a third-party administrator. Initial losses of up to \$300,000 for workers' compensation, \$500,000 for liability and \$250,000 for property per occurrence are the responsibility of the plan. The premiums paid to the plan by the Archdiocese are recorded in the expenditures of the Central Operations Fund.

The plan's specific reinsurance carrier is responsible for all claims in excess of \$100,000 for workers' compensation, \$100,000 for liability and \$100,000 for property per occurrence up to a limit of \$100,000,000 per occurrence. For the current year, the plan is responsible for aggregate losses up to \$12,155,492. The Archdiocese, along with the other dioceses included in the plan, is contingently liable for claims in excess of these amounts. This contingency is not estimatable nor determinable and has not been accounted for in the financial statements.

**NOTE 5 - COMMITMENTS**

**Loan Deposit Program** - There are no remaining amounts of loans approved and committed to parishes for construction projects during the next fiscal year.

The Archdiocese of Detroit has guaranteed the irrevocable letter of credit with a bank related to the bond issue of Pontiac Vision 2000 Schools, Inc. for \$13,376,000. In the event of default by Pontiac Vision 2000 Schools, Inc., the Archdiocese of Detroit could be obligated to repay the full amount outstanding on the bonds. In the event the Archdiocese is required to make

**ARCHDIOCESE OF DETROIT**  
**Notes to Financial Statements**  
**June 30, 2009**

**NOTE 5 - COMMITMENTS (Continued)**

payments under the guarantee, the Archdiocese could seek to recover those amounts from the schools; however, the Archdiocese does not hold specific recourse or collateral rights in connection with the guarantee.

**NOTE 6 - PENSION PLAN - LAY EMPLOYEES**

The Archdiocese contributes to a statewide defined benefit pension plan that covers substantially all lay employees. The plan is administered by the Michigan Catholic Conference (MCC). Contributions to the plan are based on a percentage of covered employees' wages and amounted to \$651,233 for the year ended June 30, 2009 for employees of the Central Office. The percentage of wages to be contributed is 6.6 percent. The pension plan assets exceeded the actuarially computed value of vested benefits as of June 30, 2008, the date of the last actuarial valuation. The weighted average assumed rate of return used in the valuation was 8 percent.

Information as to the actuarial present value of vested and non-vested accumulated plan benefits and the plan's net assets available for benefits attributable to employees of the Archdiocese of Detroit is not available since the MCC does not compute it for each participating diocese.

**NOTE 7 - REPLACEMENT VALUE OF BUILDINGS**

The replacement value of the real property (buildings only) of parishes, schools and institutions owned by the Archdiocese is in excess of \$20,000,000 as determined by Marshall Swift Valuation Services Cost Indices as of June 30, 2009. The replacement value of the real property included in this valuation is comprised substantially of buildings that are excluded from the Archdiocesan Properties Fund.

**NOTE 8 - SACRED HEART ARCHDIOCESAN CENTER**

On July 1, 1994, the Archdiocesan Properties and Central Operations Funds took over the property and service management of Sacred Heart Archdiocesan Center. The property and related debt have been recorded in the Archdiocesan Properties Fund at the original amount of the debt transferred (\$11,761,103). The property is being depreciated on a straight-line basis over the estimated useful life of the property. The debt, which is non-interest bearing and being paid off at approximately \$400,000 per year over 30 years, is owed to the Loan Deposit Program Fund, which has recorded the loan as Loans To Others Included In This Report. The income and expenses related to the service management have been recorded in the Central Operations Fund.

**ARCHDIOCESE OF DETROIT**  
**Notes to Financial Statements**  
**June 30, 2009**

**NOTE 9 - CASH FLOWS**

Cash paid for interest for the year ended June 30, 2009 is as follows:

Loan Deposit Program	\$ 5,415,153
Properties Fund	\$ 1,270,934
Central Operations	\$ 59,384

**NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

A summary of the methods and significant assumptions used to estimate the fair value of financial instruments for Central Operations, Designated Funds, Loan Deposit Program, Archdiocesan Properties and Diocesan Collections is as follows:

**Short-Term Financial Instruments** - The fair values of short-term financial instruments, including cash and cash equivalents, accrued interest and dividends, C.S.A. contributions, assessment and accounts receivable, accounts and benefits payable, and pending insurance claims, all due to Archdiocese-related entities or funds, approximate their carrying amounts in the accompanying financial statements due to the short maturity of such instruments.

