

# **Archdiocese of Detroit**

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**Annual Financial Report  
Year Ended June 30, 2011**

# **Archdiocese of Detroit**

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## **Contents**

|   |       |
|---|-------|
| <b>Report Letter</b>                              | I     |
| <b>Financial Statements</b>                       |       |
| Balance Sheet                                     | 2-3   |
| Statement of Activities and Changes in Net Assets | 4-9   |
| Statement of Cash Flows                           | 10-11 |
| Notes to Financial Statements                     | 12-25 |

## 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, 2011 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 at June 30, 2011 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 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*

October 19, 2011

# Archdiocese of Detroit

|  | Central Operations   | Diocesan Collections | Designated          |
|--|----------------------|----------------------|---------------------|
| <b>Assets</b>                                    |                      |                      |                     |
| Cash and cash equivalents                        | \$ 1,495,983         | \$ 1,381,382         | \$ 638,911          |
| Accounts receivable                              | 493,151              | -                    | 462,204             |
| Assessments receivable                           | 7,160,871            | -                    | -                   |
| Catholic Services Appeal pledges receivable      | 10,434,452           | -                    | -                   |
| Changing Lives Together pledges receivable - Net | 1,721,875            | -                    | -                   |
| Catholic Services Appeal accounts receivable     | 2,652,597            | -                    | -                   |
| Investment in Loan Deposit Program               | 1,133,863            | 417,081              | 8,189,757           |
| Funds held by investment managers                | -                    | -                    | -                   |
| Real estate for future parish sites              | -                    | -                    | -                   |
| Due to/from other funds                          | (4,611,540)          | (361,029)            | (285,536)           |
| Land contracts receivable                        | -                    | -                    | -                   |
| Real estate - Other                              | -                    | -                    | -                   |
| Real estate                                      | -                    | -                    | -                   |
| Less accumulated depreciation                    | -                    | -                    | -                   |
| Loans to parishes and schools                    | -                    | -                    | -                   |
| Loans to other funds included in this report     | -                    | -                    | -                   |
| Loans to others                                  | -                    | -                    | -                   |
| Less allowance for doubtful accounts             | -                    | -                    | -                   |
| Other assets                                     | 486,305              | -                    | -                   |
| Total assets                                     | <u>\$ 20,967,557</u> | <u>\$ 1,437,434</u>  | <u>\$ 9,005,336</u> |
| <b>Liabilities and Net Assets (Deficit)</b>      |                      |                      |                     |
| <b>Liabilities</b>                               |                      |                      |                     |
| Accounts payable                                 | \$ 3,333,326         | \$ 709,228           | \$ 175,889          |
| Due to Loan Deposit Program                      | 11,803,924           | -                    | -                   |
| Pontiac Vision 2000 Schools, Inc. bond payable   |                      |                      |                     |
| Archdiocese of Detroit obligation                | 1,215,418            | -                    | -                   |
| Note payable                                     | -                    | -                    | -                   |
| 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                                | 16,352,668           | 709,228              | 175,889             |
| <b>Net Assets (Deficit)</b>                      |                      |                      |                     |
| Unrestricted - Undesignated                      | (14,825,951)         | -                    | 5,163,337           |
| Unrestricted - Designated for future use         | 17,718,965           | -                    | -                   |
| Temporarily restricted                           | 1,721,875            | 728,206              | 3,666,110           |
| Total net assets (deficit)                       | 4,614,889            | 728,206              | 8,829,447           |
| Total liabilities and net assets (deficit)       | <u>\$ 20,967,557</u> | <u>\$ 1,437,434</u>  | <u>\$ 9,005,336</u> |

