

Diocese of Lansing

**Financial Report
with Additional Information
June 30, 2009**

Diocese of Lansing

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Independent Auditor's Report

To the Most Reverend Earl A. Boyea
Diocese of Lansing

We have audited the accompanying balance sheet of the Diocese of Lansing (the "Diocese") as of June 30, 2009 and 2008 and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Diocese's management. 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. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the financial statements being presented are only for funds for which the Diocese of Lansing retains operational control and do not reflect the assets, liabilities, and results of operations of parishes, schools, and other diocesan organizations. Accordingly, the accompanying financial statements are not intended to present the financial position of the parishes, schools, and other diocesan organizations as of June 30, 2009 and 2008 or the changes in their net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Diocese of Lansing at June 30, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

December 4, 2009

Diocese of Lansing

Balance Sheet

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Assets		
Cash and cash equivalents	\$ 3,951,302	\$ 3,859,475
Accounts receivable	2,481,008	2,361,516
Cemetery inventory	32,001	31,999
Prepaid expenses	897,576	258,129
Contributions receivable	1,760,267	1,787,252
Allowance for uncollectible contributions	(405,172)	(180,158)
Investments (Note 2)	25,171,136	29,192,833
Accrued interest receivable	1,587,960	1,080,949
Unrecovered cost of crypts and niches	1,883,756	1,907,342
Undeveloped burial ground	553,771	553,771
Loans - Parishes, schools, and other - Net of allowance for doubtful loans of \$58,391 for 2009 and 2008	56,818,588	56,696,893
Property and equipment:		
Equipment	1,254,083	1,414,344
Land and buildings	17,669,691	17,527,964
Future sites	1,163,835	1,150,835
Accumulated depreciation	(6,062,310)	(5,752,195)
Total assets	<u><u>\$ 108,757,492</u></u>	<u><u>\$ 111,890,949</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 1,065,589	\$ 363,799
Gains (losses) due to depositors	696,719	(1,131,342)
Unremitted collections	318,832	267,576
Parishes, schools, and other deposits	73,286,969	79,681,155
Amounts due beneficiaries	152,800	158,400
Funds held for others	991	38,935
Cemetery trust funds	1,190,370	1,218,976
Total liabilities	76,712,270	80,597,499
Net Assets		
Unrestricted:		
Designated	22,287,128	24,434,433
Undesignated	693,958	864,797
Temporarily restricted (Note 4)	6,012,917	5,970,105
Permanently restricted (Note 5)	3,051,219	24,115
Total net assets	<u>32,045,222</u>	<u>31,293,450</u>
Total liabilities and net assets	<u><u>\$ 108,757,492</u></u>	<u><u>\$ 111,890,949</u></u>

Diocese of Lansing

Statement of Activities and Changes in Net Assets

	Year Ended	
	June 30, 2009	June 30, 2008
Changes in Unrestricted Net Assets		
Revenue:		
Diocese assessments	\$ 2,534,985	\$ 2,478,408
Diocesan Services Appeal contributions	294,604	476,031
Cemetery operations	467,152	321,725
Participant premium	3,014,336	2,765,839
Interest	3,667,055	2,797,461
Dividends	213,668	410,822
Net realized and unrealized loss on investments	(4,819,006)	(2,503,715)
Gain on dispositions	905	2,102
Bequests and donations	846,694	1,147,879
Catholic charities activities	25,337	82,708
Mission office	-	40,683
Flint Region Hospital Ministries	-	91,893
Rental and other income	532,374	48,180
Tribunal	37,968	43,734
Formation	119,131	123,706
Finance department	33,116	58,208
Communications	60,279	53,633
Education	136,970	274,781
Catholic charities and other	-	12,000
Satisfaction of program restrictions:		
DSA Campaign	4,323,796	4,406,034
Other	193,626	263,546
Total revenue	11,682,990	13,395,658
Expenses:		
Central service ministries	6,675,543	6,566,419
Grants, assessments, and other ministries	1,451,091	1,997,337
Cemetery operations	1,178,776	1,149,162
Net distributions (from) to depositors	(62,964)	795,737
Insurance premiums, fees, and claims	3,557,252	3,094,912
Administrative expenses	-	156,156
Depreciation	436,049	409,930
Plant expense	82,742	162,577
Self-supporting activities	682,645	227,837
Total expenses	14,001,134	14,560,067
Decrease in Unrestricted Net Assets	(2,318,144)	(1,164,409)

Diocese of Lansing

Statement of Activities and Changes in Net Assets (Continued)

