



ARCHDIOCESE OF DETROIT
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2013

Archdiocese of Detroit

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Independent Auditor's Report

The Most Reverend, Allen H. Vigneron
Archbishop of Detroit
Archdiocese of Detroit

Report on the Financial Statements

We have audited the accompanying financial statements of Archdiocese of Detroit - Central Operations, Changing Lives Together, Diocesan Collections, Designated Funds, Loan Deposit Program, and Archdiocesan Properties (the "Archdiocese") as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Archdiocese's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Most Reverend, Allen H. Vigneron
Archbishop of Detroit
Archdiocese of Detroit

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Archdiocese of Detroit - Central Operations, Changing Lives Together, Diocesan Collections, Designated Funds, Loan Deposit Program, and Archdiocesan Properties as of June 30, 2013 and the respective changes in its financial position and, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2013 on our consideration of the Archdiocese of Detroit - Central Operations, Changing Lives Together, Diocesan Collections, Designated Funds, Loan Deposit Program, and Archdiocesan Properties' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. 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 an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Archdiocese of Detroit - Central Operations, Changing Lives Together, Diocesan Collections, Designated Funds, Loan Deposit Program, and Archdiocesan Properties' internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 19, 2013

Archdiocese of Detroit

Balance Sheet June 30, 2013

	Central Operations	Changing Lives Together	Diocesan Collections	Designated Funds
Assets				
Cash and cash equivalents	\$ 599,442	\$ 2,431,407	\$ 139,889	\$ 3,720,548
Receivables and loans:				
Note receivable	-	-	-	-
Accounts receivable	353,231	-	-	37,811
Assessments receivable	6,478,978	-	-	-
Catholic Services Appeal pledges receivable	10,410,784	-	-	-
Changing Lives Together pledges receivable	-	14,165,608	-	-
Catholic Services Appeal accounts receivable	2,303,058	-	-	-
Land contracts receivable	-	-	-	-
Loans to parishes and schools	965,477	-	-	-
Loans to other funds included in this report	-	-	-	-
Loans to others	120,802	-	-	-
Total receivables and loans	20,632,330	14,165,608	-	37,811
Less allowance for doubtful accounts	(7,196,782)	(3,569,178)	-	-
Investment in Loan Deposit Program	1,171,296	-	425,228	6,107,949
Funds held by investment managers	-	-	-	-
Real estate for future parish sites	-	-	-	-
Real estate - Other	-	-	-	-
Prepaid rent	-	-	-	-
Real estate	-	-	-	-
Less accumulated depreciation	-	-	-	-
Other assets	150,044	-	-	-
Total assets	<u>\$ 15,356,330</u>	<u>\$ 13,027,837</u>	<u>\$ 565,117</u>	<u>\$ 9,866,308</u>
Liabilities and Net Assets (Deficit)				
Liabilities				
Accounts payable	\$ 3,401,938	\$ 16,969	\$ 81,501	\$ 328,364
Michigan No Fault Self Insurance Loss Reserve	115,430	-	-	-
Due to Loan Deposit Program	7,732,050	2,584,004	-	-
Bonds payable, net of discount on bonds	-	-	-	-
Accrued interest payable	-	-	-	-
Due to parishes and schools	-	-	-	-
Due to cemeteries	-	-	-	-
Due to other organizations	-	-	-	-
Due to other funds included in this report	-	-	-	-
Total liabilities	11,249,418	2,600,973	81,501	328,364
Net Assets (Deficit)				
Unrestricted - Undesignated	(13,732,265)	(169,566)	-	6,775,755
Unrestricted - Designated for future use	17,839,177	-	-	-
Temporarily restricted	-	10,596,430	483,616	2,762,189
Total net assets (deficit)	4,106,912	10,426,864	483,616	9,537,944
Total liabilities and net assets (deficit)	<u>\$ 15,356,330</u>	<u>\$ 13,027,837</u>	<u>\$ 565,117</u>	<u>\$ 9,866,308</u>

