



ARCHDIOCESE OF DETROIT
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2010

Archdiocese of Detroit

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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, 2010 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, 2010 and the changes in its net assets and its 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 15, 2010 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.

Plante & Moran, PLLC

December 15, 2010

Archdiocese of Detroit

	Central Operations	Diocesan Collections	Designated
Assets			
Cash	\$ 427,195	\$ 273,544	\$ 294,205
Accounts receivable	535,497	-	-
Assessment receivable	6,077,703	-	-
Catholic Services Appeal accounts receivable	2,048,521	-	-
Food inventory	9,932	-	-
Funds held by investment managers	-	-	-
Investment in Loan Deposit Program	1,077,653	404,845	7,959,560
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	8,489,685	-	-
Prepaid expenses	316,380	-	-
Printing inventory	52,297	-	-
Real estate	-	-	-
Less accumulated depreciation	-	-	-
Real estate for future parish sites	-	-	-
Real estate other	-	-	-
Total assets	<u>\$ 19,034,863</u>	<u>\$ 678,389</u>	<u>\$ 8,253,765</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable	\$ 1,596,524	\$ 6,457	\$ 262,636
Due to Loan Deposit Program	5,632,398	-	-
Note payable	-	-	-
Due to parishes and schools	-	-	-
Due to cemeteries	-	-	-
Due to other organizations	-	-	-
Due to other funds included in this report	-	-	-
Total liabilities	<u>7,228,922</u>	<u>6,457</u>	<u>262,636</u>
Net Assets			
Unrestricted - Undesignated	(5,913,044)	-	4,300,390
Unrestricted - Designated for future use	17,718,985	-	-
Temporarily restricted	-	671,932	3,690,739
Total net assets	<u>11,805,941</u>	<u>671,932</u>	<u>7,991,129</u>
Total liabilities and net assets	<u>\$ 19,034,863</u>	<u>\$ 678,389</u>	<u>\$ 8,253,765</u>

Balance Sheet June 30, 2010

Loan/Deposit Program	Archdiocesan Properties	Combined Total	Eliminating Entries	Total
\$ 13,161,103	\$ -	\$ 14,156,047	\$ -	\$ 14,156,047
-	234,530	770,027	-	770,027
-	-	6,077,703	-	6,077,703
-	-	2,048,521	-	2,048,521
-	-	9,932	-	9,932
20,947,792	-	20,947,792	-	20,947,792
-	-	9,442,058	(9,442,058)	-
3,000,009	1,260,000	4,260,009	-	4,260,009
97,261,881	-	97,261,881	-	97,261,881
61,861,449	-	61,861,449	-	61,861,449
36,866,830	-	36,866,830	(36,866,830)	-
(78,000,000)	-	(78,000,000)	-	(78,000,000)
-	-	8,489,685	-	8,489,685
-	-	316,380	-	316,380
-	-	52,297	-	52,297
-	11,761,106	11,761,106	-	11,761,106
-	(6,272,592)	(6,272,592)	-	(6,272,592)
-	17,607,817	17,607,817	-	17,607,817
-	1,195,262	1,195,262	-	1,195,262
<u>\$ 155,099,064</u>	<u>\$ 25,786,123</u>	<u>\$ 208,852,204</u>	<u>\$ (46,308,888)</u>	<u>\$ 162,543,316</u>
\$ 30,926	\$ 71,622	\$ 1,968,165	\$ -	\$ 1,968,165
-	31,234,432	36,866,830	(36,866,830)	-
18,215,763	-	18,215,763	-	18,215,763
137,963,170	-	137,963,170	-	137,963,170
27,118,632	-	27,118,632	-	27,118,632
26,753,895	-	26,753,895	-	26,753,895
9,442,058	-	9,442,058	(9,442,058)	-
<u>219,524,444</u>	<u>31,306,054</u>	<u>258,328,513</u>	<u>(46,308,888)</u>	<u>212,019,625</u>
(64,425,380)	(5,519,931)	(71,557,965)	-	(71,557,965)
-	-	17,718,985	-	17,718,985
-	-	4,362,671	-	4,362,671
<u>(64,425,380)</u>	<u>(5,519,931)</u>	<u>(49,476,309)</u>	<u>-</u>	<u>(49,476,309)</u>
<u>\$ 155,099,064</u>	<u>\$ 25,786,123</u>	<u>\$ 208,852,204</u>	<u>\$ (46,308,888)</u>	<u>\$ 162,543,316</u>