	Year Ended	
	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Changes in Temporarily Restricted Net Assets		
Diocesan Services Appeal contributions	\$ 4,154,202	\$ 4,323,796
Bequests and donations	423,402	554,333
Investment income	(17,370)	20,157
DSA campaign release from restriction	(4,323,796)	(4,406,034)
Other release from restriction	<u>(193,626)</u>	<u>(263,546)</u>
Increase in Temporarily Restricted Net Assets	42,812	228,706
Changes in Permanently Restricted Net Assets		
Contributions	-	3,000
Bequests and donations	3,026,285	59
Investment income	<u>819</u>	<u>712</u>
Increase in Permanently Restricted Net Assets	<u>3,027,104</u>	<u>3,771</u>
Increase (Decrease) in Net Assets	751,772	(931,932)
Net Assets - Beginning of year	<u>31,293,450</u>	<u>32,225,382</u>
Net Assets - End of year	<u>\$ 32,045,222</u>	<u>\$ 31,293,450</u>

Diocese of Lansing

Statement of Cash Flows

	Year Ended	
	June 30, 2009	June 30, 2008
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 751,772	\$ (931,932)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	515,859	492,411
Net loss on investments	4,819,006	2,503,715
Loss (gain) on dispositions	1,404	(2,102)
Change in allowance for uncollectible contributions	225,014	(3,427)
(Increase) decrease in assets:		
Accounts receivable	(119,492)	(465,799)
Contributions receivable	26,985	124,285
Cemetery inventory	(2)	(942)
Unrecovered cost of crypts and niches	23,586	(23,601)
Accrued interest receivable	(507,011)	776,846
Prepaid expenses	(639,447)	135,064
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	701,790	(417,412)
Cemetery trust fund	(28,606)	8,755
Distributions due to depositors	1,828,061	(2,246,444)
Deposits	(6,394,186)	(557,572)
Amounts due beneficiaries	(5,600)	34,400
Funds held for others	(37,944)	(182)
Unremitted collections	51,256	(48,317)
Net cash provided by (used in) operating activities	1,212,445	(622,254)
Cash Flows from Investing Activities		
Proceeds from sale of equipment	23,500	8,951
Proceeds from loan repayments	5,278,303	3,873,358
Issuance of loans	(5,399,998)	(8,407,095)
Purchase of equipment	(42,329)	(238,049)
Purchase of land and buildings	(182,785)	(543,152)
Net (purchase) sale of investments	(797,309)	5,837,716
Net cash (used in) provided by investing activities	(1,120,618)	531,729
Net Increase (Decrease) in Cash and Cash Equivalents	91,827	(90,525)
Cash and Cash Equivalents - Beginning of year	3,859,475	3,950,000
Cash and Cash Equivalents - End of year	<u>\$ 3,951,302</u>	<u>\$ 3,859,475</u>

Diocese of Lansing

Notes to Financial Statements June 30, 2009 and 2008

Note I - Nature of Activities and Significant Accounting Policies

Principles of Reporting - The accompanying financial statements include only those funds for which the Diocese of Lansing (the "Diocese") retains operational control. The financial statements do not reflect the assets, liabilities, and results of operations of parishes, schools, and other diocesan organizations. The excluded organizations receive financial support from other sources and their activities are accounted for separately.

The Diocese of Lansing provides various services primarily in the central area of lower Michigan. A description of these services and the funds maintained by the Diocese is as follows:

Central Services - Central Services accounts for the operations of the central administrative offices of the Diocese. The main sources of income are the annual Diocesan Services Appeal drive and diocesan assessments levied on each parish. Diocesan Services Appeal contributions are recorded as temporarily restricted revenue until the period that expenditures relating to each drive are made.

The Diocese combined the Self-Supporting Fund (fund which included the activities of the central diocesan self-supporting enterprises) with the Central Services Fund in 2009. As such, the 2008 balances have been reclassified for comparative purposes.

Plant - Plant activities include purchase, renovation, or rehabilitation of land, buildings, and equipment. Equipment is recorded at cost. Land and future parish sites are recorded at cost. Contributed assets are recorded at fair market value at the date of the gift. Plant activities include costs associated with property and equipment used in the operations included in these financial statements. Costs of operating and maintaining land, buildings, and equipment of parishes, schools, and other diocesan institutions are excluded.

Savings and Loan Program - Savings of and loans to diocesan units are accounted for in this program. Loans made to diocesan units have varying maturities and bear an interest rate of 5.0 percent during 2009 and 2008. Interest was paid on deposits at a rate of 3.5 percent during 2009 and 2008. In addition, an annual special income distribution may be paid to depositors to recognize earnings received or investment returns in excess of the above rates. There were no special income distributions made during 2009 or 2008.

The allowance for doubtful loans is reviewed annually and is considered adequate to cover potentially uncollectible loans at June 30, 2009.

Trust and Endowment - Trust and endowment funds are long-term savings of trusts, endowments, cemetery-endowed care, and other restricted funds of diocesan units. Returns to the depositors are based on actual results of the investments.

