

Diocese of Lansing

Financial Report with Additional Information June 30, 2014

Diocese of Lansing

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Independent Auditor's Report

The Most Reverend Earl A. Boyea
Diocese of Lansing

We have audited the accompanying financial statements of the Diocese of Lansing, which comprise the balance sheet as of June 30, 2014 and 2013 and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Diocese of Lansing as of June 30, 2014 and 2013 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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, 2014 and 2013 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.

Plante & Moran, PLLC

Diocese of Lansing

Balance Sheet

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Assets		
Cash and cash equivalents	\$ 26,517,142	\$ 18,770,766
Michigan no-fault self-insurance loss reserve	30,380	34,077
Accounts receivable - Net of allowance	1,302,979	1,749,975
Investments (Note 2)	41,043,133	33,012,079
Cemetery inventory	34,941	32,799
Prepaid expenses and other current assets	656,534	2,155,774
Contributions receivable - Net of allowance	1,604,193	1,240,774
Accrued interest receivable	1,793,381	1,864,281
Unrecovered cost of crypts and niches	1,851,512	1,852,756
Undeveloped burial ground	85,000	85,000
Loans - Parishes, schools, and other - Net of allowance for doubtful loans of \$2,192,555 and \$1,454,043 for 2014 and 2013, respectively	40,336,954	45,487,221
Property and equipment:		
Equipment	969,733	1,082,637
Land and buildings	19,762,135	19,717,068
Future sites	1,150,835	1,163,835
Accumulated depreciation	(8,289,950)	(7,922,623)
Total assets	<u>\$ 128,848,902</u>	<u>\$ 120,326,419</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 1,566,104	\$ 985,798
Distributions due to depositors	908,543	416,048
Unremitted collections	961,918	608,982
Parishes, schools, and other deposits	79,441,206	76,377,599
Amounts due beneficiaries	21,231	25,043
Funds held for others	2,001,073	1,073
Cemetery trust funds	1,211,504	1,186,665
Total liabilities	86,111,579	79,601,208
Net Assets		
Unrestricted:		
Designated	29,818,700	28,921,553
Undesignated	851,082	574,679
Temporarily restricted (Note 4)	6,653,105	5,822,411
Permanently restricted (Note 5)	5,414,436	5,406,568
Total net assets	<u>42,737,323</u>	<u>40,725,211</u>
Total liabilities and net assets	<u>\$ 128,848,902</u>	<u>\$ 120,326,419</u>

Diocese of Lansing

Statement of Activities and Changes in Net Assets

	Year Ended	
	June 30, 2014	June 30, 2013
Changes in Unrestricted Net Assets		
Revenue and other support:		
Assessment receipts	\$ 2,477,632	\$ 2,357,384
Diocesan Services Appeal contributions	430,104	589,033
Cemetery operations	1,318,124	1,060,076
Protected Loss Fund activity	582,903	4,275,971
Interest income	1,980,676	1,287,483
Dividends	321,521	385,126
Net realized and unrealized gain on investments	4,303,707	3,359,326
(Loss) gain on dispositions	(19,464)	22
Bequests and donations	198,040	566,791
Distribution from related entity	1,811,690	1,037,000
Program and project receipts	866,940	600,429
Net assets released from restrictions:		
Diocesan Services Appeal	4,668,041	4,399,957
Other	823,658	352,919
Total unrestricted revenue and other support	19,763,572	20,271,517
Operational expenses:		
Salaries and wages	4,644,362	4,471,637
Office expenses	1,185,579	890,525
Assessments	119,109	121,818
Property and equipment	480,059	450,109
Depreciation	585,564	589,246
Cemetery cost of goods sold	197,088	143,486
Ministerial programming	870,864	851,556
Subsidies - Grants	3,380,309	2,435,837
Tuition expense	652,541	557,737
Savings and loan interest expense	1,835,955	1,712,834
Trust and endowment investment allocations	3,333,352	2,721,309
Diocesan services appeal rebates	320,999	282,921
Discontinued activities	-	3,148,809
Total expenses	17,605,781	18,377,824
Increase in Unrestricted Net Assets - Before impairment of loans and receivables	2,157,791	1,893,693
Impairment of Loans and Receivables (Note 1)	(984,241)	(2,646,708)
Increase (Decrease) in Unrestricted Net Assets	1,173,550	(753,015)