Archdiocese of Detroit

	Central Operations	Diocesan Collections	Designated
Unrestricted Revenue and Other Support			
Bequests and donations	\$ 118,068	\$ -	\$ 3,510,326
Diocesan assessments	9,992,412	-	-
Priest assessments	3,591,120	-	-
Catholic Services Appeal pledge income	17,370,607	-	-
Federal food program	2,330,672	-	-
Federal refugee program	729,276	-	-
Interest	16,623	-	138,064
Local share of diocesan collections	-	-	18,766
Rent	-	-	263,986
Return on investment - Gain	-	-	-
Sale of property and other	-	-	67,812
Unemployment premiums	-	-	1,399,575
	<hr/>	<hr/>	<hr/>
Total unrestricted revenue and other support	34,148,778	-	5,398,529
Departmental Income			
Communications	894,059	-	-
Education, Evangelization, Catechesis and Schools	285,780	-	-
Development	30,588	-	-
Finance and Administration	906,025	-	-
Finance - Sacred Heart Major Seminary Conference Center	1,204,338	-	-
Moderator of the Curia	105,143	-	-
Parish Life and Services	411,483	-	-
	<hr/>	<hr/>	<hr/>
Total departmental income	3,837,416	-	-
	<hr/>	<hr/>	<hr/>
Total revenue and departmental income	37,986,194	-	5,398,529
Net Assets Released from Restrictions - Purpose restrictions fulfilled	<hr/>	<hr/>	<hr/>
	-	4,274,165	2,207,611
	<hr/>	<hr/>	<hr/>
Total unrestricted revenue, other support, departmental income, and net assets released from restrictions	37,986,194	4,274,165	7,606,140

**Statement of Activities and Changes in Net Assets
Year Ended June 30, 2010**

Loan/Deposit Program	Archdiocesan Properties	Combined Total	Eliminating Entries	Total
\$ -	\$ -	\$ 3,628,394	\$ -	\$ 3,628,394
-	-	9,992,412	-	9,992,412
-	-	3,591,120	-	3,591,120
-	-	17,370,607	-	17,370,607
-	-	2,330,672	-	2,330,672
-	-	729,276	-	729,276
7,402,642	-	7,557,329	(171,745)	7,385,584
-	-	18,766	-	18,766
-	400,000	663,986	-	663,986
2,175,725	-	2,175,725	-	2,175,725
2,084,671	-	2,152,483	-	2,152,483
-	-	1,399,575	-	1,399,575
11,663,038	400,000	51,610,345	(171,745)	51,438,600
-	-	894,059	-	894,059
-	-	285,780	-	285,780
-	-	30,588	-	30,588
-	-	906,025	-	906,025
-	-	1,204,338	-	1,204,338
-	-	105,143	-	105,143
-	-	411,483	-	411,483
-	-	3,837,416	-	3,837,416
11,663,038	400,000	55,447,761	(171,745)	55,276,016
-	-	6,481,776	-	6,481,776
11,663,038	400,000	61,929,537	(171,745)	61,757,792