**Balance Sheet**  
**June 30, 2011**

| Loan Deposit<br>Program | Archdiocesan<br>Properties | Combined Total        | Eliminating<br>Entries | Total                 |
|-------------------------|----------------------------|-----------------------|------------------------|-----------------------|
| \$ 13,927,635           | \$ 92,683                  | \$ 17,536,594         | \$ -                   | \$ 17,536,594         |
| -                       | 227,184                    | 1,182,539             | -                      | 1,182,539             |
| -                       | -                          | 7,160,871             | -                      | 7,160,871             |
| -                       | -                          | 10,434,452            | -                      | 10,434,452            |
| -                       | -                          | 1,721,875             | -                      | 1,721,875             |
| -                       | -                          | 2,652,597             | -                      | 2,652,597             |
| -                       | -                          | 9,740,701             | (9,740,701)            | -                     |
| 27,475,288              | -                          | 27,475,288            | -                      | 27,475,288            |
| -                       | 17,727,182                 | 17,727,182            | -                      | 17,727,182            |
| 5,659,377               | (401,272)                  | -                     | -                      | -                     |
| 3,028,494               | 980,000                    | 4,008,494             | -                      | 4,008,494             |
| -                       | 1,229,398                  | 1,229,398             | -                      | 1,229,398             |
| -                       | 11,761,106                 | 11,761,106            | -                      | 11,761,106            |
| -                       | (6,664,629)                | (6,664,629)           | -                      | (6,664,629)           |
| 87,927,907              | -                          | 87,927,907            | -                      | 87,927,907            |
| 46,032,204              | -                          | 46,032,204            | (46,032,204)           | -                     |
| 62,217,909              | -                          | 62,217,909            | -                      | 62,217,909            |
| (78,000,000)            | -                          | (78,000,000)          | -                      | (78,000,000)          |
| -                       | -                          | 486,305               | -                      | 486,305               |
| <b>\$ 168,268,814</b>   | <b>\$ 24,951,652</b>       | <b>\$ 224,630,793</b> | <b>\$ (55,772,905)</b> | <b>\$ 168,857,888</b> |
| <br>                    |                            |                       |                        |                       |
| \$ 587                  | \$ 10,720                  | \$ 4,229,750          | \$ -                   | \$ 4,229,750          |
| -                       | 34,228,280                 | 46,032,204            | (46,032,204)           | -                     |
| -                       | -                          | 1,215,418             | -                      | 1,215,418             |
| 18,215,763              | -                          | 18,215,763            | -                      | 18,215,763            |
| 270,286                 | -                          | 270,286               | -                      | 270,286               |
| 144,453,257             | -                          | 144,453,257           | -                      | 144,453,257           |
| 24,551,125              | -                          | 24,551,125            | -                      | 24,551,125            |
| 30,589,996              | -                          | 30,589,996            | -                      | 30,589,996            |
| 9,740,701               | -                          | 9,740,701             | (9,740,701)            | -                     |
| 227,821,715             | 34,239,000                 | 279,298,500           | (55,772,905)           | 223,525,595           |
| (59,552,901)            | (9,287,348)                | (78,502,863)          | -                      | (78,502,863)          |
| -                       | -                          | 17,718,965            | -                      | 17,718,965            |
| -                       | -                          | 6,116,191             | -                      | 6,116,191             |
| (59,552,901)            | (9,287,348)                | (54,667,707)          | -                      | (54,667,707)          |
| <b>\$ 168,268,814</b>   | <b>\$ 24,951,652</b>       | <b>\$ 224,630,793</b> | <b>\$ (55,772,905)</b> | <b>\$ 168,857,888</b> |

# Archdiocese of Detroit

|   | Central Operations | Diocesan<br>Collections | Designated Funds |
|---|--------------------|-------------------------|------------------|
| <b>Unrestricted Revenue and Other Support</b>   |                    |                         |                  |
| Bequests and donations  | \$ 112,788         | \$ -                    | \$ 2,562,204     |
| Diocesan assessments  | 11,480,373         | -                       | -                |
| Priest assessments  | 3,512,406          | -                       | -                |
| Catholic Services Appeal pledge income  | 17,818,056         | -                       | -                |
| Changing Lives Together pledge income   | 878,872            | -                       | -                |
| Federal food program  | 2,223,043          | -                       | -                |
| Sacred Heart Major Seminary rent and food services  | 1,294,578          | -                       | -                |
| Interest  | 65,984             | -                       | 62,696           |
| Rent  | -                  | -                       | 264,594          |
| Return on investment - Gain   | -                  | -                       | -                |
| Sale of property and other  | -                  | -                       | -                |
| Unemployment premiums   | -                  | -                       | 1,694,124        |
|   | <hr/>              | <hr/>                   | <hr/>            |
| Total unrestricted revenue and other support  | 37,386,100         | -                       | 4,583,618        |
| <b>Departmental Income</b>  |                    |                         |                  |
| Communications  | 724,177            | -                       | -                |
| Education, Evangelization, Catechesis and Schools   | 407,925            | -                       | -                |
| Development   | 21,351             | -                       | -                |
| Finance and administration  | 359,119            | -                       | -                |
| Moderator of the Curia  | 118,373            | -                       | -                |
| Parish Life and Services  | 91,752             | -                       | -                |
|   | <hr/>              | <hr/>                   | <hr/>            |
| Total departmental income   | 1,722,697          | -                       | -                |
|   | <hr/>              | <hr/>                   | <hr/>            |
| Total revenue and departmental income   | 39,108,797         | -                       | 4,583,618        |
| <b>Net Assets Released from Restrictions -</b>  |                    |                         |                  |
| Purpose restrictions fulfilled  | -                  | 2,245,549               | 2,147,897        |
|   | <hr/>              | <hr/>                   | <hr/>            |
| Total unrestricted revenue, other support,<br>departmental income, and net assets released<br>from restrictions | 39,108,797         | 2,245,549               | 6,731,515        |