Diocese of Lansing

Notes to Financial Statements June 30, 2009 and 2008

Note I - Nature of Activities and Significant Accounting Policies (Continued)

Protected Loss Program - This program covers liability, property, and workers' compensation losses for all diocesan personnel and property. Loss coverage is provided through a self-insurance plan with the Michigan Catholic Conference (MCC) and premiums are billed to covered entities within the Diocese.

Designated Gift - Gift funds are limited for special purposes. Restrictions are donor-imposed limitations and designations are management imposed.

The Diocese combined the Custodial Fund (gift funds which were limited for special purposes) with the Designated Gift Fund in 2009. As such, the 2008 balances have been reclassified for comparative purposes.

Cemetery - Diocesan cemeteries accounts for the activities of St. Joseph Catholic Cemetery in Lansing, New and Old Calvary Cemeteries in Flint, St. Patrick Cemetery in Clinton County, St. Michael Byzantine Cemetery in Flint, and the central administrative and pre-need offices.

Accounting Policies

Cash and Cash Equivalents - The Diocese considers all highly liquid investments purchased with a maturity of three months or less to be cash and cash equivalents. However, this excludes any cash that is included in the Diocese's investment portfolio.

Concentration of Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Diocese's deposits may not be returned to it. At year end, a significant portion of the Diocese's cash balance was held at a financial institution and exceeds the FDIC insurance limits. Management believes that due to the dollar amounts of cash deposits and the type of accounts held, it is impractical to insure all deposits.

Accounts Receivable - Accounts receivable are stated at invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal payment periods. In addition, a general valuation allowance is established for other accounts receivable based on historical loss experience. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. The Diocese has determined no allowance for uncollectibility is necessary.

Amounts received from cemetery trusts, included in investments, receivables, and liabilities, represent a portion of the proceeds from the sale of pre-need merchandise and services, deposited in accordance with state trusting laws with various financial institutions, together with accrued earnings. The Diocese will recognize and generally receive these amounts when the merchandise is delivered or the service is performed.

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Contributions Receivable - Contributions receivable result from unconditional promises to fund Diocesan Services Appeal drives. All amounts are due within 12 months.

Contributions - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received and measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions resulting from split-interest agreements, measured at the time the agreements are entered into, are recognized based on the difference between the fair value of the assets received or promised and the present value of obligations to the third-party recipients under the related contracts. Contributions with donor-imposed time or purpose restrictions are reported as restricted support and all other contributions are reported as unrestricted support.

Investments - Investments are stated at fair value. Gifts of investment securities are initially recorded at fair value at the date of receipt. Investment income is recorded when earned.

Unrecovered Cost of Crypts and Niches - It is the policy of the Diocese to capitalize all construction costs for the mausoleums and columbaries. The costs of crypts and niches are written off as the entombment and inurnment rights are sold.

Undeveloped Burial Ground - Undeveloped burial ground represents the cost of land not developed or available for the sale of burial rights at year end.

Property and Equipment - The Diocese maintains historical financial records of the cost of land, buildings, and certain equipment when purchased or fair market value at the date of gift, if contributed. Depreciation is calculated on the straight-line basis over the estimated useful lives of the various assets.

Split-interest Agreements - The Designated Gift Program includes resources and obligations created by various split-interest agreements with donors. Under the terms of the contracts, the Diocese is required to invest amounts received and distribute a percentage of that investment or a set amount to designated beneficiaries. Upon the death of a beneficiary, the principal remaining under each contract reverts to the Diocese or other designated beneficiaries in accordance with the terms of the respective contract.

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Classification of Net Assets - Net assets of the Diocese are classified as permanently restricted, temporarily restricted, or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the Diocese'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. Donor-imposed restrictions that will be maintained permanently by the Diocese result in permanently restricted net assets. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable law.

Tax Status - The Diocese is tax exempt under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no income tax provision is reflected in the financial statements.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Functional Expenses - The costs of providing program services, administrative expenses, and fund-raising are reported on a functional basis in Note 7. Costs are allocated between the various programs and support services on an actual basis, where available, or based upon reasonable methods. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different results.

Reclassification - Certain reclassifications were made to amounts in the 2008 financial statements to conform to the classifications used in 2009. None of the changes resulted in an overall change to the net assets reported in 2008.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including December 4, 2009, which is the date the financial statements were available to be issued.

Risks and Uncertainties - The Diocese invests in various investment 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.