Archdiocese of Detroit

	Central Operations	Diocesan Collections	Designated
Expenditures			
Departmental expenditures:			
Communications	\$ 2,543,835	\$ -	\$ -
Education, Evangelization, Catechesis and Schools	3,427,689	-	-
Development	1,361,438	-	-
Finance and Administration	13,131,397	-	-
Moderator of the Curia	3,226,440	-	-
Parish Life and Services	3,701,838	-	-
	<hr/>	<hr/>	<hr/>
Total departmental expenditures	27,392,637	-	-
Other expenditures:			
Administrative expenses	-	30,040	-
Capital expenditures and other projects	1,535,411	-	-
Clergy health	3,419,929	-	-
Collections	-	4,244,125	-
Depreciation	-	-	-
Donations	149,162	-	-
Interest	-	-	-
Closed parish costs	-	-	-
Parish Empowerment Fund grants	812,089	-	-
Priests' Pension Plan contribution	452,820	-	-
Provision for doubtful accounts	-	-	-
School Outreach Fund Grants	1,922,341	-	-
United States Conference of Catholic Bishops	439,301	-	-
	<hr/>	<hr/>	<hr/>
Total other expenditures	8,731,053	4,274,165	-
	<hr/>	<hr/>	<hr/>
	36,123,690	4,274,165	-
	<hr/>	<hr/>	<hr/>
Unrestricted Revenue, Other Support, Departmental Income and Net Assets Released from Restrictions Over (Under) Departmental and Other Expenditures	1,862,504	-	7,606,140

Statement of Activities and Changes in Net Assets (Continued)
Year Ended June 30, 2010

Loan/Deposit Program	Archdiocesan Properties	Combined Total	Eliminating Entries	Total
\$ -	\$ -	\$ 2,543,835	\$ -	\$ 2,543,835
-	-	3,427,689	-	3,427,689
-	-	1,361,438	-	1,361,438
-	-	13,131,397	-	13,131,397
-	-	3,226,440	-	3,226,440
-	-	3,701,838	-	3,701,838
-	-	27,392,637	-	27,392,637
996,443	-	1,026,483	-	1,026,483
-	-	1,535,411	-	1,535,411
-	-	3,419,929	-	3,419,929
-	-	4,244,125	-	4,244,125
-	392,037	392,037	-	392,037
-	-	149,162	-	149,162
6,288,355	1,367,417	7,655,772	(273,381)	7,382,391
824,244	164,334	988,578	-	988,578
-	-	812,089	-	812,089
-	-	452,820	-	452,820
16,547,290	-	16,547,290	-	16,547,290
-	-	1,922,341	-	1,922,341
-	-	439,301	-	439,301
<u>24,656,332</u>	<u>1,923,788</u>	<u>39,585,338</u>	<u>(273,381)</u>	<u>39,311,957</u>
<u>24,656,332</u>	<u>1,923,788</u>	<u>66,977,975</u>	<u>(273,381)</u>	<u>66,704,594</u>
(12,993,294)	(1,523,788)	(5,048,438)	101,636	(4,946,802)