## Statement of Activities and Changes in Net Assets Year Ended June 30, 2011

| Loan Desposit<br>Program | Archdiocesan<br>Properties | Combined Total | Eliminating<br>Entries | Total        |
|--------------------------|----------------------------|----------------|------------------------|--------------|
| \$ -                     | \$ -                       | \$ 2,674,992   | \$ -                   | \$ 2,674,992 |
| -                        | -                          | 11,480,373     | -                      | 11,480,373   |
| -                        | -                          | 3,512,406      | -                      | 3,512,406    |
| -                        | -                          | 17,818,056     | -                      | 17,818,056   |
| -                        | -                          | 878,872        | -                      | 878,872      |
| -                        | -                          | 2,223,043      | -                      | 2,223,043    |
| -                        | -                          | 1,294,578      | -                      | 1,294,578    |
| 4,698,644                | -                          | 4,827,324      | (134,794)              | 4,692,530    |
| -                        | 530,885                    | 795,479        | -                      | 795,479      |
| 4,205,612                | -                          | 4,205,612      | -                      | 4,205,612    |
| 2,575,270                | -                          | 2,575,270      | -                      | 2,575,270    |
| -                        | -                          | 1,694,124      | -                      | 1,694,124    |
| 11,479,526               | 530,885                    | 53,980,129     | (134,794)              | 53,845,335   |
| -                        | -                          | 724,177        | -                      | 724,177      |
| -                        | -                          | 407,925        | -                      | 407,925      |
| -                        | -                          | 21,351         | -                      | 21,351       |
| -                        | -                          | 359,119        | -                      | 359,119      |
| -                        | -                          | 118,373        | -                      | 118,373      |
| -                        | -                          | 91,752         | -                      | 91,752       |
| -                        | -                          | 1,722,697      | -                      | 1,722,697    |
| 11,479,526               | 530,885                    | 55,702,826     | (134,794)              | 55,568,032   |
| -                        | -                          | 4,393,446      | -                      | 4,393,446    |
| 11,479,526               | 530,885                    | 60,096,272     | (134,794)              | 59,961,478   |

# Archdiocese of Detroit

|  | Central Operations | Diocesan<br>Collections | Designated Funds |
|--|--------------------|-------------------------|------------------|
| <b>Expenditures</b>  |                    |                         |                  |
| Departmental expenditures:   |                    |                         |                  |
| Communications   | \$ 2,312,188       | \$ -                    | \$ -             |
| Education, Evangelization, Catechesis and Schools  | 2,660,867          | -                       | -                |
| Development  | 834,915            | -                       | -                |
| Finance and administration   | 8,514,068          | -                       | -                |
| Moderator of the Curia   | 3,946,546          | -                       | -                |
| Parish Life and Services   | 1,397,150          | -                       | -                |
|  | <hr/>              | <hr/>                   | <hr/>            |
| Total departmental expenditures  | 19,665,734         | -                       | -                |
| Other expenditures:  |                    |                         |                  |
| Catholic Services Appeal and other administrative expenses   | 208,382            | 19,969                  | -                |
| Capital expenditures and other projects  | 1,449,613          | -                       | -                |
| Restructuring costs  | 2,254,267          | -                       | -                |
| Changing Lives Together Initiative   | 4,303,117          | -                       | -                |
| Clergy health  | 3,374,194          | -                       | -                |
| Federal food program   | 1,962,299          | -                       | -                |
| Collections  | -                  | 2,225,580               | -                |
| Depreciation   | -                  | -                       | -                |
| Donations  | 62,800             | -                       | -                |
| Interest   | 84,270             | -                       | -                |
| Closed parish costs  | -                  | -                       | -                |
| Parish Empowerment Fund grants   | 925,077            | -                       | -                |
| School Outreach Fund grants  | 1,910,934          | -                       | -                |
| Urban capital grants   | 185,845            | -                       | -                |
| United States Conference of Catholic Bishops   | 453,259            | -                       | -                |
|  | <hr/>              | <hr/>                   | <hr/>            |
| Total other expenditures   | 17,174,057         | 2,245,549               | -                |
|  | <hr/>              | <hr/>                   | <hr/>            |
| Total expenditures   | 36,839,791         | 2,245,549               | -                |
|  | <hr/>              | <hr/>                   | <hr/>            |
| <b>Unrestricted Revenue, Other Support, Departmental<br/>Income and Net Assets Released from Restrictions<br/>Over (Under) Departmental and Other Expenditures</b> | 2,269,006          | -                       | 6,731,515        |