Loan Deposit Program	Archdiocesan Properties	Combined Total	Eliminating Entries	Total
\$ 34,856,641	\$ 724,729	\$ 42,472,656	\$ -	\$ 42,472,656
-	1,500,000	1,500,000	-	1,500,000
-	-	391,042	-	391,042
-	-	6,478,978	-	6,478,978
-	-	10,410,784	-	10,410,784
-	-	14,165,608	-	14,165,608
-	-	2,303,058	-	2,303,058
3,221,579	985,132	4,206,711	-	4,206,711
80,783,998	-	81,749,475	-	81,749,475
45,025,517	-	45,025,517	(45,025,517)	-
7,079,140	-	7,199,942	-	7,199,942
136,110,234	2,485,132	173,431,115	(45,025,517)	128,405,598
(38,881,280)	-	(49,647,240)	-	(49,647,240)
-	-	7,704,473	(7,704,473)	-
60,454,844	-	60,454,844	-	60,454,844
-	17,561,259	17,561,259	-	17,561,259
-	1,212,659	1,212,659	-	1,212,659
-	1,250,000	1,250,000	-	1,250,000
-	11,761,106	11,761,106	-	11,761,106
-	(7,448,701)	(7,448,701)	-	(7,448,701)
1,952,968	-	2,103,012	-	2,103,012
<u>\$ 194,493,407</u>	<u>\$ 27,546,184</u>	<u>\$ 260,855,183</u>	<u>\$ (52,729,990)</u>	<u>\$ 208,125,193</u>
\$ 152,204	\$ 117,081	\$ 4,098,057	\$ -	\$ 4,098,057
-	-	115,430	-	115,430
-	34,709,463	45,025,517	(45,025,517)	-
10,826,155	-	10,826,155	-	10,826,155
57,758	-	57,758	-	57,758
170,393,981	-	170,393,981	-	170,393,981
22,843,707	-	22,843,707	-	22,843,707
29,363,790	-	29,363,790	-	29,363,790
7,704,473	-	7,704,473	(7,704,473)	-
241,342,068	34,826,544	290,428,868	(52,729,990)	237,698,878
(46,848,661)	(7,280,360)	(61,255,097)	-	(61,255,097)
-	-	17,839,177	-	17,839,177
-	-	13,842,235	-	13,842,235
(46,848,661)	(7,280,360)	(29,573,685)	-	(29,573,685)
<u>\$ 194,493,407</u>	<u>\$ 27,546,184</u>	<u>\$ 260,855,183</u>	<u>\$ (52,729,990)</u>	<u>\$ 208,125,193</u>

**Statement of Activities and Changes in Net Assets
Year Ended June 30, 2013**

	Central Operations	Changing Lives Together	Diocesan Collections	Designated Funds	Loan Deposit Program	Archdiocesan Properties	Combined Total	Eliminating Entries	Total
Unrestricted Revenue and Other Support									
Bequests and donations	\$ 214,637	\$ -	\$ -	\$ 1,341,815	\$ -	\$ -	\$ 1,556,452	\$ -	\$ 1,556,452
Diocesan assessments	11,252,990	-	-	-	-	-	11,252,990	-	11,252,990
Priest assessments	3,708,473	-	-	-	-	-	3,708,473	-	3,708,473
Catholic Services Appeal pledge income	17,840,787	-	-	-	-	-	17,840,787	-	17,840,787
Changing Lives Together income	-	6,705,379	-	-	-	-	6,705,379	-	6,705,379
Federal food program	1,849,129	-	-	-	-	-	1,849,129	-	1,849,129
Sacred Heart Major Seminary rent and food services	1,575,634	-	-	-	-	-	1,575,634	-	1,575,634
Interest	18,996	-	-	27,124	3,343,765	84,491	3,474,376	(658,223)	2,816,153
Rent	274,239	-	-	1,239	-	713,713	989,191	-	989,191
Return on investment - Gain	-	-	-	-	4,683,203	-	4,683,203	-	4,683,203
Sale of property and other	2,160,878	-	-	-	140	3,338,769	5,499,787	-	5,499,787
Unemployment premiums	-	-	-	1,307,349	-	-	1,307,349	-	1,307,349
Total unrestricted revenue and other support	38,895,763	6,705,379	-	2,677,527	8,027,108	4,136,973	60,442,750	(658,223)	59,784,527
Departmental Income									
Communications	764,189	-	-	-	-	-	764,189	-	764,189
Education, Evangelization, Catechesis, and Schools	803,255	-	-	-	-	-	803,255	-	803,255
Development	12,655	-	-	-	-	-	12,655	-	12,655
Finance and administration	271,149	-	-	-	-	-	271,149	-	271,149
Moderator of the Curia	264,071	-	-	-	-	-	264,071	-	264,071
Parish life and services	260,457	-	-	-	-	-	260,457	-	260,457
Total departmental income	2,375,776	-	-	-	-	-	2,375,776	-	2,375,776
Total revenue and departmental income	41,271,539	6,705,379	-	2,677,527	8,027,108	4,136,973	62,818,526	(658,223)	62,160,303
Net Assets Released from Restrictions -									
Purpose restrictions fulfilled	-	4,622,661	2,543,935	2,388,453	-	-	9,555,049	-	9,555,049
Total unrestricted revenue, other support, departmental income, and net assets released from restrictions	41,271,539	11,328,040	2,543,935	5,065,980	8,027,108	4,136,973	72,373,575	(658,223)	71,715,352