Archdiocese of Detroit

	Central Operations	Diocesan Collections	Designated
Designated Fund Expenditures			
Angel Fund	\$ -	\$ -	\$ 3,604,799
Archbishop's Stewardship grants	-	-	455,780
Campaign for Human Development grants	-	-	73,500
Communications grants	-	-	40,492
Rice Bowl grants	-	-	26,500
Tuition grants	-	-	1,480,121
Unemployment benefits	-	-	1,589,277
Youth Apostolate grants	-	-	60,738
Youth and Family Ministry grants	-	-	171,710
	<hr/>	<hr/>	<hr/>
Total designated fund expenditures	-	-	7,502,917
Non-Central Operations Expenditures			
Cathedral property purchases	135,193	-	-
Cathedral subsidy	600,000	-	-
St. Aloysius subsidy	304,700	-	-
Michigan Catholic subsidy	230,500	-	-
Pontiac Area Vicariate bond subsidy	322,128	-	-
Sacred Heart Major Seminary:			
Formation/direct Archdiocese of Detroit subsidy	1,694,136	-	-
Theologate Students - Tuition and room and board	754,310	-	-
Sacred Heart Archdiocesan Center	5,166,640	-	-
St. John's Retreat Center subsidy	320,000	-	-
	<hr/>	<hr/>	<hr/>
Total other non-Central Operations expenditures	9,527,607	-	-
(Decrease) Increase in Unrestricted Net Assets	(7,665,103)	-	103,223
Temporarily Restricted Revenue and Other Support			
Local share of diocesan collections	-	-	23,380
Donations - National collections	-	4,134,736	-
Interest	-	17,058	101,636
	<hr/>	<hr/>	<hr/>
Total temporarily restricted revenue and other support	-	4,151,794	125,016
Contribution from Endowment Foundation, Inc.	-	-	2,466,520
Net Assets Released from Restrictions - Purpose restrictions fulfilled	-	(4,274,165)	(2,207,611)
	<hr/>	<hr/>	<hr/>
Increase (Decrease) in Temporarily Restricted Net Assets	-	(122,371)	383,925
Increase (Decrease) in Net Assets	(7,665,103)	(122,371)	487,148
Net Assets (Deficit) - Beginning of year	19,471,044	794,303	7,503,981
	<hr/>	<hr/>	<hr/>
Net Assets (Deficit) - End of year	<u>\$ 11,805,941</u>	<u>\$ 671,932</u>	<u>\$ 7,991,129</u>

Statement of Activities and Changes in Net Assets (Continued)
Year Ended June 30, 2010

Loan/Deposit Program	Archdiocesan Properties	Combined Total	Eliminating Entries	Total
\$ -	\$ -	\$ 3,604,799	\$ -	\$ 3,604,799
-	-	455,780	-	455,780
-	-	73,500	-	73,500
-	-	40,492	-	40,492
-	-	26,500	-	26,500
-	-	1,480,121	-	1,480,121
-	-	1,589,277	-	1,589,277
-	-	60,738	-	60,738
-	-	171,710	-	171,710
-	-	7,502,917	-	7,502,917
-	-	135,193	-	135,193
-	-	600,000	-	600,000
-	-	304,700	-	304,700
-	-	230,500	-	230,500
-	-	322,128	-	322,128
-	-	1,694,136	-	1,694,136
-	-	754,310	-	754,310
-	-	5,166,640	-	5,166,640
-	-	320,000	-	320,000
-	-	9,527,607	-	9,527,607
(12,993,294)	(1,523,788)	(22,078,962)	101,636	(21,977,326)
-	-	23,380	-	23,380
-	-	4,134,736	-	4,134,736
-	-	118,694	(101,636)	17,058
-	-	4,276,810	(101,636)	4,175,174
-	-	2,466,520	-	2,466,520
-	-	(6,481,776)	-	(6,481,776)
-	-	261,554	(101,636)	159,918
(12,993,294)	(1,523,788)	(21,817,408)	-	(21,817,408)
(51,432,086)	(3,996,143)	(27,658,901)	-	(27,658,901)
\$ (64,425,380)	\$ (5,519,931)	\$ (49,476,309)	\$ -	\$ (49,476,309)