**Statement of Activities and Changes in Net Assets (Continued)**  
**Year Ended June 30, 2011**

| Loan Deposit<br>Program | Archdiocesan<br>Properties | Combined Total    | Eliminating<br>Entries | Total             |
|-------------------------|----------------------------|-------------------|------------------------|-------------------|
| \$ -                    | \$ -                       | \$ 2,312,188      | \$ -                   | \$ 2,312,188      |
| -                       | -                          | 2,660,867         | -                      | 2,660,867         |
| -                       | -                          | 834,915           | -                      | 834,915           |
| -                       | -                          | 8,514,068         | -                      | 8,514,068         |
| -                       | -                          | 3,946,546         | -                      | 3,946,546         |
| -                       | -                          | 1,397,150         | -                      | 1,397,150         |
| -                       | -                          | 19,665,734        | -                      | 19,665,734        |
| 135,922                 | -                          | 364,273           | -                      | 364,273           |
| -                       | -                          | 1,449,613         | -                      | 1,449,613         |
| -                       | -                          | 2,254,267         | -                      | 2,254,267         |
| -                       | -                          | 4,303,117         | -                      | 4,303,117         |
| -                       | -                          | 3,374,194         | -                      | 3,374,194         |
| -                       | -                          | 1,962,299         | -                      | 1,962,299         |
| -                       | -                          | 2,225,580         | -                      | 2,225,580         |
| -                       | 392,037                    | 392,037           | -                      | 392,037           |
| -                       | -                          | 62,800            | -                      | 62,800            |
| 7,310,686               | 1,438,944                  | 8,833,900         | (192,148)              | 8,641,752         |
| -                       | 263,196                    | 263,196           | -                      | 263,196           |
| -                       | -                          | 925,077           | -                      | 925,077           |
| -                       | -                          | 1,910,934         | -                      | 1,910,934         |
| -                       | -                          | 185,845           | -                      | 185,845           |
| -                       | -                          | 453,259           | -                      | 453,259           |
| <u>7,446,608</u>        | <u>2,094,177</u>           | <u>28,960,391</u> | <u>(192,148)</u>       | <u>28,768,243</u> |
| <u>7,446,608</u>        | <u>2,094,177</u>           | <u>48,626,125</u> | <u>(192,148)</u>       | <u>48,433,977</u> |
| 4,032,918               | (1,563,292)                | 11,470,147        | 57,354                 | 11,527,501        |

