

Diocese of Lansing

**Financial Report
with Additional Information
June 30, 2010**

Diocese of Lansing

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Plante & Moran, PLLC
Suite 100
1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

Independent Auditor's Report

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, 2010 and 2009 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, 2010 and 2009 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, 2010 and 2009 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

November 30, 2010

Diocese of Lansing

Balance Sheet

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Assets		
Cash and cash equivalents	\$ 6,623,836	\$ 3,951,302
Accounts receivable	2,295,281	2,481,008
Cemetery inventory	33,679	32,001
Prepaid expenses	1,344,816	897,576
Contributions receivable	1,670,179	1,760,267
Allowance for uncollectible contributions	(402,860)	(405,172)
Investments (Note 2)	26,325,200	25,171,136
Accrued interest receivable	1,534,334	1,587,960
Unrecovered cost of crypts and niches	1,857,328	1,883,756
Undeveloped burial ground	553,771	553,771
Loans - Parishes, schools, and other - Net of allowance for doubtful loans of \$110,247 and \$58,391 for 2010 and 2009, respectively	57,536,726	56,818,588
Property and equipment:		
Equipment	1,199,895	1,254,083
Land and buildings	17,690,576	17,669,691
Future sites	1,163,835	1,163,835
Accumulated depreciation	(6,433,327)	(6,062,310)
Total assets	<u><u>\$ 112,993,269</u></u>	<u><u>\$ 108,757,492</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 797,041	\$ 1,065,589
(Losses) gains due to depositors	(1,097,018)	696,719
Unremitted collections	344,081	318,832
Parishes, schools, and other deposits	77,766,177	73,286,969
Amounts due beneficiaries	33,490	152,800
Funds held for others	1,016	991
Cemetery trust funds	1,190,129	1,190,370
Total liabilities	79,034,916	76,712,270
Net Assets		
Unrestricted:		
Designated	23,800,399	22,287,128
Undesignated	981,328	693,958
Temporarily restricted (Note 4)	6,122,046	6,012,917
Permanently restricted (Note 5)	3,054,580	3,051,219
Total net assets	<u><u>33,958,353</u></u>	<u><u>32,045,222</u></u>
Total liabilities and net assets	<u><u>\$ 112,993,269</u></u>	<u><u>\$ 108,757,492</u></u>

Diocese of Lansing

Statement of Activities and Changes in Net Assets

	Year Ended	
	June 30, 2010	June 30, 2009
Changes in Unrestricted Net Assets		
Revenue:		
Diocese assessments	\$ 2,473,771	\$ 2,534,985
Diocesan Services Appeal contributions	602,206	294,604
Cemetery operations	1,145,890	467,152
Participant premium	3,263,811	3,014,336
Interest	2,094,965	3,667,055
Dividends	296,874	213,668
Net realized and unrealized gain (loss) on investments	2,488,259	(4,819,006)
(Loss) gain on dispositions	(53,564)	905
Bequests and donations	1,472,631	846,694
Catholic charities activities	21,281	25,337
Rental and other income	401,141	532,374
Tribunal	39,137	37,968
Formation	82,615	119,131
Finance department	1,081	33,116
Education	246,481	136,970
Satisfaction of program restrictions:		
DSA Campaign	4,154,202	4,323,796
Other	291,509	193,626
Total revenue	19,022,290	11,622,711
Expenses:		
Central service ministries	5,836,796	6,188,034
Grants, assessments, and other ministries	1,836,863	1,878,321
Cemetery operations	1,124,298	1,178,776
Net distributions to (from) depositors	3,359,883	(62,964)
Insurance premiums, fees, and claims	3,586,909	3,557,252
Depreciation	458,570	436,049
Plant expense	111,810	82,742
Self-supporting activities	906,520	682,645
Total expenses	17,221,649	13,940,855
Increase (Decrease) in Unrestricted Net Assets	1,800,641	(2,318,144)

Diocese of Lansing

Statement of Activities and Changes in Net Assets (Continued)