Archdiocese of Detroit

	Central Operations	Diocesan Collections
Cash Flows from Operating Activities:		
Increase (decrease) in net assets	\$ (7,665,103)	\$ (122,371)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Gain on investments	-	-
Provision for doubtful accounts	-	-
Depreciation	-	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	87,405	-
Decrease in land contracts	-	-
Increase in land contract receivable	-	-
Increase in inventory	(4,112)	-
Increase in prepaid expenses	(49,738)	-
Decrease in deferred revenue	(9,478)	-
Decrease in benefits payable	-	-
Increase (decrease) in accounts payable	(921,870)	6,457
Net cash provided by (used in) operating activities	(8,562,896)	(115,914)
Cash Flows from Investing Activities:		
Increase (decrease) in investment in Loan Deposit Program	6,812,685	140,401
Purchase of investments	-	-
Purchase of real estate	-	-
Proceeds from sale of investments	-	-
Proceeds from parishes and schools	-	-
Payments to Catholic cemeteries	-	-
Proceeds from other organizations	-	-
Payments to other funds	-	-
Net cash provided by (used in) investing activities	6,812,685	140,401
Cash Flows from Financing Activities:		
Increase in Due to Loan Deposit Program	624,312	-
Proceeds from parishes and schools	-	-
Advances to other funds	-	-
Advances to other organizations	-	-
Payments on note payable	-	-
Net cash provided by financing activities	624,312	-
Net Increase (Decrease) in Cash Equivalents	(1,125,899)	24,487
Cash Equivalents - Beginning of year	1,553,094	249,057
Cash Equivalents - End of year	<u>\$ 427,195</u>	<u>\$ 273,544</u>

Statement of Cash Flows Year Ended June 30, 2010

Designed Funds	Loan/Deposit Program	Archdiocesan Properties	Total
\$ 487,148	\$ (12,993,294)	\$ (1,523,788)	\$ (21,817,408)
-	(2,175,725)	-	(2,175,725)
-	15,738,342	-	15,738,342
-	-	392,037	392,037
24,267	-	(234,530)	(122,858)
-	-	140,000	140,000
-	(169)	-	(169)
-	-	-	(4,112)
-	-	-	(49,738)
-	-	-	(9,478)
(140,000)	-	-	(140,000)
<u>242,674</u>	<u>24,365</u>	<u>16,723</u>	<u>(631,651)</u>
614,089	593,519	(1,209,558)	(8,680,760)
(349,701)	-	-	6,603,385
-	(13,407,051)	-	(13,407,051)
-	-	(18,071)	(18,071)
-	13,890,738	-	13,890,738
-	3,347,494	-	3,347,494
-	(224,391)	-	(224,391)
-	510,502	-	510,502
-	(6,603,385)	-	(6,603,385)
<u>(349,701)</u>	<u>(2,486,093)</u>	<u>(18,071)</u>	<u>4,099,221</u>
-	-	1,226,653	1,850,965
-	9,272,421	-	9,272,421
-	(1,850,965)	-	(1,850,965)
-	(3,706,995)	-	(3,706,995)
-	(741,656)	-	(741,656)
<u>-</u>	<u>2,972,805</u>	<u>1,226,653</u>	<u>4,823,770</u>
264,388	1,080,231	(976)	242,231
<u>29,817</u>	<u>12,080,872</u>	<u>976</u>	<u>13,913,816</u>
<u>\$ 294,205</u>	<u>\$ 13,161,103</u>	<u>\$ -</u>	<u>\$ 14,156,047</u>

Note I - 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 (“Archdiocese”) 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 Society for the Propagation of the Faith, Catholic charities, Catholic Youth Organization, 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 federal programs.

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 C.S.A. pledge income. 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 Catholic Services Appeal 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 restricted until spent on their intended purpose. The main sources of funding are from unemployment premiums and contributions from the Endowment Foundation, Inc.

Note I - Accounting Policies (Continued)

A. Principles of Reporting (Continued)

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 determined based on a review of the loan balances and the financial condition of the related parishes and other organizations and is considered adequate to cover possible uncollectible loans at June 30, 2010.

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.

Note I - 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.

G. Tax Status

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

Note I - Accounting Policies (Continued)

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, 2010.

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 investment securities, it is at least 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 15, 2010, which is the date the financial statements were available to be issued.

Archdiocese of Detroit

Notes to Financial Statements June 30, 2010

Note 2 - Investments

A summary of all investments and cash equivalents held by the Archdiocese of Detroit at June 30, 2010 is as follows:

	<u>Fair Market Value</u>
Cash and cash equivalents	\$ 1,323,243
Stocks	83,039,620
Fixed income instruments	<u>46,726,216</u>
Total	<u>\$ 131,089,079</u>

The Loan Deposit Program investments are allocated 16.4 percent of the total investment portfolio at June 30, 2010. The Endowment Foundation, Inc. and Priests' Pension Plan investments are included above, but both are reported separately, and are allocated approximately 53.0 percent and 30.6 percent of the total portfolio at June 30, 2010.