Diocese of Lansing

Notes to Financial Statements June 30, 2009 and 2008

Note 2 - Investments

A summary of investments held by the Diocese at June 30, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Investment in MCC investment pool	\$ 24,767,998	\$ 28,780,172
Other	<u>403,138</u>	<u>412,661</u>
Total	<u>\$ 25,171,136</u>	<u>\$ 29,192,833</u>

Note 3 - Fair Value Measurements

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

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

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

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

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

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 Diocese's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Diocese of Lansing

Notes to Financial Statements June 30, 2009 and 2008

Note 3 - Fair Value Measurements (Continued)

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

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2009
Assets				
Mutual funds	\$ 130,163	\$ -	\$ -	\$ 130,163
Michigan Catholic Conference investment pool	-	-	24,767,998	24,767,998

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

	Michigan Catholic Conference Investment Pool
Balance at June 30, 2008	\$ 28,780,172
Realized and unrealized losses included in income	(4,819,006)
Net purchases of investments	806,832
Balance at June 30, 2009	<u>\$ 24,767,998</u>

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

Note 4 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

- Central Services - Net assets with time restrictions related to Diocesan Services Appeal contributions
- Designated Gift - Net assets restricted for specific purposes as specified by the donors
- Cemetery Fund - Net assets restricted for specific purposes as specified by the donors

Note 5 - Permanently Restricted Net Assets

Permanently restricted net assets consist of the following:

- Designated Gift - Net assets permanently restricted as specified by the donors. Income can be used as specified by the donors for various programs and purposes.

Note 6 - Self-insurance Plan

The Diocese participates in a self-insurance plan with other Michigan dioceses for workers' compensation, liability, and property coverage. Initial losses of up to \$1,000,000 for workers' compensation, \$1,000,000 for liability, and \$1,000,000 for property per occurrence are the responsibility of the plan. Premiums paid to the plan by the Diocese are recorded in the expenses of the Protected Loss Program 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 \$1,000,000 for property per occurrence and property losses up to a limit of \$100,000,000 per occurrence for workers' compensation, \$100,000,000 per occurrence for liability, and \$125,000,000 per occurrence for property. In the current year, the plan is responsible for aggregate losses of up to \$12,155,492 annually. The Diocese, along with the other dioceses included in the plan, is contingently liable for claims in excess of these amounts. This contingency cannot be estimated or determined and has not been accounted for in the financial statements.

Diocese of Lansing

Notes to Financial Statements June 30, 2009 and 2008

Note 7 - Functional Expenses

The Diocese provides various services to residents within its geographic area. Expenses related to providing these services at June 30 are as follows:

	<u>2009</u>	<u>2008</u>
Program services:		
Central service ministerial program and grants	\$ 6,673,474	\$ 6,969,289
Plant operational activities	518,791	572,508
Savings and loan operational activities	2,477,962	2,179,244
Trust and endowment operational activities	(2,362,447)	(1,277,552)
Protected loss program	3,557,252	3,094,912
Self-supporting ministries	-	227,838
Cemetery operations	1,178,776	1,149,162
Designated Gift Fund activities	504,166	520,371
Total program services	<u>12,547,974</u>	<u>13,435,772</u>
General and administrative:		
Finance, property services, and technology systems	945,826	674,118
Building management	161,139	157,435
Total general and administrative	<u>1,106,965</u>	<u>831,553</u>
Fund-raising	<u>346,195</u>	<u>292,742</u>
Total	<u>\$ 14,001,134</u>	<u>\$ 14,560,067</u>

Note 8 - Pension Plan for Lay Employees

The Diocese participates in a statewide, defined benefit pension plan that covers all lay employees. The plan is administered by the Michigan Catholic Conference. Contributions to the plan are based on the percentage (6.60 percent) of covered employees' wages and amounted to approximately \$186,000 and \$182,000 for the years ended June 30, 2009 and 2008, respectively, principally for employees of the central administrative offices. The pension plan's assets exceeded the actuarial computed present value of accumulated plan benefits as of July 1, 2008, the date of the last actuarial valuation. In the event of withdrawal from the plan and under certain circumstances, a contributor to a multiple-employer plan may be liable for a portion of any underfunded status. The weighted average assumed rate of return used in the valuation was 8.0 percent. Information as to the actuarial present value of vested and nonvested accumulated plan benefits and the plan's net assets available for benefits attributable to employees of the Diocese of Lansing is not available since the MCC does not compute it for each participating diocese.

Note 9 - Replacement Value of Buildings

The replacement value of parish, school, and other diocesan institution buildings owned by the Diocese is in excess of \$20,000,000, which does not include the amounts shown in the balance sheet under land and buildings, as determined by Marshall Swift Valuation Services Cost Indices as of June 30, 2009. The buildings included in this valuation are comprised substantially of buildings excluded from plant assets in the accompanying financial statements, as discussed in Note 1.

Note 10 - Commitments

The Diocese has provided an irrevocable letter of credit with a bank related to a bond issued in its name for the benefit of Father Gabriel Richard High School. As of June 30, 2009, the outstanding balance on this bond issue is \$12,445,000 and is payable through May 1, 2032. The letter of credit is in force through April 25, 2012. Currently, the school is making all payments due on the bonds and all related expenses.

The Diocese has guaranteed a letter of credit related to a bond issue for the St. Vincent Catholic charities. As of June 30, 2009, the outstanding balance on this bond issue is \$6,070,000 and is payable through July 18, 2028. Currently, the other diocesan entity is making all payments due on the bonds and all related expenses.