# Archdiocese of Detroit

|   | Central Operations  | Diocesan<br>Collections | Designated Funds    |
|---|---------------------|-------------------------|---------------------|
| <b>Designated Fund Expenditures</b>   |                     |                         |                     |
| Angel Fund  | \$ -                | \$ -                    | \$ 2,562,204        |
| Archbishop's Stewardship grants   | -                   | -                       | 284,434             |
| Campaign for Human Development grants   | -                   | -                       | 68,000              |
| Rice Bowl grants  | -                   | -                       | 27,000              |
| Tuition grants  | -                   | -                       | 1,686,387           |
| Unemployment benefits   | -                   | -                       | 1,158,467           |
| Youth and Family Ministry grants  | -                   | -                       | 82,076              |
|   | <hr/>               | <hr/>                   | <hr/>               |
| Total designated fund expenditures  | -                   | -                       | 5,868,568           |
| <b>Non-Central Operations Expenditures</b>                                    |                     |                         |                     |
| Cathedral subsidy   | 528,000             | -                       | -                   |
| 3900 Harewood - Building maintenance  | 896,823             | -                       | -                   |
| St. Aloysius subsidy  | 240,000             | -                       | -                   |
| Cemetery subsidy  | 500,000             | -                       | -                   |
| Michigan Catholic subsidy   | 254,000             | -                       | -                   |
| Pontiac Vision 2000 Schools, Inc. bond subsidy                                | 360,206             | -                       | -                   |
| Sacred Heart Major Seminary   | 6,737,845           | -                       | -                   |
|   | <hr/>               | <hr/>                   | <hr/>               |
| Total non-central Operations expenditures                                     | 9,516,874           | -                       | -                   |
|   | <hr/>               | <hr/>                   | <hr/>               |
| <b>(Decrease) Increase in Unrestricted Net Assets</b>                         | (7,247,868)         | -                       | 862,947             |
| <b>Temporarily Restricted Revenue and Other Support</b>                       |                     |                         |                     |
| Changing Lives Together pledge income   | 1,721,875           | -                       | -                   |
| Donations - National Collections  | -                   | 2,295,709               | 10,000              |
| Interest  | -                   | 6,114                   | 57,354              |
|   | <hr/>               | <hr/>                   | <hr/>               |
| Total temporarily restricted revenue and other support                        | 1,721,875           | 2,301,823               | 67,354              |
|   | <hr/>               | <hr/>                   | <hr/>               |
| <b>Contribution from Endowment Foundation, Inc.</b>                           | -                   | -                       | 2,055,914           |
|   | <hr/>               | <hr/>                   | <hr/>               |
| <b>Net Assets Released from Restrictions - Purpose restrictions fulfilled</b> | -                   | (2,245,549)             | (2,147,897)         |
|   | <hr/>               | <hr/>                   | <hr/>               |
| <b>Increase (Decrease) in Temporarily Restricted Net Assets</b>               | 1,721,875           | 56,274                  | (24,629)            |
|   | <hr/>               | <hr/>                   | <hr/>               |
| <b>(Decrease) Increase in Net Assets</b>                                      | (5,525,993)         | 56,274                  | 838,318             |
|   | <hr/>               | <hr/>                   | <hr/>               |
| <b>Net Assets (Deficit) - Beginning of year - As restated</b>                 | 10,140,882          | 671,932                 | 7,991,129           |
|   | <hr/>               | <hr/>                   | <hr/>               |
| <b>Net Assets (Deficit) - End of year</b>                                     | <b>\$ 4,614,889</b> | <b>\$ 728,206</b>       | <b>\$ 8,829,447</b> |
|   | <hr/>               | <hr/>                   | <hr/>               |

**Statement of Activities and Changes in Net Assets (Continued)**  
**Year Ended June 30, 2011**

| Loan Deposit<br>Program | Archdiocesan<br>Properties | Combined<br>Total      | Eliminating<br>Entries | Total                  |
|-------------------------|----------------------------|------------------------|------------------------|------------------------|
| \$ -                    | \$ -                       | \$ 2,562,204           | \$ -                   | \$ 2,562,204           |
| -                       | -                          | 284,434                | -                      | 284,434                |
| -                       | -                          | 68,000                 | -                      | 68,000                 |
| -                       | -                          | 27,000                 | -                      | 27,000                 |
| -                       | -                          | 1,686,387              | -                      | 1,686,387              |
| -                       | -                          | 1,158,467              | -                      | 1,158,467              |
| -                       | -                          | 82,076                 | -                      | 82,076                 |
| -                       | -                          | 5,868,568              | -                      | 5,868,568              |
| -                       | -                          | 528,000                | -                      | 528,000                |
| -                       | -                          | 896,823                | -                      | 896,823                |
| -                       | -                          | 240,000                | -                      | 240,000                |
| -                       | -                          | 500,000                | -                      | 500,000                |
| -                       | -                          | 254,000                | -                      | 254,000                |
| -                       | -                          | 360,206                | -                      | 360,206                |
| -                       | -                          | 6,737,845              | -                      | 6,737,845              |
| -                       | -                          | 9,516,874              | -                      | 9,516,874              |
| 4,032,918               | (1,563,292)                | (3,915,295)            | 57,354                 | (3,857,941)            |
| -                       | -                          | 1,721,875              | -                      | 1,721,875              |
| -                       | -                          | 2,305,709              | -                      | 2,305,709              |
| -                       | -                          | 63,468                 | (57,354)               | 6,114                  |
| -                       | -                          | 4,091,052              | (57,354)               | 4,033,698              |
| -                       | -                          | 2,055,914              | -                      | 2,055,914              |
| -                       | -                          | (4,393,446)            | -                      | (4,393,446)            |
| -                       | -                          | 1,753,520              | (57,354)               | 1,696,166              |
| 4,032,918               | (1,563,292)                | (2,161,775)            | -                      | (2,161,775)            |
| (63,585,819)            | (7,724,056)                | (52,505,932)           | -                      | (52,505,932)           |
| <b>\$ (59,552,901)</b>  | <b>\$ (9,287,348)</b>      | <b>\$ (54,667,707)</b> | <b>\$ -</b>            | <b>\$ (54,667,707)</b> |