**Land Contract Receivable** - The fair values of land contracts receivable approximate the carrying amounts since interest rates reflect current market rates.

**Investments** - The fair values of investments, including investment in Loan Deposit Program securities and investments, are comprised of the funds' individual share of the trust demand notes, stock and government and agency and corporate securities and approximate the carrying amounts, which are based on quoted market prices.

**Due to Loan Deposit Program** - The fair value of Due to Loan Deposit Program approximates the carrying amount since the interest rates reflect current market rates.

**Loans** - The fair value of all interest-bearing loans approximates the carrying amount since rates reflect current market rates. The fair value of the non interest-bearing loans, with a carrying amount of approximately \$34,867,000, cannot be determined due to the uncertainty of collections.

**ARCHDIOCESE OF DETROIT**  
**Notes to Financial Statements**  
**June 30, 2009**

**NOTE 11 - NOTE PAYABLE**

The Archdiocese also has an unsecured note payable to a bank bearing interest at a rate of 5.87 percent per annum. Payments, including principal and interest, of \$529,848 are due quarterly through January 2012, at which time the Archdiocese can either extend the repayment at the same terms for an additional five years or pay the remaining principal. The principal remaining on the loan at June 30, 2009 is \$18,957,419.

**NOTE 12 - FAIR VALUE MEASUREMENTS**

As of July 1, 2008, the Archdiocese adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157). SFAS 157 clarifies the definition of fair value, establishes a framework for measuring fair value, and expands the disclosures for fair value measurements. The standard applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS 157 are effective prospectively for periods beginning July 1, 2008 for financial assets and liabilities and for periods beginning July 1, 2009 for nonfinancial assets and liabilities as a result of the deferral of the effective date of SFAS 157 provided by FSP FAS 157-2. The implementation of the provisions of SFAS 157 for financial assets and liabilities as of July 1, 2008 did not have a material impact on the Archdiocese's financial statements.

The following tables present information about the Archdiocese's assets measured at fair value on a recurring basis at June 30, 2009, and the valuation techniques used by the Archdiocese to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Archdiocese has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. The estimated fair value of these assets is provided by external investment managers based on the fair value of the underlying assets.

**ARCHDIOCESE OF DETROIT**  
**Notes to Financial Statements**  
**June 30, 2009**

**NOTE 12 - FAIR VALUE MEASUREMENTS (Continued)**

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Archdiocese's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

**Assets Measured at Fair Value on a Recurring Basis at June 30, 2009**

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2009
Mutual funds	\$ 353,988	\$ 10,321,339	\$ -	\$ 10,675,327
Publicly traded securities	383,310	333,374	-	716,684
Bonds	-	5,443,626	-	5,443,626
Other investments	-	-	2,420,117	2,420,117

**Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis**

	<u>Other Investments</u>
Balance at July 1, 2008	\$ 3,640,581
Total realized and unrealized losses included in income	(1,373,645)
Net transfers in/out	<u>153,181</u>
Balance at June 30, 2009	<u>\$ 2,420,117</u>

**ARCHDIOCESE OF DETROIT**  
**Notes to Financial Statements**  
**June 30, 2009**

**NOTE 12 - FAIR VALUE MEASUREMENTS (Continued)**

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

Other investments categorized as Level 3 assets consist of equity and foreign currency investments. Estimated fair values are provided by external investment managers. The Archdiocese reviews and evaluates the values provided by the investment manager and agrees with the valuation methods used and significant assumptions used in determining fair value.

**NOTE 13 - MANAGEMENT'S PLANS**

The Archdiocese has had significant losses over the past few years in certain funds. Management's business plan to improve the economic viability of the Archdiocese includes the implementation of a financial and operations restructuring plan. This plan implementation began subsequent to year end. In accordance with the plan, the Archdiocese instituted early retirement incentives and staff layoffs in October and November 2009. In addition, the Archbishop has appointed a committee comprised of lay and clergy representatives to continue the implementation over the coming year and beyond.