As previously disclosed in Note 1, the scope of these financial statements excludes assets, liabilities, and the results of operations of schools or the other diocesan entity; therefore, the bonds and the asset constructed with the proceeds are not included in these financial statements. An appropriate liability will be recognized if a possibility reasonably exists that the school and other diocesan entity will not be able to meet their obligations of these bonds and diocesan resources covered in this statement would need to be used to service the debt. Should this occur, the Diocese could seek to recover those amounts from the school and other diocesan entity.

Note 11 - Contingent Liabilities

The Diocese is contingently liable in respect to litigation and claims incidental to the ordinary course of its operations. In the opinion of management, based on its consultation with legal counsel, the amount of loss, if any, is unknown at this time. Therefore, no provision has been made in the accompanying financial statements for losses that might result from the ultimate disposition of these matters.

Note 12 - Fair Value of Financial Instruments

A summary of the methods and significant assumptions used to estimate the fair value of financial instruments for the Diocese of Lansing is as follows:

Short-term Financial Instruments - The fair values of short-term financial instruments, including cash and cash equivalents, accrued interest, Diocesan Service Appeal contributions, assessment and accounts receivable, prepaid expenses, accounts payable, and accrued liabilities, approximate their carrying amounts in the accompanying financial statements due to the short maturity of such instruments.

Investments - The Diocese's assets are held in the Michigan Catholic Conference investment pool. The fair value of these investments is equal to the net asset value of the Diocese's share of the investment pool and all other assets are valued based on quoted market prices.

Loans Receivable - The fair values of loans receivable approximate the carrying amounts since interest rates reflect current market rates.

Deposits Payable - The fair value of deposits payable with no stated maturity is equal to the amount payable on demand.

Note 13 - Donor-restricted Endowments

The Diocese's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Diocese has interpreted the Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Diocese classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UMIFA, the Diocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Diocese and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation

Diocese of Lansing

Notes to Financial Statements June 30, 2009 and 2008

Note 13 - Donor-restricted Endowments (Continued)

- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Diocese
- (7) The investment policies of the Diocese

Endowment Net Asset Composition by Type of Fund as of June 30, 2009

	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ 3,051,219

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2009

	<u>Permanently Restricted</u>
Endowment net assets - Beginning of year	\$ 24,115
Investment income	819
Contributions	<u>3,026,285</u>
Endowment net assets - End of year	<u>\$ 3,051,219</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2008

	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ 24,115

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2008

	<u>Permanently Restricted</u>
Endowment net assets - Beginning of year	\$ 20,344
Investment income	712
Contributions	<u>3,059</u>
Endowment net assets - End of year	<u>\$ 24,115</u>

Note 13 - Donor-restricted Endowments (Continued)

Return Objectives and Risk Parameters

The Diocese has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the Diocese must hold in perpetuity or for a donor-specified period(s).

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Diocese relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Diocese targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Diocese has a practice of maintaining the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 14 - Subsequent Event

On September 15, 2009, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) was signed into law in the state of Michigan. The Diocese is currently reviewing UPMIFA to determine their interpretation of the law and impact of their policies. The impact is not yet known.

Additional Information



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To the Most Reverend Earl A. Boyea
Diocese of Lansing

We have audited the financial statements of the Diocese of Lansing as of June 30, 2009 and 2008. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

December 4, 2009

Diocese of Lansing

Central Services Fund Balance Sheet

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Assets		
Invested in savings and loan program	\$ 2,825,632	\$ 2,048,370
Accounts receivable	1,237,572	1,430,299
Prepaid expenses	250,956	259,651
Contributions receivable	1,760,267	1,787,252
Allowance for uncollectible contributions	<u>(405,172)</u>	<u>(180,158)</u>
Total assets	<u>\$ 5,669,255</u>	<u>\$ 5,345,414</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 702,805	\$ 69,158
Unremitted collections	<u>118,290</u>	<u>87,663</u>
Total liabilities	821,095	156,821
Net Assets		
Unrestricted - Undesignated	693,958	864,797
Temporarily restricted	<u>4,154,202</u>	<u>4,323,796</u>
Total net assets	<u>4,848,160</u>	<u>5,188,593</u>
Total liabilities and net assets	<u>\$ 5,669,255</u>	<u>\$ 5,345,414</u>