# Archdiocese of Detroit

|   | Central<br>Operations | Diocesan<br>Collections |
|---|-----------------------|-------------------------|
| <b>Cash Flows from Operating Activities</b>   |                       |                         |
| (Decrease) increase in net assets   | \$ (5,525,993)        | \$ 56,274               |
| Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities: |                       |                         |
| Gain on investments   | -                     | -                       |
| Depreciation  | -                     | -                       |
| Changes in assets and liabilities:  |                       |                         |
| (Increase) decrease in accounts receivable  | (5,311,543)           | -                       |
| (Decrease) increase in land contract receivable   | -                     | -                       |
| Increase in other assets  | (107,693)             | -                       |
| Increase (decrease) in accounts payable   | 1,736,802             | 702,771                 |
|   | <u>(9,208,427)</u>    | <u>759,045</u>          |
| <b>Net cash (used in) provided by operating activities</b>  | <b>(9,208,427)</b>    | <b>759,045</b>          |
| <b>Cash Flows from Investing Activities</b>   |                       |                         |
| Increase in investment in Loan Deposit Program  | (56,210)              | (12,235)                |
| 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   | -                     | -                       |
| Proceeds from other funds   | -                     | -                       |
|   | <u>(56,210)</u>       | <u>(12,235)</u>         |
| <b>Net cash (used in) provided by investing activities</b>  | <b>(56,210)</b>       | <b>(12,235)</b>         |
| <b>Cash Flows from Financing Activities</b>   |                       |                         |
| Increase in Due to Loan Deposit Program   | 5,721,885             | -                       |
| Due to/from other funds   | 4,611,540             | 361,028                 |
| Proceeds from parishes and schools  | -                     | -                       |
| Advances to other funds   | -                     | -                       |
| Advances to other organizations   | -                     | -                       |
|   | <u>10,333,425</u>     | <u>361,028</u>          |
| <b>Net cash provided by (used in) financing activities</b>  | <b>10,333,425</b>     | <b>361,028</b>          |
| <b>Net Increase in Cash Equivalents</b>   | <b>1,068,788</b>      | <b>1,107,838</b>        |
| <b>Cash Equivalents - Beginning of year</b>   | <b>427,195</b>        | <b>273,544</b>          |
| <b>Cash Equivalents - End of year</b>   | <b>\$ 1,495,983</b>   | <b>\$ 1,381,382</b>     |

# Archdiocese of Detroit

## Statement of Cash Flows June 30, 2011

| Designated<br>Funds | Loan/Deposit<br>Program | Archdiocesan<br>Properties | Total                |
|---------------------|-------------------------|----------------------------|----------------------|
| \$ 838,318          | \$ 4,032,918            | \$ (1,563,292)             | \$ (2,161,775)       |
| -                   | (4,205,612)             | -                          | (4,205,612)          |
| -                   | -                       | 392,037                    | 392,037              |
| (462,204)           | -                       | 7,346                      | (5,766,401)          |
| -                   | (28,485)                | 280,000                    | 251,515              |
| -                   | -                       | -                          | (107,693)            |
| (86,747)            | 239,944                 | (60,900)                   | 2,531,870            |
| 289,367             | 38,765                  | (944,809)                  | (9,066,059)          |
| (230,197)           | -                       | -                          | (298,642)            |
| -                   | (1,388,385)             | -                          | (1,388,385)          |
| -                   | -                       | (153,501)                  | (153,501)            |
| -                   | 11,566,498              | -                          | 11,566,498           |
| -                   | 6,880,009               | -                          | 6,880,009            |
| -                   | (2,567,507)             | -                          | (2,567,507)          |
| -                   | 3,836,101               | -                          | 3,836,101            |
| -                   | 748,284                 | -                          | 748,284              |
| (230,197)           | 19,075,000              | (153,501)                  | 18,622,857           |
| -                   | -                       | 789,723                    | 6,511,608            |
| 285,536             | (5,659,374)             | 401,270                    | -                    |
| -                   | 9,333,974               | -                          | 9,333,974            |
| -                   | (9,165,374)             | -                          | (9,165,374)          |
| -                   | (356,459)               | -                          | (356,459)            |
| 285,536             | (5,847,233)             | 1,190,993                  | 6,323,749            |
| 344,706             | 13,266,532              | 92,683                     | 15,880,547           |
| 294,205             | 13,161,103              | -                          | 14,156,047           |
| <b>\$ 638,911</b>   | <b>\$ 26,427,635</b>    | <b>\$ 92,683</b>           | <b>\$ 30,036,594</b> |

### 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 (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, 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, Changing Lives Together (CLT) 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, CLT 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, and are due in less than one year.