Diocese of Lansing

Statement of Activities and Changes in Net Assets (Continued)

	Year Ended	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Changes in Temporarily Restricted Net Assets		
Diocesan Services Appeal contributions	\$ 4,722,711	\$ 4,668,041
Senior Priest Center contributions	751,855	21,750
Bequests and donations	567,643	102,996
Investment income	280,183	32,052
DSA release from restriction	(4,668,041)	(4,399,957)
Other release from restriction	<u>(823,657)</u>	<u>(210,487)</u>
Increase in Temporarily Restricted Net Assets	830,694	214,395
Changes in Permanently Restricted Net Assets		
Donations	7,868	27,351
Investment income	-	23,012
Other net asset transfer	<u>-</u>	<u>(34,412)</u>
Increase in Permanently Restricted Net Assets	7,868	15,951
Increase (Decrease) in Net Assets	2,012,112	(522,669)
Net Assets - Beginning of year	40,725,211	41,247,880
Net Assets - End of year	<u>\$ 42,737,323</u>	<u>\$ 40,725,211</u>

Diocese of Lansing

Statement of Cash Flows

	Year Ended	
	June 30, 2014	June 30, 2013
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 2,012,112	\$ (522,669)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	585,564	589,245
Net gain on investments	(4,303,707)	(3,359,326)
Loss (gain) on dispositions	19,464	(22)
Change in allowance for uncollectible contributions	(176,767)	(86,346)
Impairment on loans and receivables	984,241	2,646,708
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	446,996	1,354,082
Contributions receivable	(186,652)	112,998
Cemetery inventory	(2,142)	(1,656)
Unrecovered cost of crypts and niches	1,244	-
Accrued interest receivable	70,900	448,335
Prepaid expenses and other current assets	1,499,240	(532,502)
Accounts payable and accrued liabilities	580,306	82,754
Cemetery trust fund	24,839	1,826
Distributions due to depositors	492,495	1,120,071
Deposits	3,063,607	99,017
Amounts due beneficiaries	(3,812)	(3,812)
Funds held for others	2,000,000	-
Unremitted collections	352,936	222,634
Grants payable	-	(728,984)
Net cash provided by operating activities	7,460,864	1,442,353
Cash Flows from Investing Activities		
Proceeds from loan repayments	6,302,547	5,163,615
Issuance of loans	(2,136,521)	(2,986,029)
Purchase of equipment	(101,197)	(19,789)
Purchase of land and buildings	(47,467)	(228,120)
Proceeds from sale of investments	3,956,059	4,129,190
Purchases of investments	(7,691,606)	(2,715,865)
Net cash provided by investing activities	281,815	3,343,002
Net Increase in Cash and Cash Equivalents	7,742,679	4,785,355
Cash and Cash Equivalents - Beginning of year	18,804,843	14,019,488
Cash and Cash Equivalents - End of year	\$ 26,547,522	\$ 18,804,843
Cash and cash equivalents are comprised of the following:		
Cash and cash equivalents	\$ 26,517,142	\$ 18,770,766
Michigan no-fault self-insurance loss reserve	30,380	34,077
Total	\$ 26,547,522	\$ 18,804,843

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 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 receivable are reported at the original issue amount plus accrued interest, less principal repaid. Interest is recognized according to terms of the specific loans. Loans made to diocesan units have varying maturities of 5 to 15 years, and the majority bear an interest rate of 5.0 percent during 2014 and 2013. Interest was paid on deposits at a rate of 2.5 percent during 2014 and 2013. 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. During 2014 and 2013, there were no special distributions.