**Statement of Activities and Changes in Net Assets (Continued)
Year Ended June 30, 2013**

	Central Operations	Changing Lives Together	Diocesan Collections	Designated Funds	Loan Deposit Program	Archdiocesan Properties	Combined Total	Eliminating Entries	Total
Expenditures									
Departmental expenditures:									
Communications	\$ 2,365,583	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,365,583	\$ -	\$ 2,365,583
Education, Evangelization, Catechesis, and Schools	2,715,536	-	-	-	-	-	2,715,536	-	2,715,536
Development	1,058,855	-	-	-	-	-	1,058,855	-	1,058,855
Finance and administration	8,864,930	-	-	-	-	-	8,864,930	-	8,864,930
Moderator of the Curia	3,645,406	-	-	-	-	-	3,645,406	-	3,645,406
Parish life and services	1,587,071	-	-	-	-	-	1,587,071	-	1,587,071
Total departmental expenditures	20,237,381	-	-	-	-	-	20,237,381	-	20,237,381
Other expenditures:									
Catholic Services Appeal and other administrative expenses	108,328	-	475	-	327,622	-	436,425	-	436,425
Property, closed parish, and Archdiocese relocation costs	-	-	-	-	-	867,509	867,509	-	867,509
Capital expenditures and other projects	1,163,466	-	-	-	-	-	1,163,466	-	1,163,466
Changing Lives Together Initiative	-	6,705,379	-	-	-	-	6,705,379	(259,790)	6,445,589
Clergy health	2,888,521	-	-	-	-	-	2,888,521	-	2,888,521
Federal food program	1,820,400	-	-	-	-	-	1,820,400	-	1,820,400
Collections	500,000	-	2,543,460	-	-	-	3,043,460	-	3,043,460
Depreciation	-	-	-	-	-	392,036	392,036	-	392,036
Donations	47,900	-	-	-	-	-	47,900	-	47,900
Interest	352,320	-	-	-	2,496,714	-	2,849,034	(412,944)	2,436,090
Parish Empowerment Fund grants	558,789	-	-	-	-	-	558,789	-	558,789
School Outreach Fund grants	1,329,724	-	-	-	-	-	1,329,724	-	1,329,724
Urban capital grants	136,770	-	-	-	-	-	136,770	-	136,770
United States Conference of Catholic Bishops	430,968	-	-	-	-	-	430,968	-	430,968
Provision for doubtful accounts	1,057,302	-	-	-	1,246,780	-	2,304,082	-	2,304,082
Total other expenditures	10,394,488	6,705,379	2,543,935	-	4,071,116	1,259,545	24,974,463	(672,734)	24,301,729
Total expenditures	30,631,869	6,705,379	2,543,935	-	4,071,116	1,259,545	45,211,844	(672,734)	44,539,110