	Years Ended	
	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Changes in Temporarily Restricted Net Assets		
Diocesan Services Appeal contributions	\$ 4,117,597	\$ 4,154,202
Bequests and donations	363,274	423,402
Investment income	73,969	(17,370)
DSA campaign release from restriction	(4,154,202)	(4,323,796)
Other release from restriction	<u>(291,509)</u>	<u>(193,626)</u>
Increase in Temporarily Restricted Net Assets	109,129	42,812
Changes in Permanently Restricted Net Assets		
Bequests and donations	2,750	3,026,285
Investment income	<u>611</u>	<u>819</u>
Increase in Permanently Restricted Net Assets	<u>3,361</u>	<u>3,027,104</u>
Increase in Net Assets	1,913,131	751,772
Net Assets - Beginning of year	<u>32,045,222</u>	<u>31,293,450</u>
Net Assets - End of year	<u>\$ 33,958,353</u>	<u>\$ 32,045,222</u>

Diocese of Lansing

Statement of Cash Flows

	Year Ended	
	June 30, 2010	June 30, 2009
Cash Flows from Operating Activities		
Increase in net assets	\$ 1,913,131	\$ 751,772
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	537,757	515,859
Net (gain) loss on investments	(2,488,259)	4,819,006
Loss on dispositions	53,564	1,404
Change in allowance for uncollectible contributions	(2,312)	225,014
(Increase) decrease in assets:		
Accounts receivable	185,727	(119,492)
Contributions receivable	90,088	26,985
Cemetery inventory	(1,678)	(2)
Unrecovered cost of crypts and niches	26,428	23,586
Accrued interest receivable	(76,784)	(507,011)
Prepaid expenses	(447,240)	(639,447)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(268,548)	701,790
Cemetery trust fund	(241)	(28,606)
Distributions due to depositors	(1,793,737)	1,828,061
Deposits	4,479,208	(6,394,186)
Amounts due beneficiaries	(119,310)	(5,600)
Funds held for others	25	(37,944)
Unremitted collections	25,249	51,256
Net cash provided by operating activities	2,113,068	1,212,445
Cash Flows from Investing Activities		
Proceeds from sale of equipment	54,637	23,500
Proceeds from loan repayments	5,507,784	5,278,303
Issuance of loans	(6,095,512)	(5,399,998)
Purchase of equipment	(37,808)	(42,329)
Purchase of land and buildings	(203,830)	(182,785)
Net sale (purchase) of investments	1,334,195	(797,309)
Net cash provided by (used in) investing activities	559,466	(1,120,618)
Net Increase in Cash and Cash Equivalents	2,672,534	91,827
Cash and Cash Equivalents - Beginning of year	3,951,302	3,859,475
Cash and Cash Equivalents - End of year	\$ 6,623,836	\$ 3,951,302

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.

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 2010 and 2009. Interest was paid on deposits at a rate of 2.5 percent during 2010 and 3.5 percent during 2009. 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 2010 or 2009.

The allowance for doubtful loans is reviewed annually and is considered adequate to cover potentially uncollectible loans at June 30, 2010.

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.

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.

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

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

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 one 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.

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

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

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.

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.

Diocese of Lansing

Notes to Financial Statements June 30, 2010 and 2009

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

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 fundraising 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.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including November 30, 2010, 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.

Note 2 - Investments

A summary of investments held by the Diocese at June 30, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Investment in MCC investment pool	\$ 25,866,236	\$ 24,767,998
Other	<u>458,964</u>	<u>403,138</u>
Total	<u>\$ 26,325,200</u>	<u>\$ 25,171,136</u>

Diocese of Lansing

Notes to Financial Statements June 30, 2010 and 2009

Note 3 - Fair Value Measurements

Accounting standards require certain assets and liabilities to 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 tables present information about the Diocese's assets measured at fair value on a recurring basis at June 30, 2010 and 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. These Level 3 fair value measurements are based primarily on management's own estimates, and the net asset value of the fund.

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.