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.

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 land contract receivable	<u>(3,249,991)</u>
Net land contract receivable	<u>\$ 3,000,009</u>

Note 4 - Self-insurance Plan

The Archdiocese participates in 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 (MCC) 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.

Note 4 - Self-insurance Plan (Continued)

The plan's specific reinsurance carrier is responsible for all claims in excess of \$1,000,000 for workers' compensation, \$1,000,000 for liability and \$500,000 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 \$12,599,230. The Archdiocese, along with the other dioceses included in the plan, is contingently liable for claims in excess of these amounts. This contingency is neither estimable nor determinable and has not been accounted for in the financial statements.

Note 5 - Commitments

Loan Deposit Program - There are no significant 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 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 MCC. Contributions to the plan are based on a percentage of covered employees' wages and amounted to \$782,631 for the year ended June 30, 2010 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, 2009, 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 \$1.5 billion as determined by Marshall Swift Valuation Services Cost Indices as of June 30, 2010. The replacement value of the real property included in this valuation is comprised substantially of buildings 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 (\$11,761,106). The property is being depreciated on a straight-line basis over the estimated useful life of the property. The debt, which is noninterest 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 other funds included in this report". The income and expenses related to the service management have been recorded in the Central Operations fund.

Note 9 - Cash Flows

Cash paid for interest for the year ended June 30, 2010 is as follows:

Loan deposit program	\$	6,288,355
Properties fund		1,367,417
Central operations		32,039

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, C.S.A. contributions, assessment and accounts receivable, and accounts payable, 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 non-interest-bearing land contracts receivable cannot be determined due to the uncertainty of collection.

Note 10 - Fair Value of Financial Instruments (Continued)

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 noninterest-bearing loans, with a carrying amount of \$64,613,619, cannot be determined due to the uncertainty of collections.

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. On April 1, 2010, the Archdiocese amended the note and modified the payment terms. Payments of interest only are due quarterly. In January 2012, the Archdiocese can either extend the repayment for an additional five years or pay the remaining principal. The principal remaining on the loan at June 30, 2010 is \$18,215,763.

Note 12 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provides a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Archdiocese's assets measured at fair value on a recurring basis at June 30, 2010, and the valuation techniques used by the Archdiocese to determine those fair values.

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

Level 2 - 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 and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Note 12 - Fair Value Measurements (Continued)

Level 3 - 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. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

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, 2010

	Quoted Prices in			Balance at June 30, 2010
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets				
Investments:				
Mutual funds - Equity	\$ 1,033,082	\$ 7,445,770	\$ -	\$ 8,478,852
Mutual funds - Fixed income	-	2,442,636	-	2,442,636
Equity securities - Common stock	29,122	-	-	29,122
Equity securities - Real estate investment trusts	499,339	-	-	499,339
Equity securities - Foreign stock	-	310,177	-	310,177
Fixed income - Assets backed securities	-	1,055,248	-	1,055,248
Fixed income - Collateralized mortgage obligations	-	1,255,989	-	1,255,989
Fixed income - Corporate bonds	-	2,039,334	-	2,039,334
Fixed income - Foreign bonds and notes	-	481,647	-	481,647
Fixed income - Mortgage backed securities	-	77,107	-	77,107
Fixed income - US Federal agency securities	-	625,406	-	625,406
Fixed income - US government obligations	-	1,960,059	-	1,960,059
Vatican Bank Investment	-	-	1,692,876	1,692,876
	<u>\$ 1,561,543</u>	<u>\$ 17,693,373</u>	<u>\$ 1,692,876</u>	<u>\$ 20,947,792</u>

Note 12 - Fair Value Measurements (Continued)

An investment reported as Level 3 in the June 30, 2009 financial statements with a value of \$689,884 has been reclassified to Level 1 based on additional information received from the custodian of the investment. The table below disclosing the assets measured at fair value on a recurring basis at June 30, 2009 has been adjusted for this reclassification.