Diocese of Lansing

Central Services Fund Statement of Activities and Changes in Net Assets

	Year Ended	
	June 30, 2009	June 30, 2008
Changes in Unrestricted Net Assets		
Revenue:		
Diocesan assessments	\$ 2,534,985	\$ 2,478,408
Diocesan Services Appeal contributions	294,604	476,031
Interest	74,794	71,388
Bequests and donations	181,989	12,199
Rental and other income	76,626	4,308
Program and project receipts:		
Tribunal	37,968	43,734
Finance department	166,618	215,254
Formation	119,131	123,706
Catholic charities	25,337	12,000
Communications	60,279	53,632
Education	136,970	274,781
Total revenue	3,709,301	3,765,441
Net assets released from restriction - DSA Campaign released from restriction	4,323,796	4,406,034
Total revenue and other support	8,033,097	8,171,475
Expenses:		
Catholic charities department	1,293,505	1,314,310
Education and Catechesis department	958,558	1,125,948
Formation department	1,292,325	1,180,513
Communications	487,509	465,541
Finance and administrative services department	1,544,112	1,421,922
Chancery services	1,103,371	1,043,470
Pastoral planning	147,190	163,525
Grants, assessments, and other ministries	1,451,091	1,526,258
Total expenses	8,277,661	8,241,487

Diocese of Lansing

Central Services Fund

Statement of Activities and Changes in Net Assets (Continued)

	Year Ended	
	June 30, 2009	June 30, 2008
Decrease in Unrestricted Net Assets - Before other changes	\$ (244,564)	\$ (70,012)
Other Changes in Unrestricted Net Assets - Transfer between funds	<u>73,725</u>	<u>88,000</u>
(Decrease) Increase in Unrestricted Net Assets	(170,839)	17,988
Changes in Temporarily Restricted Net Assets		
Diocesan Services Appeal contributions	4,154,202	4,323,795
DSA campaign release from restriction	<u>(4,323,796)</u>	<u>(4,406,034)</u>
Decrease in Temporarily Restricted Net Assets	<u>(169,594)</u>	<u>(82,239)</u>
Decrease in Net Assets	(340,433)	(64,251)
Net Assets - Beginning of year	<u>5,188,593</u>	<u>5,252,844</u>
Net Assets - End of year	<u>\$ 4,848,160</u>	<u>\$ 5,188,593</u>

Diocese of Lansing

Cemetery Fund Balance Sheet

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Assets		
Cash and cash equivalents	\$ 2,200	\$ 2,200
Invested in diocesan savings program	1,561,834	2,810,014
Accounts receivable	141,116	207,511
Cemetery inventory	32,001	31,999
Unrecovered cost of crypts and niches	1,883,756	1,907,342
Undeveloped burial ground	553,771	553,771
Prepaid expenses	-	(1,522)
Investments	272,974	240,412
Accrued interest	120,850	(298,765)
Equipment and real estate:		
Equipment	368,108	351,841
Real estate:		
Land and buildings	1,378,978	1,309,249
Accumulated depreciation	<u>(884,676)</u>	<u>(840,496)</u>
Net equipment and real estate	<u>862,410</u>	<u>820,594</u>
Total assets	<u>\$ 5,430,912</u>	<u>\$ 6,273,556</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 37,670	\$ 27,728
Cemetery trust funds (pre-need)	1,190,370	1,218,976
Note payable	<u>2,048,091</u>	<u>2,048,091</u>
Total liabilities	3,276,131	3,294,795
Net Assets		
Unrestricted - Designated	2,145,918	2,970,748
Temporarily restricted	<u>8,863</u>	<u>8,013</u>
Total net assets	<u>2,154,781</u>	<u>2,978,761</u>
Total liabilities and net assets	<u>\$ 5,430,912</u>	<u>\$ 6,273,556</u>

Diocese of Lansing

Cemetery Fund

Statement of Activities and Changes in Net Assets

	Year Ended	
	June 30, 2009	June 30, 2008
Changes in Unrestricted Net Assets		
Revenue:		
General receipts	\$ (2,166)	\$ (183,258)
Products and services	798,161	818,089
Revenue and other support	<u>(328,843)</u>	<u>198</u>
Total revenue	467,152	635,029
Expenses:		
Product costs	179,671	156,301
Operational costs	<u>1,112,311</u>	<u>1,125,639</u>
Total expenses	<u>1,291,982</u>	<u>1,281,940</u>
Decrease in Unrestricted Net Assets - Before other changes	(824,830)	(646,911)
Other Changes in Net Assets - Transfer between funds	<u>-</u>	<u>7,429</u>
Decrease in Unrestricted Net Assets	(824,830)	(639,482)
Changes in Temporarily Restricted Net Assets -		
Contributions	<u>850</u>	<u>1,162</u>
Decrease in Net Assets	(823,980)	(638,320)
Net Assets - Beginning of year	<u>2,978,761</u>	<u>3,617,081</u>
Net Assets - End of year	<u><u>\$ 2,154,781</u></u>	<u><u>\$ 2,978,761</u></u>