Assets Measured at Fair Value on a Recurring Basis at June 30, 2010

	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, 2010
Investments:				
Mutual funds	\$ 159,444	\$ -	\$ -	\$ 159,444
Michigan Catholic Conference investment pool	-	-	25,866,236	25,866,236
Total investments	<u>\$ 159,444</u>	<u>\$ -</u>	<u>\$ 25,866,236</u>	<u>\$ 26,025,680</u>

Diocese of Lansing

Notes to Financial Statements June 30, 2010 and 2009

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
Investments:				
Mutual funds	\$ 130,163	\$ -	\$ -	\$ 130,163
Michigan Catholic Conference investment pool	-	-	24,767,998	24,767,998
Total investments	<u>\$ 130,163</u>	<u>\$ -</u>	<u>\$ 24,767,998</u>	<u>\$ 24,898,161</u>

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended June 30, 2010 and 2009 are as follows:

	Michigan Catholic Conference Investment Pool
	<u>Pool</u>
Balance at June 30, 2009	\$ 24,767,998
Realized and unrealized gains included in income	2,488,259
Net sales of investments	<u>(1,390,021)</u>
Balance at June 30, 2010	<u>\$ 25,866,236</u>
	Michigan Catholic Conference Investment Pool
	<u>Pool</u>
Balance at July 1, 2009	\$ 28,780,172
Realized and unrealized losses included in income	(4,819,006)
Net purchases of investments	<u>806,832</u>
Balance at June 30, 2009	<u>\$ 24,767,998</u>

Note 3 - Fair Value Measurements (Continued)

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 and liabilities presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

Investments in Entities that Calculate Net Asset Value per Share

The Diocese holds shares or interests in investments held by the Michigan Catholic Conference at year end where the fair value of the investment held is estimated based on the net asset value per share (or its equivalent).

At June 30, 2010 and 2009, the fair value of the assets held by the Michigan Catholic Conference investment pool was \$25,866,236 and \$24,767,998, respectively. There were no unfunded commitments or redemption rules for these investments at June 30, 2010 and 2009.

The assets held by the Michigan Catholic Conference investment pool consist of investment in a fund that seeks to achieve long-term capital appreciation by investing principally in equity securities, fixed-income securities, and money markets. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

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.

Diocese of Lansing

Notes to Financial Statements June 30, 2010 and 2009

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 \$12,599,230 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.

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>2010</u>	<u>2009</u>
Program services:		
Central service ministerial program and grants	\$ 6,066,410	\$ 6,613,195
Plant operational activities	570,379	518,791
Savings and loan operational activities	1,784,451	2,477,962
Trust and endowment operational activities	1,762,476	(2,362,447)
Protected loss program	3,586,908	3,557,252
Cemetery operations	1,108,652	1,178,776
Designated Gift Fund activities	716,729	504,166
Total program services	<u>15,596,005</u>	<u>12,487,695</u>
General and administrative:		
Finance, property services, and technology systems	697,037	945,826
Building management	353,280	161,139
Total general and administrative	<u>1,050,317</u>	<u>1,106,965</u>
Fundraising	<u>575,327</u>	<u>346,195</u>
Total	<u>\$ 17,221,649</u>	<u>\$ 13,940,855</u>

Note 8 - Pension Plan for Lay Employees and Lay Retirees' Health Trust

The Diocese participates in a statewide, defined benefit pension plan (the "Plan") and Retirees' Health Trust account (the "Trust") that covers all lay employees. The plans are administered by the Michigan Catholic Conference. Contributions to the plan are based on the percentage (6.60 percent) of covered employees' wages. At the discretion of the Lay Employees' Retirement Plan's Pension Board, such contributions may be used to fund the benefits payable under either the Trust or the Plan. For the years ended June 30, 2010 and 2009, the contributions placed in the Trust were 0 percent and 25 percent, respectively. Contributions amounted to approximately \$152,000 and \$186,000 for the years ended June 30, 2010 and 2009, respectively, principally for employees of the central administrative offices. The pension plan's actuarial computed present value of accumulated plan benefits exceeded the assets as of July 1, 2009, 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, 2010. 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, 2010, the outstanding balance on this bond issue is \$12,120,000 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, 2010, the outstanding balance on this bond issue is \$5,865,000 and is payable through July 18, 2028. Currently, the other diocesan entity is making all payments due on the bonds and all related expenses.