**Statement of Activities and Changes in Net Assets (Continued)
Year Ended June 30, 2013**

	Central Operations	Changing Lives Together	Diocesan Collections	Designated Funds	Loan Deposit Program	Archdiocesan Properties	Combined Total	Eliminating Entries	Total
Unrestricted Revenue, Other Support, Departmental Income, and Net Assets Released from Restrictions Over Departmental and Other Expenditures	\$ 10,639,670	\$ 4,622,661	\$ -	\$ 5,065,980	\$ 3,955,992	\$ 2,877,428	\$ 27,161,731	\$ 14,511	\$ 27,176,242
Designated Fund Expenditures									
Angel Fund	-	-	-	1,273,000	-	-	1,273,000	-	1,273,000
Archbishop's Stewardship grants	-	-	-	560,000	-	-	560,000	-	560,000
Campaign for Human Development grants	-	-	-	109,500	-	-	109,500	-	109,500
Rice Bowl grants	-	-	-	36,250	-	-	36,250	-	36,250
Tuition grants	-	-	-	1,597,443	-	-	1,597,443	-	1,597,443
Unemployment benefits	-	-	-	667,472	-	-	667,472	-	667,472
Youth and Family Ministry grants	-	-	-	85,261	-	-	85,261	-	85,261
Total designated fund expenditures	-	-	-	4,328,926	-	-	4,328,926	-	4,328,926
Non-Central Operations Expenditures									
Cathedral subsidy	500,000	-	-	-	-	-	500,000	-	500,000
Catholic charities subsidy	342,697	-	-	-	-	-	342,697	-	342,697
Sacred Heart Major Seminary:									
Formation/direct Archdiocese of Detroit subsidy	1,170,000	-	-	-	-	-	1,170,000	-	1,170,000
Theologate Students - Tuition and room and board	933,220	-	-	-	-	-	933,220	-	933,220
Sacred Heart Archdiocesan Center	4,651,373	-	-	-	-	-	4,651,373	-	4,651,373
Total other non-Central Operations expenditures	7,597,290	-	-	-	-	-	7,597,290	-	7,597,290
Increase in Unrestricted Net Assets	3,042,380	4,622,661	-	737,054	3,955,992	2,877,428	15,235,515	14,511	15,250,026
Temporarily Restricted Revenue and Other Support									
Changing Lives Together pledge income	-	7,254,361	-	-	-	-	7,254,361	-	7,254,361
Donations - National collections	-	-	2,548,783	90,466	-	-	2,639,249	-	2,639,249
Interest	-	-	2,645	11,866	-	-	14,511	(14,511)	-
Total temporarily restricted revenue and other support before contribution from Endowment Foundation, Inc. and net assets released from restrictions	-	7,254,361	2,551,428	102,332	-	-	9,908,121	(14,511)	9,893,610
Contribution from Endowment Foundation, Inc.	-	-	-	2,099,865	-	-	2,099,865	-	2,099,865
Net Assets Released from Restrictions - Purpose restrictions fulfilled	-	(4,622,661)	(2,543,935)	(2,388,453)	-	-	(9,555,049)	-	(9,555,049)
Increase (Decrease) in Temporarily Restricted Net Assets	-	2,631,700	7,493	(186,256)	-	-	2,452,937	(14,511)	2,438,426
Increase in Net Assets	3,042,380	7,254,361	7,493	550,798	3,955,992	2,877,428	17,688,452	-	17,688,452
Net Assets (Deficit) - Beginning of year	1,064,532	3,172,503	476,123	8,987,146	(50,804,653)	(10,157,788)	(47,262,137)	-	(47,262,137)
Net Assets (Deficit) - End of year	<u>\$ 4,106,912</u>	<u>\$ 10,426,864</u>	<u>\$ 483,616</u>	<u>\$ 9,537,944</u>	<u>\$ (46,848,661)</u>	<u>\$ (7,280,360)</u>	<u>\$ (29,573,685)</u>	<u>\$ -</u>	<u>\$ (29,573,685)</u>