The Diocese considers loans and receivables to be impaired when, based upon current information and events, it believes it is probable that it will be unable to collect all amounts due. In 2014, the Diocese identified an impairment on loans of \$738,512 and receivables of \$245,729 for a total of \$984,241. The allowance for doubtful loans is reviewed annually and is considered adequate to cover potentially uncollectible loans at June 30, 2014. The cumulative scheduled payments on loans past due were approximately \$4,451,000 and \$4,342,000 for the years ended June 30, 2014 and 2013, respectively. Also, the Diocese has received cumulative scheduled payments on loans in advance of approximately \$15,993,000 and \$11,896,000 for the years ended June 30, 2014 and 2013, respectively.

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

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 coordinated by the Michigan Catholic Conference (MCC). In a change from prior years, the MCC is now responsible for all billings and collections from participating units. Additionally, the MCC forwards a part of the participant contributions to the Diocese to cover costs of loss prevention-type activities that the Diocese conducts directly. Expenses related to this change are shown as discontinued activities in the statement of activities and changes in net assets.

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

Cemetery - Diocesan cemeteries account 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, All Saints 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.

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

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 and the Senior Priest Center. All amounts are due within 12 months. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal payment periods. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period that determination is made.

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 at fair 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. The Diocese calculates depreciation on a straight-line basis over the estimated useful life of equipment of 3-10 years and buildings of 15-50 years.

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

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. The split-interest agreements are recorded within the balance sheet as amounts due beneficiaries.

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 temporarily restricted.

Tax Status - The Diocese is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and the Diocese is a religious entity which is exempt from tax filings; therefore, a provision for income taxes has not been included in the financial statements. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Diocese and recognize a tax liability if the Diocese has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Diocese and has concluded that as of June 30, 2014 and 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

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.

Diocese of Lansing

Notes to Financial Statements June 30, 2014 and 2013

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

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 December 1, 2014, 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.

Reclassification - Certain reclassifications were made to amounts in the 2013 financial statements to conform to the classifications used in 2014, which includes certain expenses by natural classification as well as various programs.

Note 2 - Investments

A summary of investments held by the Diocese at June 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Investment in MCC investment pool	\$ 37,000,734	\$ 29,412,874
Mutual funds	1,886,731	1,518,797
Municipal bonds	598,556	213,301
Money market funds	1,148,122	1,490,027
U.S. common stock funds	372	250
Escrow trust account	408,618	376,830
Total	<u>\$ 41,043,133</u>	<u>\$ 33,012,079</u>

Note 3 - Fair Value Measurements

Accounting standards require certain assets 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.

Diocese of Lansing

Notes to Financial Statements June 30, 2014 and 2013

Note 3 - Fair Value Measurements (Continued)

The following tables present information about the Diocese's assets measured at fair value on a recurring basis at June 30, 2014 and 2013 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 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 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 using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Diocese's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

At June 30, 2014 and 2013, there was \$408,618 and \$376,830, respectively, in escrow trust cash accounts, which are not reflected within the fair value tables below.

Assets Measured at Fair Value on a Recurring Basis at June 30, 2014

	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, 2014
Investments:				
Mutual funds	\$ 1,886,731	\$ -	\$ -	\$ 1,886,731
Money market funds	1,148,122	-	-	1,148,122
U.S. common stock funds	372	-	-	372
Michigan Catholic Conference investment pool	-	37,000,734	-	37,000,734
Municipal bonds	-	598,556	-	598,556
Total investments	<u>\$ 3,035,225</u>	<u>\$ 37,599,290</u>	<u>\$ -</u>	<u>\$ 40,634,515</u>

Diocese of Lansing

Notes to Financial Statements June 30, 2014 and 2013

Note 3 - Fair Value Measurements (Continued)

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

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2013
Investments:				
Mutual funds	\$ 1,518,797	\$ -	\$ -	\$ 1,518,797
Money market funds	1,490,027	-	-	1,490,027
U.S. common stock funds	250	-	-	250
Michigan Catholic Conference investment pool	-	29,412,874	-	29,412,874
Municipal bonds	-	213,301	-	213,301
Total investments	<u>\$ 3,009,074</u>	<u>\$ 29,626,175</u>	<u>\$ -</u>	<u>\$ 32,635,249</u>

The Diocese holds an interest in investments held by the Michigan Catholic Conference at year end whereby the fair value of the investment held is estimated based on the underlying invested assets. The assets held by the Michigan Catholic Conference investment pool consist of investments in equity securities, fixed-income securities, and money markets for which an active market exists.