Note 10 - Commitments (Continued)

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.

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.

Note 13 - Donor-restricted Endowments (Continued)

Interpretation of Relevant Law

The Diocese has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 UPMIFA, 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
- (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, 2010

	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ 3,054,580

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2010

	<u>Permanently Restricted</u>
Endowment net assets - Beginning of year	\$ 3,051,219
Investment income	611
Contributions	<u>2,750</u>
Endowment net assets - End of year	<u>\$ 3,054,580</u>

Diocese of Lansing

Notes to Financial Statements June 30, 2010 and 2009

Note 13 - Donor-restricted Endowments (Continued)

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

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

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>

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.

Additional Information

The Most Reverend Earl A. Boyea
Diocese of Lansing

We have audited the financial statements of the Diocese of Lansing as of June 30, 2010 and 2009. 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

November 30, 2010

Diocese of Lansing

Central Services Fund Balance Sheet

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Assets		
Invested in savings and loan program	\$ 2,835,981	\$ 2,825,632
Accounts receivable	1,365,204	1,237,572
Prepaid expenses	189,839	250,956
Contributions receivable	1,670,179	1,760,267
Allowance for uncollectible contributions	<u>(402,860)</u>	<u>(405,172)</u>
Total assets	<u>\$ 5,658,343</u>	<u>\$ 5,669,255</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 426,586	\$ 702,805
Unremitted collections	<u>132,832</u>	<u>118,290</u>
Total liabilities	559,418	821,095
Net Assets		
Unrestricted - Undesignated	981,328	693,958
Temporarily restricted	<u>4,117,597</u>	<u>4,154,202</u>
Total net assets	<u>5,098,925</u>	<u>4,848,160</u>
Total liabilities and net assets	<u>\$ 5,658,343</u>	<u>\$ 5,669,255</u>

Diocese of Lansing

Central Services Fund Statement of Activities and Changes in Net Assets

	Year Ended	
	June 30, 2010	June 30, 2009
Changes in Unrestricted Net Assets		
Revenue:		
Diocesan assessments	\$ 2,473,771	\$ 2,534,985
Diocesan Services Appeal contributions	602,206	294,604
Interest	67,766	74,794
Bequests and donations	376,577	181,989
Rental and other income	128,967	76,626
Program and project receipts:		
Tribunal	39,137	37,968
Finance department	194,567	166,618
Formation	82,615	119,131
Catholic charities	21,281	25,337
Education	246,481	136,970
Total revenue	4,233,368	3,649,022
Net assets released from restriction - DSA Campaign released from restriction	4,154,202	4,323,796
Total revenue and other support	8,387,570	7,972,818
Expenses:		
Catholic charities department	1,162,363	1,293,505
Education and Catechesis department	732,754	958,558
Formation department	1,182,504	1,292,325
Finance and administrative services department	1,721,481	1,544,112
Chancery services	1,068,689	1,103,371
Pastoral planning	108,736	147,190
Grants, assessments, and other ministries	1,836,863	1,878,321
Total expenses	7,813,390	8,217,382

Diocese of Lansing

Central Services Fund

Statement of Activities and Changes in Net Assets (Continued)

	Year Ended	
	June 30, 2010	June 30, 2009
Decrease in Unrestricted Net Assets - Before other changes	\$ 574,180	\$ (244,564)
Other Changes in Unrestricted Net Assets - Transfer between funds	<u>(286,810)</u>	<u>73,725</u>
Increase (Decrease) in Unrestricted Net Assets	287,370	(170,839)
Changes in Temporarily Restricted Net Assets		
Diocesan Services Appeal contributions	4,117,597	4,154,202
DSA campaign release from restriction	<u>(4,154,202)</u>	<u>(4,323,796)</u>
Decrease in Temporarily Restricted Net Assets	<u>(36,605)</u>	<u>(169,594)</u>
Increase (Decrease) in Net Assets	250,765	(340,433)
Net Assets - Beginning of year	<u>4,848,160</u>	<u>5,188,593</u>
Net Assets - End of year	<u>\$ 5,098,925</u>	<u>\$ 4,848,160</u>