Diocese of Lansing

Plant Fund Balance Sheet

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Assets		
Invested in savings and loan program	\$ 452	\$ 17,327
Equipment and real estate:		
Equipment	885,975	1,062,502
Real estate:		
Land and buildings	16,290,713	16,218,715
Future sites	1,163,835	1,150,835
Accumulated depreciation	<u>(5,177,634)</u>	<u>(4,911,699)</u>
Net equipment and real estate	<u>13,162,889</u>	<u>13,520,353</u>
Total assets	<u>\$ 13,163,341</u>	<u>\$ 13,537,680</u>
Liabilities and Net Assets		
Liabilities - Note payable	\$ 1,750,555	\$ 2,194,779
Net Assets - Unrestricted - Designated	<u>11,412,786</u>	<u>11,342,901</u>
Total liabilities and net assets	<u>\$ 13,163,341</u>	<u>\$ 13,537,680</u>

Diocese of Lansing

Plant Fund

Statement of Activities and Changes in Net Assets

	Year Ended	
	June 30, 2009	June 30, 2008
Revenue		
Rental and other income	\$ 872	\$ 872
Gain on dispositions	905	2,102
	<u>1,777</u>	<u>2,974</u>
Expenses		
Depreciation	436,049	409,930
Repairs and maintenance	45,870	66,031
Interest expense	109,739	114,739
Data processing	13,392	34,627
Equipment	2,484	49,017
Miscellaneous	20,995	12,902
	<u>628,529</u>	<u>687,246</u>
Decrease in Net Assets - Before other changes	(626,752)	(684,272)
Other Changes in Net Assets - Transfer between funds	<u>696,637</u>	<u>1,159,931</u>
Increase in Net Assets	69,885	475,659
Net Assets - Beginning of year	<u>11,342,901</u>	<u>10,867,242</u>
Net Assets - End of year	<u><u>\$ 11,412,786</u></u>	<u><u>\$ 11,342,901</u></u>

Diocese of Lansing

Savings and Loan Program Fund Balance Sheet

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Assets		
Cash and cash equivalents	\$ 3,949,102	\$ 3,857,275
Investments	9,552,069	10,785,888
Accrued interest receivable	1,569,719	1,408,769
Prepaid expenses and other assets	375,866	-
Loans:		
Parishes, schools, and others	60,675,625	60,998,154
Allowance for doubtful loans	<u>(58,391)</u>	<u>(58,391)</u>
Net loans	<u>60,617,234</u>	<u>60,939,763</u>
Total assets	<u>\$ 76,063,990</u>	<u>\$ 76,991,695</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 314,724	\$ 252,557
Deposits:		
Parishes, schools, and others	63,566,832	65,905,684
Other diocesan funds included in these financial statements	<u>5,544,652</u>	<u>3,091,546</u>
Total deposits	<u>69,111,484</u>	<u>68,997,230</u>
Total liabilities	69,426,208	69,249,787
Net Assets - Unrestricted - Designated	<u>6,637,782</u>	<u>7,741,908</u>
Total liabilities and net assets	<u>\$ 76,063,990</u>	<u>\$ 76,991,695</u>

Diocese of Lansing

Savings and Loan Program Fund Statement of Activities and Changes in Net Assets

	Year Ended	
	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Revenue		
Interest	\$ 3,097,863	\$ 2,666,250
Dividends	67,822	121,201
Net realized and unrealized loss on investments	<u>(1,551,755)</u>	<u>(663,325)</u>
Total revenue	1,613,930	2,124,126
Expenses		
Distributions to depositors	2,579,496	2,549,509
Administrative expenses	<u>138,560</u>	<u>136,574</u>
Total expenses	<u>2,718,056</u>	<u>2,686,083</u>
Decrease in Net Assets	(1,104,126)	(561,957)
Net Assets - Beginning of year	<u>7,741,908</u>	<u>8,303,865</u>
Net Assets - End of year	<u>\$ 6,637,782</u>	<u>\$ 7,741,908</u>

Diocese of Lansing

Trust and Endowment Fund Balance Sheet

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Assets		
Invested in savings and loan program	\$ (41,143)	\$ 216,854
Investments	<u>15,346,093</u>	<u>18,166,533</u>
Total assets	<u>\$ 15,304,950</u>	<u>\$ 18,383,387</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ -	\$ 8,650
Gain (losses) due to depositors	696,719	(1,131,342)
Deposits:		
Parishes, schools, and others	12,183,797	16,144,705
Other diocesan funds included in these financial statements	<u>2,424,085</u>	<u>3,361,025</u>
Total deposits	<u>14,607,882</u>	<u>19,505,730</u>
Total liabilities	15,304,601	18,383,038
Net Assets - Unrestricted - Designated	<u>349</u>	<u>349</u>
Total liabilities and net assets	<u>\$ 15,304,950</u>	<u>\$ 18,383,387</u>