	Central Operations	Changing Lives Together	Diocesan Collections	Designated Funds	Loan/Deposit Program	Archdiocesan Properties	Total
Cash Flows from Operating Activities							
Increase in net assets	\$ 3,042,380	\$ 7,254,361	\$ 7,493	\$ 550,798	\$ 3,955,992	\$ 2,877,428	\$ 17,688,452
Adjustments to reconcile increase in net assets to net cash from operating activities:							
Gain on investments	-	-	-	-	(4,683,203)	-	(4,683,203)
Depreciation	-	-	-	-	-	392,036	392,036
Bad debt write-offs and other adjustments	266,520	-	-	-	2,842,998	-	3,109,518
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable	(974,504)	(4,352,176)	-	(37,811)	-	221,600	(5,142,891)
Increase in land contract receivable	-	-	-	-	(140,463)	(272,292)	(412,755)
Increase in prepaid rent	-	-	-	-	-	(1,250,000)	(1,250,000)
Increase in notes receivable	-	-	-	-	-	(1,500,000)	(1,500,000)
(Increase) decrease in other assets	(29,520)	-	-	-	76,341	-	46,821
Increase (decrease) in allowance for doubtful accounts	524,262	1,720,476	-	-	(1,596,228)	-	648,510
Increase in other liabilities	115,430	-	-	-	-	-	115,430
(Decrease) increase in accounts payable	(205,969)	(84,399)	(121,904)	197,264	(42,879)	98,890	(158,997)
Net cash provided by (used in) operating activities	2,738,599	4,538,262	(114,411)	710,251	412,558	567,662	8,852,921
Cash Flows from Investing Activities							
(Increase) decrease in investment in Loan Deposit Program	(7,286)	-	(2,645)	2,189,834	-	-	2,179,903
Purchase of investments	-	-	-	-	(89,186,856)	-	(89,186,856)
Sale of real estate	-	-	-	-	-	178,046	178,046
Proceeds from sale of investments	-	-	-	-	63,848,243	-	63,848,243
Proceeds from parishes and schools	-	-	-	-	20,843,176	-	20,843,176
Payments to Catholic cemeteries	-	-	-	-	(45,912)	-	(45,912)
Payments to other organizations	-	-	-	-	(108,627)	-	(108,627)
Payments to other funds	-	-	-	-	(2,179,903)	-	(2,179,903)
Net cash (used in) provided by investing activities	(7,286)	-	(2,645)	2,189,834	(6,829,879)	178,046	(4,471,930)
Cash Flows from Financing Activities							
Decrease in Due to Loan Deposit Program	(304,149)	(2,840,210)	-	-	-	(650,000)	(3,794,359)
(Decrease) increase in due to/from other funds	(4,395,197)	-	(419,359)	(222,440)	5,148,386	(111,390)	-
Proceeds from parishes and schools	-	-	-	-	4,991,825	-	4,991,825
Proceeds from other funds	-	-	-	-	3,794,360	-	3,794,360
Proceeds from other organizations	-	-	-	-	2,471,026	-	2,471,026
Payments on notes payable	-	-	-	-	(696,063)	-	(696,063)
Net cash (used in) provided by financing activities	(4,699,346)	(2,840,210)	(419,359)	(222,440)	15,709,534	(761,390)	6,766,789
Net (Decrease) Increase in Cash Equivalents	(1,968,033)	1,698,052	(536,415)	2,677,645	9,292,213	(15,682)	11,147,780
Cash Equivalents - Beginning of year	2,567,475	733,355	676,304	1,042,903	25,564,428	740,411	31,324,876
Cash Equivalents - End of year	<u>\$ 599,442</u>	<u>\$ 2,431,407</u>	<u>\$ 139,889</u>	<u>\$ 3,720,548</u>	<u>\$ 34,856,641</u>	<u>\$ 724,729</u>	<u>\$ 42,472,656</u>

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 (the "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., or 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, Sacred Heart Major Seminary, 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 (CSA) pledge income, and federal programs.

Diocesan assessments are levied on each parish using a specific formula based on the parish's revenue and transfers from the Loan Deposit Program, Changing Lives Together payments and CSA pledge income. Diocesan assessments are recorded in the year levied.

CSA 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 CSA accounts receivable represents the uncollected pledges from individual parishioners and/or parishes required to attain the fund drive goal. These funds are due in less than one year.

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

The allowance for doubtful accounts incurred an additional \$1,057,302 expense in the current year. The total of \$7,196,782 is made up of \$5,594,182 for Diocesan and Clergy Health Assessments and \$1,602,600 for Catholic Services Appeal.

Note 1 - Accounting Policies (Continued)

A. Principles of Reporting (Continued)

Changing Lives Together - Accounts for the Archdiocese's portion of activity related to the Changing Lives Together (CLT) pledge campaign.

CLT pledge income contributions are from a multi-year fundraising campaign conducted at the parish level. A total goal of \$135,000,000 was set and the campaign began in March 2011. The pledges are shared between the parishes and the Archdiocese based on campaign parameters. The amount shown as CLT pledges receivable represents the pledges obtained as of June 30, 2013 net of the amounts due to the parishes for their share. Outstanding pledge amounts expected to be collected within one year are approximately \$5,033,304, and in greater than one year but less than five years are approximately \$5,563,126.