Diocese of Lansing

Cemetery Fund Balance Sheet

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Assets		
Cash and cash equivalents	\$ 2,200	\$ 2,200
Invested in diocesan savings program	1,930,255	1,561,834
Accounts receivable	147,422	141,116
Cemetery inventory	33,679	32,001
Unrecovered cost of crypts and niches	1,857,328	1,883,756
Undeveloped burial ground	553,771	553,771
Prepaid expenses	2,067	-
Investments	299,518	272,974
Accrued interest (payable) receivable	(183,612)	120,850
Equipment and real estate:		
Equipment	368,108	368,108
Real estate:		
Land and buildings	1,389,148	1,378,978
Accumulated depreciation	<u>(963,864)</u>	<u>(884,676)</u>
Net equipment and real estate	<u>793,392</u>	<u>862,410</u>
Total assets	<u>\$ 5,436,020</u>	<u>\$ 5,430,912</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 133,032	\$ 37,670
Cemetery trust funds (pre-need)	1,190,129	1,190,370
Note payable	<u>2,048,091</u>	<u>2,048,091</u>
Total liabilities	3,371,252	3,276,131
Net Assets		
Unrestricted - Designated	2,054,327	2,145,918
Temporarily restricted	<u>10,441</u>	<u>8,863</u>
Total net assets	<u>2,064,768</u>	<u>2,154,781</u>
Total liabilities and net assets	<u>\$ 5,436,020</u>	<u>\$ 5,430,912</u>

Diocese of Lansing

Cemetery Fund

Statement of Activities and Changes in Net Assets

	Year Ended	
	June 30, 2010	June 30, 2009
Changes in Unrestricted Net Assets		
Revenue:		
General receipts	\$ 1,397	\$ (2,166)
Products and services	787,866	798,161
Revenue and other support	<u>356,627</u>	<u>(328,843)</u>
Total revenue	1,145,890	467,152
Net assets released from restriction	<u>22</u>	<u>-</u>
Total revenue and other support	1,145,912	467,152
Expenses:		
Product costs	160,061	179,671
Operational costs	<u>1,077,442</u>	<u>1,112,311</u>
Total expenses	<u>1,237,503</u>	<u>1,291,982</u>
Decrease in Unrestricted Net Assets	(91,591)	(824,830)
Changes in Temporarily Restricted Net Assets -		
Contributions	1,600	850
Contributions released from restriction	<u>(22)</u>	<u>-</u>
Increase in Temporarily Restricted Net Assets	<u>1,578</u>	<u>850</u>
Decrease in Net Assets	(90,013)	(823,980)
Net Assets - Beginning of year	<u>2,154,781</u>	<u>2,978,761</u>
Net Assets - End of year	<u>\$ 2,064,768</u>	<u>\$ 2,154,781</u>

Diocese of Lansing

Plant Fund Balance Sheet

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Assets		
Invested in savings and loan program	\$ 5,352	\$ 452
Equipment and real estate:		
Equipment	831,787	885,975
Real estate:		
Land and buildings	16,301,428	16,290,713
Future sites	1,163,835	1,163,835
Accumulated depreciation	<u>(5,469,463)</u>	<u>(5,177,634)</u>
Net equipment and real estate	<u>12,827,587</u>	<u>13,162,889</u>
Total assets	<u>\$ 12,832,939</u>	<u>\$ 13,163,341</u>
Liabilities and Net Assets		
Liabilities - Note payable	\$ 1,238,083	\$ 1,750,555
Net Assets - Unrestricted - Designated	<u>11,594,856</u>	<u>11,412,786</u>
Total liabilities and net assets	<u>\$ 12,832,939</u>	<u>\$ 13,163,341</u>