Diocese of Lansing

Trust and Endowment Fund Statement of Activities and Changes in Net Assets

	Year Ended	
	June 30, 2009	June 30, 2008
Revenue		
Interest	\$ 349,533	\$ 353,406
Dividends	145,846	289,621
Net realized and unrealized loss on investments	<u>(3,267,251)</u>	<u>(1,840,391)</u>
Total revenue	(2,771,872)	(1,197,364)
Expenses		
Distributions to depositors	(2,811,790)	(1,246,933)
Administrative expenses	<u>39,918</u>	<u>49,569</u>
Total expenses	<u>(2,771,872)</u>	<u>(1,197,364)</u>
Increase in Net Assets	-	-
Net Assets - Beginning of year	<u>349</u>	<u>349</u>
Net Assets - End of year	<u><u>\$ 349</u></u>	<u><u>\$ 349</u></u>

Diocese of Lansing

Protected Loss Program Fund Balance Sheet

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Assets		
Invested in savings and loan program	\$ (428,556)	\$ 917
Accounts receivable	981,470	723,706
Prepaid expense	<u>5,000</u>	<u>-</u>
Total assets	<u>\$ 557,914</u>	<u>\$ 724,623</u>
Liabilities and Net Assets		
Liabilities - Accounts payable	\$ 4,313	\$ 3,726
Net Assets - Unrestricted - Designated	<u>553,601</u>	<u>720,897</u>
Total liabilities and net assets	<u>\$ 557,914</u>	<u>\$ 724,623</u>

Diocese of Lansing

Protected Loss Program Fund Statement of Activities and Changes in Net Assets

	Year Ended	
	June 30, 2009	June 30, 2008
Revenue		
Interest	\$ 8,507	\$ 3,517
Participant premiums	3,122,260	2,867,327
Insurance recoveries	259,190	-
Total revenue	3,389,957	2,870,844
Expenses		
Premiums paid to MCC	1,906,657	1,611,042
Reinsurance premiums paid	874,375	894,399
Insurance service fees and other	776,221	589,722
Total expenses	3,557,253	3,095,163
Decrease in Net Assets - Before other changes	(167,296)	(224,319)
Other Changes in Net Assets - Transfer between funds	-	255,000
(Decrease) Increase in Net Assets	(167,296)	30,681
Net Assets - Beginning of year	720,897	690,216
Net Assets - End of year	<u>\$ 553,601</u>	<u>\$ 720,897</u>

Diocese of Lansing

Designated Gift Fund Balance Sheet

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Assets		
Invested in savings and loan program	\$ 6,195,943	\$ 3,302,189
Invested in trust and endowment	318,235	426,134
Prepaid expenses	265,754	-
Accrued interest receivable (payable)	<u>18,241</u>	<u>(29,055)</u>
Total assets	<u>\$ 6,798,173</u>	<u>\$ 3,699,268</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 6,077	\$ 1,979
Unremitted collections	200,542	179,913
Amounts due beneficiaries	152,800	158,400
Funds held for others	<u>991</u>	<u>38,935</u>
Total liabilities	360,410	379,227
Net Assets		
Unrestricted - Designated	1,536,692	1,657,630
Temporarily restricted	1,849,852	1,638,296
Permanently restricted	<u>3,051,219</u>	<u>24,115</u>
Total net assets	<u>6,437,763</u>	<u>3,320,041</u>
Total liabilities and net assets	<u>\$ 6,798,173</u>	<u>\$ 3,699,268</u>

Diocese of Lansing

Designated Gift Fund Statement of Activities and Changes in Net Assets

	Year Ended	
	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Changes in Unrestricted Net Assets		
Revenue:		
Interest	\$ 179,171	\$ 91,257
Bequests and donations	664,705	1,135,726
Rental and other income	<u>195,686</u>	<u>277,517</u>
Total revenue	1,039,562	1,504,500
Net assets released from restrictions - Satisfaction of restriction	<u>193,626</u>	<u>263,299</u>
Total revenue and net assets released from restrictions	1,233,188	1,767,799
Expenses:		
Grants	1,111,544	1,975,578
Administrative expenses	<u>242,582</u>	<u>279,519</u>
Total expenses	<u>1,354,126</u>	<u>2,255,097</u>
Decrease in Unrestricted Net Assets	(120,938)	(487,298)
Changes in Temporarily Restricted Net Assets		
Bequests and donations	422,552	552,985
Investment (loss) income	(17,370)	20,097
Net assets released from restrictions	<u>(193,626)</u>	<u>(263,299)</u>
Increase in Temporarily Restricted Net Assets	211,556	309,783
Changes in Permanently Restricted Net Assets		
Bequests and donations	3,026,285	3,000
Investment income	<u>819</u>	<u>771</u>
Increase in Permanently Restricted Net Assets	<u>3,027,104</u>	<u>3,771</u>
Increase (Decrease) in Net Assets	3,117,722	(173,744)
Net Assets - Beginning of year	<u>3,320,041</u>	<u>3,493,785</u>
Net Assets - End of year	<u>\$ 6,437,763</u>	<u>\$ 3,320,041</u>