CLT pledge income contributions are from a three-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 amount shown as CLT pledges receivable represents the pledges obtained as of June 30, 2011 net of an allowance for doubtful pledges of 10 percent and the amounts due to the parishes per the campaign parameters. Approximate payments due within one year are \$977,000 and in greater than one but less than five years are \$745,000.

### Note 1 - Accounting Policies (Continued)

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

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.

**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 5.5 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, 2011.

**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 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.

### **Note 1 - Accounting Policies (Continued)**

#### **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.

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 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.

### Note I - Accounting Policies (Continued)

#### F. Expenditures

All expenditures are recorded on the accrual basis

Costs have been allocated 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, 2011, Central Operations had \$12,416,366, \$29,637,182, and \$4,303,117 in expenses functionally allocated to direct program services, support services, and fundraising, respectively. Diocesan collections had \$2,225,580 in direct program expenses and \$19,969 in support services. Designated Funds expenses of \$5,868,568 were all program service expenses. The Loan Deposit Program had \$7,310,686 in direct program expenses and \$135,922 in support services. Archdiocesan properties expenses of \$2,094,177 were all direct program services.

**G. 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, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

#### 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, 2011.

### **Note I - Accounting Policies (Continued)**

**Temporarily Restricted** - Net assets in Central Operations are CLT 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.

#### **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 October 19, 2011, which is the date the financial statements were available to be issued.

# Archdiocese of Detroit

## Notes to Financial Statements June 30, 2011

### Note 2 - Investments

A summary of investments and cash equivalents at June 30, 2011 is as follows:

|                           | <u>Fair Market Value</u> |
|---------------------------|--------------------------|
| Cash and cash equivalents | \$ 70,000                |
| Stocks                    | 15,484,565               |
| Fixed-income instruments  | <u>11,920,723</u>        |
| Total                     | <u>\$ 27,475,288</u>     |

### Note 3 - Land Contracts Receivable

**Loan Deposit Program** - 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>(3,221,506)</u>  |
| Net land contract receivable         | <u>\$ 3,028,494</u> |

**Archdiocesan Properties** - The total consists of one 0 percent interest-bearing contract due in annual installments of \$140,000 per year through 2018.

### 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.

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 \$9,934,582. 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 \$529,553 for the year ended June 30, 2011 for employees of the Central Office. The percentage of wages to be contributed is 6.6 percent. The pension plan assets were less than the actuarially computed value of vested benefits as of June 30, 2011, the date of the most recent actuarial valuation. As a result, the plan is underfunded by approximately 2 percent. 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.

# Archdiocese of Detroit

## Notes to Financial Statements June 30, 2011

### 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, 2011 is as follows:

|                      |    |           |
|----------------------|----|-----------|
| Loan deposit program | \$ | 7,310,686 |
| Properties fund      |    | 1,438,944 |
| Central operations   |    | 94,817    |

### 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, 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.

### **Note 10 - Fair Value of Financial Instruments (Continued)**

**Loans** - There are \$196,178,020 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 \$72,085,680, cannot be determined due to the uncertainty of the payment streams.

As of June 30, 2011, there was no investment in loans or trade receivables that were past due by 90 days or more and still accruing interest. Approximately \$42,687,769 out of the \$114,773,449 in total loans was not accruing interest as of year end.

### **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, 2011 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 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, 2011 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.