Diocese of Lansing

Plant Fund

Statement of Activities and Changes in Net Assets

	Year Ended	
	June 30, 2010	June 30, 2009
Revenue		
Rental and other income	\$ 872	\$ 872
Bequest and donations	5,860	-
(Loss) gain on dispositions	(53,564)	905
Total revenue	(46,832)	1,777
Expenses		
Depreciation	458,570	436,049
Repairs and maintenance	44,818	45,870
Interest expense	87,528	109,739
Data processing	43,848	13,392
Equipment	3,683	2,484
Miscellaneous	19,461	20,995
Total expenses	657,908	628,529
Decrease in Net Assets - Before other changes	(704,740)	(626,752)
Other Changes in Net Assets - Transfer between funds	886,810	696,637
Increase in Net Assets	182,070	69,885
Net Assets - Beginning of year	11,412,786	11,342,901
Net Assets - End of year	<u>\$ 11,594,856</u>	<u>\$ 11,412,786</u>

Diocese of Lansing

Savings and Loan Program Fund Balance Sheet

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Assets		
Cash and cash equivalents	\$ 6,621,636	\$ 3,949,102
Investments	8,681,214	9,552,069
Accrued interest receivable	1,745,692	1,569,719
Prepaid expenses and other assets	314,507	375,866
Loans:		
Parishes, schools, and others	60,933,147	60,675,625
Allowance for doubtful loans	<u>(110,247)</u>	<u>(58,391)</u>
Net loans	<u>60,822,900</u>	<u>60,617,234</u>
Total assets	<u>\$ 78,185,949</u>	<u>\$ 76,063,990</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 222,854	\$ 314,724
Deposits:		
Parishes, schools, and others	64,402,200	63,566,832
Other diocesan funds included in these financial statements	<u>5,749,507</u>	<u>5,544,652</u>
Total deposits	<u>70,151,707</u>	<u>69,111,484</u>
Total liabilities	70,374,561	69,426,208
Net Assets - Unrestricted - Designated	<u>7,811,388</u>	<u>6,637,782</u>
Total liabilities and net assets	<u>\$ 78,185,949</u>	<u>\$ 76,063,990</u>

Diocese of Lansing

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

	Year Ended	
	June 30, 2010	June 30, 2009
Revenue		
Interest	\$ 2,298,552	\$ 3,097,863
Dividends	97,372	67,822
Net realized and unrealized gain (loss) on investments	897,164	(1,551,755)
Total revenue	3,293,088	1,613,930
Expenses		
Distributions to depositors	1,834,623	2,579,496
Administrative expenses	284,859	138,560
Total expenses	2,119,482	2,718,056
Increase (Decrease) in Net Assets	1,173,606	(1,104,126)
Net Assets - Beginning of year	6,637,782	7,741,908
Net Assets - End of year	\$ 7,811,388	\$ 6,637,782

Diocese of Lansing

Trust and Endowment Fund Balance Sheet

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Assets		
Invested in savings and loan program	\$ 684,688	\$ (41,143)
Investments	<u>17,344,468</u>	<u>15,346,093</u>
Total assets	<u>\$ 18,029,156</u>	<u>\$ 15,304,950</u>
Liabilities and Net Assets		
Liabilities		
(Losses) gains due to depositors	\$ (1,097,018)	\$ 696,719
Deposits:		
Parishes, schools, and others	16,012,528	12,183,797
Other diocesan funds included in these financial statements	<u>3,113,297</u>	<u>2,424,085</u>
Total deposits	<u>19,125,825</u>	<u>14,607,882</u>
Total liabilities	18,028,807	15,304,601
Net Assets - Unrestricted - Designated	<u>349</u>	<u>349</u>
Total liabilities and net assets	<u>\$ 18,029,156</u>	<u>\$ 15,304,950</u>