Diocesan Collections - Accounts for the receipts from parishes for extra-Diocesan appeals. Amounts received with donor restrictions as to use are recorded as temporarily restricted revenue. 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.

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.

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. Rates are reviewed quarterly and as of June 30, 2013 the rate was 0.50 percent. Interest is charged semiannually on loans made to parishes and others at rates of up to 6.5 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, 2013.

Note 1 - 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 sites, schools, and 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.

B. Cash Equivalents

For the purpose 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.

The Archdiocese maintains cash balances at three financial institutions. Throughout the year, some balances exceeded amounts insured by the Federal Deposit Insurance Corporation. The Archdiocese evaluates the financial institutions with which it deposits funds; however, it is not practical to insure all cash deposits.

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

The Archdiocese of Detroit records real estate as assets used in revenue-producing activity by funds included in these financial statements. Other real estate 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 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.

Note I - Accounting Policies (Continued)

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.

Costs have been allocated by management between program services and support services on several bases and estimates. Although the methods of allocation are considered appropriate, other methods could be used that would produce different amounts.

For the year ended June 30, 2013, Central Operations had \$11,036,811 and \$27,192,348 in expenses functionally allocated to direct program services and support services, respectively. CLT had \$6,705,379 in fundraising expenses. Diocesan Collections had \$2,543,460 in direct program expenses and \$475 in support services. Designated Funds expenses of \$4,328,926 were all program service expenses. The Loan Deposit Program had \$2,496,714 in direct program expenses and \$1,574,402 in support services. Archdiocesan properties expenses of \$1,259,545 were all direct program services.

G. Michigan No-Fault Self-Insurance Loss Reserve

The Roman Catholic Archdiocese of Detroit is authorized by the Michigan Department of Insurance and Financial Services to self-insure no-fault risk for its vehicles for the 12-month certification period ending June 30, 2014. An authorized self-insurer is required to establish a fully funded loss reserve to pay claims which are anticipated in, and/or submitted for payment during, the certification period, as well as to pay claims which have been incurred and submitted before then but have not yet been paid. The loss reserve for the Roman Catholic Archdiocese of Detroit has been determined by a qualified actuary and fully funded as of the commencement of the current certification period. This amount was \$115,430 as of June 30, 2013.

Note I - Accounting Policies (Continued)

H. Tax Status

The Archdiocese is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, a provision for income taxes has not been included in the financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Archdiocese and recognize a tax liability if it has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Archdiocese and has concluded that as of June 30, 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

I. 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, 2013.

Temporarily Restricted - Net assets in CLT are pledges restricted for payment over time as specified by the donor. 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.

There were no permanently restricted net assets.

Note 1 - Accounting Policies (Continued)

J. 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.

K. 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.

L. Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including November 19, 2013, which is the date the financial statements were issued.

Note 2 - Investments

A summary of investments at June 30, 2013 is as follows:

	Fair Market Value
Mutual funds and stocks	\$ 33,429,151
Fixed-income instruments	27,025,693
Total	\$ 60,454,844

Note 3 - Land Contracts Receivable

Loan Deposit Program - The total consists of two noninterest-bearing contracts due in 2026 and 2029.

Land contracts receivable	\$ 6,250,000
Discount on land contracts	<u>(3,028,421)</u>
Total	<u>\$ 3,221,579</u>

Archdiocesan Properties - The total consists of the following:

One noninterest-bearing contract due in annual installments of \$140,000 beginning November 15, 2015, then \$280,000 per year on November 15, 2018 and November 15, 2019.

Land contract receivable	\$ 980,000
Discount on land contracts	<u>(230,690)</u>
Total	<u>\$ 749,310</u>

One interest-bearing contract at 6 percent beginning July 1, 2012, requiring monthly payments of \$3,000 with a final balloon payment due July 1, 2014.

Land contract receivable	\$ 255,263
Discount on land contracts	<u>(19,441)</u>
Total	<u>\$ 235,822</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 are 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 \$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 two loan commitments totaling \$1,010,000 approved and committed to parishes for renovation projects during the next fiscal year.

Note 6 - Multi-employer Defined Benefit Pension Plan

The Archdiocese participates in the Michigan Catholic Conference Lay Employees' Retirement Plan (the "Plan"), a multi-employer defined benefit pension plan. The plan number and employer identification number of the plan are 20-1769136.