Changes in Level 3 assets measured at fair value on a recurring basis for the year ended June 30, 2010 are as follows:

Balance at July 1, 2009	\$ 1,730,233
Total realized and unrealized losses included in income	<u>(37,357)</u>
Balance at June 30, 2010	<u>\$ 1,692,876</u>

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

The fair value of the Vatican Bank Investment at June 30, 2010 was determined based primarily on Level 3 inputs. The Archdiocese estimates the fair market value of these investments based on values reported by the Vatican Bank. The unrealized loss of \$37,357 was recognized in the statement of activities and changes in net assets.

Descriptions of the assets held are as follows:

Mutual Funds - Equity include mutual funds designed to index U.S. markets as well as invest in established and emerging international markets. The class consists of both actively managed as well as indexed investments that utilize both proprietary and non-proprietary mutual funds. This class of investments seeks returns based upon capital appreciation and income from dividends paid by the underlying companies in the funds.

Mutual Funds - Fixed Income consists of a proprietary mutual fund that invests in intermediate term U.S. government securities. This investment seeks to have a fixed rate of return based upon the terms of the underlying securities in the mutual fund.

Equity Securities - Common Stock include common stock securities that are a portion of a larger portfolio consisting of real estate investment trusts.

Equity Securities - Real Estate Investment Trusts include publically traded securities that are linked to real estate in various geographic regions in the U.S. These investments seek capital appreciation as well as a fixed income stream from the underlying real estate investments.

Note 12 - Fair Value Measurements (Continued)

Equity Securities - Foreign Stocks are securities traded on foreign exchanges and are comprised of large companies in established markets throughout the world. This class of investments seeks capital appreciation as well as dividend income from the underlying securities.

Fixed Income – Asset-Backed Securities are comprised of securities that are tied to interest-bearing instruments such as receivables and loans owed to various private sector businesses in various industries. The underlying investments contain fixed payment terms that provide regular income payments to the investors.

Fixed Income - Collateralized Mortgage Obligations and Fixed Income – Mortgage Backed Securities are comprised of packages of individual mortgage securities of varying credit qualities that are due at various time periods. This class of investments seeks to return a stream of fixed payments that are generated by the payments of the underlying mortgages in the investments.

Fixed Income - Corporate Bonds are comprised of debt issuances of large U.S. companies paying various rates of interest with varying maturities. The bonds in this class are designed to mature over a period of time not to exceed four years. The bonds in this class have yield to maturities that are comparable to, but higher than, short-term U.S. government issues.

Fixed Income - Foreign Bonds and Notes are debt securities of large foreign corporations and governments bearing fixed payment terms.

Fixed Income - U.S. Federal Agency Securities and Fixed Income - U.S. Government Obligations are comprised of fixed income securities issued by the U.S. government and its agencies. These securities are short-term in nature and seek to provide a stated return.

Vatican Bank - Investment consists of an investment account containing securities that are traded on exchanges outside of the U.S. The account consists of securities from various countries that are invested in various industries, companies and securities.

Note 13 - Management's Plans

The Archdiocese experienced significant losses over the past several years in certain funds. At June 30, 2009, management commenced a financial and operations restructuring business plan to improve the economic viability of the Archdiocese. The Archbishop appointed a restructuring committee comprised of lay and clergy representatives to coordinate the implementation in consultation with other Archdiocesan advisory councils.

The restructuring plan has made significant strides in reducing Archdiocesan cash outflows in the year ended June 30, 2010. The goal remains for Archdiocese Central Services and related entity subsidies to become cash flow neutral as of June 30, 2012.