Diocese of Lansing

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

	Year Ended	
	June 30, 2010	June 30, 2009
Revenue		
Interest	\$ 266,169	\$ 349,533
Dividends	199,502	145,846
Net realized and unrealized gain (loss) on investments	<u>1,591,095</u>	<u>(3,267,251)</u>
Total revenue - Net	2,056,766	(2,771,872)
Expenses		
Distributions to depositors	1,998,369	(2,811,790)
Administrative expenses	<u>58,397</u>	<u>39,918</u>
Total expenses	<u>2,056,766</u>	<u>(2,771,872)</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, 2010</u>	<u>June 30, 2009</u>
Assets		
Invested in savings and loan program	\$ (467,673)	\$ (428,556)
Accounts receivable	885,060	981,470
Prepaid expense	<u>3,333</u>	<u>5,000</u>
Total assets	<u>\$ 420,720</u>	<u>\$ 557,914</u>
Liabilities and Net Assets		
Liabilities - Accounts payable	\$ 8,240	\$ 4,313
Net Assets - Unrestricted - Designated	<u>412,480</u>	<u>553,601</u>
Total liabilities and net assets	<u>\$ 420,720</u>	<u>\$ 557,914</u>

Diocese of Lansing

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

	Year Ended	
	June 30, 2010	June 30, 2009
Revenue		
Interest	\$ -	\$ 8,507
Participant premiums	3,378,044	3,122,260
Insurance recoveries	67,744	259,190
Total revenue	3,445,788	3,389,957
Expenses		
Premiums paid to MCC	2,067,823	1,906,657
Reinsurance premiums paid	946,128	874,375
Insurance service fees and other	572,958	776,221
Total expenses	3,586,909	3,557,253
Decrease in Net Assets	(141,121)	(167,296)
Net Assets - Beginning of year	553,601	720,897
Net Assets - End of year	<u>\$ 412,480</u>	<u>\$ 553,601</u>

Diocese of Lansing

Designated Gift Fund Balance Sheet

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Assets		
Invested in savings and loan program	\$ 6,011,654	\$ 6,195,943
Invested in trust and endowment	408,693	318,235
Prepaid expenses	835,070	265,754
Accrued interest (payable) receivable	<u>(27,746)</u>	<u>18,241</u>
Total assets	<u>\$ 7,227,671</u>	<u>\$ 6,798,173</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 6,329	\$ 6,077
Unremitted collections	211,249	200,542
Amounts due beneficiaries	33,490	152,800
Funds held for others	<u>1,016</u>	<u>991</u>
Total liabilities	252,084	360,410
Net Assets		
Unrestricted - Designated	1,926,999	1,536,692
Temporarily restricted	1,994,008	1,849,852
Permanently restricted	<u>3,054,580</u>	<u>3,051,219</u>
Total net assets	<u>6,975,587</u>	<u>6,437,763</u>
Total liabilities and net assets	<u>\$ 7,227,671</u>	<u>\$ 6,798,173</u>

Diocese of Lansing

Designated Gift Fund Statement of Activities and Changes in Net Assets

	Year Ended	
	June 30, 2010	June 30, 2009
Changes in Unrestricted Net Assets		
Revenue:		
Interest	\$ 125,520	\$ 179,171
Bequests and donations	1,090,194	664,705
Rental and other income	203,558	195,686
Total revenue	1,419,272	1,039,562
Net assets released from restrictions - Satisfaction of restriction	291,487	193,626
Total revenue and net assets released from restrictions	1,710,759	1,233,188
Expenses:		
Grants	1,035,079	1,111,544
Administrative expenses	285,373	242,582
Total expenses	1,320,452	1,354,126
Increase (Decrease) in Unrestricted Net Assets	390,307	(120,938)
Changes in Temporarily Restricted Net Assets		
Bequests and donations	361,674	422,552
Investment income (loss)	73,969	(17,370)
Net assets released from restrictions	(291,487)	(193,626)
Increase in Temporarily Restricted Net Assets	144,156	211,556
Changes in Permanently Restricted Net Assets		
Bequests and donations	2,750	3,026,285
Investment income	611	819
Increase in Permanently Restricted Net Assets	3,361	3,027,104
Increase in Net Assets	537,824	3,117,722
Net Assets - Beginning of year	6,437,763	3,320,041
Net Assets - End of year	\$ 6,975,587	\$ 6,437,763