Contributions to the Plan were \$528,561 and \$549,509 for the years ended June 30, 2013 and 2012, respectively. Based on information as of June 30, 2012, the year end of the plan, the Archdiocese's contributions to the Plan did not represent more than 5 percent of the total contributions received by the Plan. The amount of the Archdiocese's contributions to the Plan remained at 6.6 percent of wages of all full-time employees from 2013 and 2012. Effective July 1, 2013, the Archdiocese's contribution to the Plan will increase to 7.1 percent of wages of all full-time employees.

Note 6 - Multi-employer Defined Benefit Pension Plan (Continued)

Specific plan information for the Archdiocese is not available from the Plan's administrator. If the Archdiocese withdraws its participation in the Plan, the Archdiocese would be responsible to make a contribution for its proportional share of any unfunded liability. The withdrawal liability would be calculated by the actuaries as outlined in the plan document at the time of withdrawal. The following information is based on the financial statements of the entire Plan as of June 30, 2012.

	Michigan Catholic Conference Lay Employees' Retirement Plan
Total plan assets at June 30, 2012	\$ 1,146,056,008
Actuarial present value of accumulated plan benefits as of June 30, 2012	\$ 1,316,111,748
Total contributions received by the Plan for the year ended June 30, 2012	\$ 21,156,354
Indicated funding level	87.1%

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, 2013. 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, 2013 is as follows:

Loan deposit program	\$2,496,714
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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, Changing Lives Together, Diocesan Collections, Designated Funds, Loan Deposit Program, and Archdiocesan Properties is as follows:

Short-term Financial Instruments - The fair values of short-term financial instruments, including cash and cash equivalents, CSA contributions, CLT 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 noninterest-bearing land contracts receivable cannot be determined due to the uncertainty of collection.

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 - There are \$132,888,655 of loans in the Loan Deposit Program. 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 \$72,631,667, cannot be determined due to the uncertainty of the payment streams.

As of June 30, 2013, there was no investment in loans or trade receivables that were past due by 90 days or more and still accruing interest.

Note 11 - Note Receivable and Prepaid Rent

During the first half of 2013, the Archdiocese entered into agreements to sell the Gabriel Richard and Chancery properties. The agreements provided for a \$1,500,000 non-interest bearing note receivable due August 10, 2013 and a Purchase Price Credit (Prepaid Rent) of \$1,250,000. This Purchase Price Credit will be applied to monthly lease payments on the new Chancery, which will be located in Capital Park. The Purchase Price Credit will be extinguished over a period of 19.5 years.

Note 12 - Bonds Payable

Bonds payable consist of "The Economic Development Corporation of the County of Oakland Limited Obligation Revenue Refunding Bonds, Series 2011 (The Roman Catholic Archdiocese of Detroit)," in the amount of \$11,590,000. The unsecured bonds are general obligations of the Archdiocese.

The bonds consist of the following principal amounts, interest rates, and maturity dates:

\$705,000	4.5%	December 1, 2013
\$10,175,000	6.5%	December 1, 2020

The bonds maturing on December 1, 2013 are subject to mandatory sinking fund redemption by lot prior to maturity on December 1 as set forth below:

<u>Date</u>	<u>Amount</u>
December 2, 2013	\$ 705,000 (final maturity)

The bonds maturing on December 1, 2020 are subject to mandatory sinking fund redemption by lot prior to maturity on December 1 of each year, as set forth below:

<u>Date</u>	<u>Amount</u>
December 1, 2014	\$ 735,000
December 1, 2015	785,000
December 1, 2016	840,000
December 1, 2017	890,000
December 1, 2018	2,165,000
December 1, 2019	2,305,000
December 1, 2020	2,455,000 (final maturity)

Note 13 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide 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 table presents information about the Archdiocese's assets measured at fair value on a recurring basis at June 30, 2013 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 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 in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

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 whereby 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.