# Archdiocese of Detroit

## Notes to Financial Statements June 30, 2011

### 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, 2011

|  | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Balance at<br>June 30, 2011 |
|--|--|---|--|-----------------------------|
| <b>Assets - Investments</b>                        |  |   |  |                             |
| Mutual funds - Equity                              | \$ 1,695,373   | \$ 12,050,956   | \$ -   | \$ 13,746,329               |
| Mutual funds - Fixed income                        | -  | 4,026,301   | -  | 4,026,301                   |
| Equity securities - Common stock                   | 40,017   | -   | -  | 40,017                      |
| Equity securities - Real estate investment trusts  | 642,139  | -   | -  | 642,139                     |
| Equity securities - Foreign stock                  | -  | 1,056,080   | -  | 1,056,080                   |
| Fixed income - Asset-backed securities             | -  | 1,388,004   | -  | 1,388,004                   |
| Fixed income - Collateralized mortgage obligations | -  | 1,125,892   | -  | 1,125,892                   |
| Fixed income - Corporate bonds                     | -  | 2,509,733   | -  | 2,509,733                   |
| Fixed income - Foreign bonds and notes             | -  | 357,860   | -  | 357,860                     |
| Fixed income - Mortgage-backed securities          | -  | 358,199   | -  | 358,199                     |
| Fixed income - U.S. federal agency securities      | -  | 371,857   | -  | 371,857                     |
| Fixed income - U.S. government obligations         | -  | 1,852,877   | -  | 1,852,877                   |
|  | <u>\$ 2,377,529</u>  | <u>\$ 25,097,759</u>                                      | <u>\$ -</u>  | <u>\$ 27,475,288</u>        |

### Note 12 - Fair Value Measurements (Continued)

Both observable and unobservable inputs may be used to determine 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.

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 - 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 12 - 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.

### **Note 13 - 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 two years. The goal remains for the Archdiocese to become cash flow neutral as of June 30, 2012.

### **Note 14 - Prior Period Adjustments**

The Archdiocese has two prior period adjustments as of July 1, 2010. The unrestricted net assets of Archdiocesan Properties have been restated as of July 1, 2010 to properly record the net sale proceeds of land and buildings. The net sale proceeds from two parishes were originally recorded as gains in a prior year. These gains should have appropriately been recorded as liabilities to other entities in accordance with decrees by the Archbishop. The prior period adjustment also appropriately records the liabilities in the Loan/Deposit Program.

# Archdiocese of Detroit

## Notes to Financial Statements June 30, 2011

### Note 14 - Prior Period Adjustments (Continued)

In addition, the unrestricted net assets of Central Operations have been restated as of July 1, 2010 to properly record the assumption of a payment obligation by the Archdiocese on behalf of a parish along with the applicable portions of interest income, interest expense, and fees associated with that amount from the date of assumption. No amounts were recorded at the date of the assumption of the obligation by the Archdiocese. In addition, the unrestricted net assets of the Loan/Deposit Program have been restated as of July 1, 2010 to properly account for the assumption of this payment obligation as well as the applicable portions of interest income, interest expense, and fees by Central Operations. The amounts had originally been accounted for in the Loan/Deposit Program.

| Central Operations   | As Originally Reported | As Restated    | Effect of Restatement |
|--|------------------------|----------------|-----------------------|
| Net assets (deficit) -   |                        |                |                       |
| Unrestricted - Undesignated  | \$(5,913,044)          | \$(7,578,103)  | \$(1,665,059)         |
| Pontiac Vision 2000 Schools, Inc.<br>bond payable - Archdiocese of<br>Detroit obligation | -                      | 1,215,418      | 1,215,418             |
| Due to loan deposit program  | 5,632,398              | 6,082,039      | 449,641               |
| Loan/Deposit Program   | As Originally Reported | As Restated    | Effect of Restatement |
| Net assets (deficit) -   |                        |                |                       |
| Unrestricted - Undesignated  | \$(64,425,380)         | \$(63,585,819) | \$839,561             |
| Loans to other funds included in<br>this report  | 36,866,330             | 39,520,096     | (2,653,766)           |
| Loans to parishes and schools  | 97,261,881             | 97,651,801     | (389,920)             |
| Due to other organizations   | 26,753,895             | 28,958,020     | 2,204,125             |
| Archdiocesan Properties  | As Originally Reported | As Restated    | Effect of Restatement |
| Net assets (deficit) -   |                        |                |                       |
| Unrestricted - Undesignated  | \$(5,519,931)          | \$(7,724,056)  | \$(2,204,125)         |
| Due to loan deposit program  | 31,234,432             | 33,438,537     | 2,204,125             |

# **Archdiocese of Detroit**

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## **Notes to Financial Statements June 30, 2011**

### **Note 15 - Subsequent Event**

Subsequent to June 30, 2011, the Archdiocese received an approximately \$20 million payment from the Pope John Paul II Cultural Foundation, Inc. (Foundation) related to the sale of its facility. As a result of this payment, the Archdiocese has agreed to release the Foundation from any remaining liabilities or obligations due to the Archdiocese as of the date of the payment.