Note 13 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at June 30, 2013

	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, 2013
Assets - Investments				
Mutual funds - Equity	\$ 975,240	\$ 19,660,031	\$ -	\$ 20,635,271
Mutual funds - Fixed income	-	8,863,797	-	8,863,797
Equity securities - Common stock	7,191,944	-	-	7,191,944
Equity securities - Real estate investment trusts	-	74,911	-	74,911
Equity securities - Foreign stock	-	5,438,132	-	5,438,132
Equity securities - Publicly Traded Partnerships	-	88,894	-	88,894
Fixed income - Asset-backed securities	-	1,455,942	-	1,455,942
Fixed income - Collateralized mortgage obligations	-	492,830	-	492,830
Fixed income - Corporate bonds	-	9,493,930	-	9,493,930
Fixed income - Foreign bonds and notes	-	-	-	-
Fixed income - Mortgage-backed securities	-	161,183	-	161,183
Fixed income - U.S. federal agency securities	-	1,805,966	-	1,805,966
Fixed income - U.S. government obligations	-	4,752,044	-	4,752,044
Total	\$ 8,167,184	\$ 52,287,660	\$ -	\$ 60,454,844

The Archdiocese's investments are stated at fair value. The equities, corporate bonds, and other securities are valued using quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models, and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve as well as other relevant economic measures. The money market funds are valued based on quoted market prices. The certificates of deposit are valued at fair value based on their outstanding balances.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Archdiocese believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 13 - Fair Value Measurements (Continued)

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 publicly 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.

Equity Securities - Publicly Traded Partnerships are securities traded on established securities market regardless of the number of its partners. This class of investments seeks capital appreciation as well as dividend income from the underlying securities.

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.

Note 13 - Fair Value Measurements (Continued)

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.

The Archdiocese's policy is to recognize transfers between levels of the fair value hierarchy as of the actual date of the event of change in circumstances that caused the transfer. There were no significant transfers between levels of the fair value hierarchy during 2013.

Note 14 - Financing Receivables

Loans receivable in the Loan Deposit Fund include \$80,783,998 of loans made to parishes and schools, \$45,025,517 of loans made to other Archdiocesan Funds, and \$7,079,140 of loans made to other organizations to provide funding for capital projects and, in some cases, for operational expenses. The loans accrue interest at rates up to 6.5 percent per annum at varying lengths of maturity. An allowance for doubtful accounts has been established at \$38,881,280 of the principal balance.

In some instances, financing notes receivable are placed on nonaccrual (deferred status) to provide additional time for the parishes, schools, and other organizations to achieve financial stability and repay their loans. Accrual of interest is resumed when loans are removed from nonaccrual status. Loans receivable are charged against the allowance for credit losses when they are deemed uncollectible. As of June 30, 2013, the aggregate recorded investment of loans on nonaccrual status was \$65,228,223. In addition, the Loan Deposit Fund makes some noninterest-bearing loans that are not considered impaired. The balance of these loans with 0 percent interest rates at June 30, 2013 is \$7,403,444.

Note 14 - Financing Receivables (Continued)

The Loan Deposit Fund considers a financing loan receivable to be impaired when, based on current information and events, it is probable that the Loan Deposit Fund will be unable to collect all amounts due according to the contractual terms of the loan agreement. Individual loans are assessed for impairment based on the following factors: (1) changes in borrower-specific financial condition, (2) changes in operating cash flow, or (3) changes in collateral value. The Loan Deposit Fund had \$95,341,912 in loans that were considered impaired as of June 30, 2013.

Credit Quality Indicators - The Loan Deposit Fund takes into account the borrower's need, ability to raise funds for repayment (i.e., capital campaigns or other fundraising), and the borrower's financial history. The Loan Deposit Committee makes the final loan determinations. All credit quality indicators have been updated through June 30, 2013. Note that internal credit ratings for financing receivable loans are based on historical and projected financial condition and have, over time, proved to be highly correlated with the likelihood of incurring a loss. Credit monitoring is done by evaluation of loan payment history, ongoing assistance, and periodic financial statement review.

Allowance for Loan Losses - The following is an analysis of the balance and annual activity in the allowance for loan losses for financing loans receivable as of and for the year ended June 30, 2013:

	Loan Deposit Fund
Beginning of year allowance for loan losses	\$ 40,477,498
Additional amounts allowed for	1,246,780
Write-offs and other adjustments	2,842,998
End of year balance allowance for loan losses	38,881,280

Note 15 - Management's Plans

The Archdiocese experienced significant losses over the past several years in certain funds. Management commenced in 2009 and continues today a financial and operations restructuring business plan to improve the economic viability of the Archdiocese. The restructuring plan has made significant strides in reducing Archdiocesan cash outflows over the past four years.