Loans are, under certain conditions, subject to measurement at fair value on a nonrecurring basis. As discussed in Note 1, loans are assessed annually for impairment. During 2014, the Diocese determined that an impairment occurred and estimated the fair value of the loans based primarily on Level 3 inputs, which consist of forecasts, collateral, and cash flow analysis. The fair value of the loans at June 30, 2014 was estimated to be \$40,336,954 and an impairment charge of \$738,512 was recorded in 2014 and included in changes in unrestricted net assets. The fair value of the loans at June 30, 2013 was estimated to be \$45,487,221 and an impairment charge of \$1,388,051 was recorded in 2013 and included in changes in unrestricted net assets.

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 of \$4,722,711 and \$4,668,041 at June 30, 2014 and 2013, respectively.
- **Designated Gift** - Net assets restricted for specific purposes as specified by the donors of \$1,921,531 and \$1,145,507 at June 30, 2014 and 2013, respectively.
- **Cemetery Fund** - Net assets restricted for specific purposes as specified by the donors of \$8,863 at June 30, 2014 and 2013.

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 of \$5,414,436 and \$5,406,568 at June 30, 2014 and 2013, respectively. Income can be used as specified by the donors for various programs and purposes, including support of seminarian education, scholarships, sanctuary expenses, and chapel expenses.

Note 6 - Self-insurance Plan

The Diocese participates in a self-insurance plan (the "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 Insurance Plan. Premiums paid to the Insurance Plan by the Diocese are recorded in the expenses of the Protected Loss Program Fund.

The Insurance 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 Insurance Plan is responsible for aggregate losses of up to \$9,965,790 annually. The Diocese, along with the other dioceses included in the Insurance 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.

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

Diocese of Lansing

Notes to Financial Statements June 30, 2014 and 2013

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>2014</u>	<u>2013</u>
Program services:		
Direct ministerial programs and grants	\$ 9,441,731	\$ 7,842,700
Savings, loan, and investment programs	4,917,895	4,045,303
Plant and insurance activities	<u>1,182,951</u>	<u>4,569,256</u>
Total program services	15,542,577	16,457,259
General and administrative:		
Finance department	504,585	502,952
Curial activities	591,162	528,201
Technology	142,587	162,659
Building management	<u>311,498</u>	<u>175,890</u>
Total general and administrative	1,549,832	1,369,702
Fundraising	<u>513,372</u>	<u>550,863</u>
Total	<u>\$ 17,605,781</u>	<u>\$ 18,377,824</u>

Note 8 - Multi-employer Defined Benefit Pension Plans

The Diocese participates in the Michigan Catholic Conference Lay Employees Retirement Plan (the "Plan"), a multi-employer defined benefit pension plan that covers substantially all lay employees. The plan number and employer identification number of the Plan are 20-1769136.

Contributions to the Plan were approximately \$164,000 and \$161,000 for the years ended June 30, 2014 and 2013, respectively. Based on information as of June 30, 2014, the year end of the Plan, the Diocese's contributions to the Plan did not represent more than 5 percent of the total contributions received by the Plan. Contributions to the Plan are based on a percentage (7.1 percent and 6.6 percent for June 30, 2014 and 2013, respectively) of covered employees' wages.

The financial risks of participating in multi-employer plans are different from single-employer defined benefit pension plans in the following respects:

- (1) Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- (2) If a participating employer discontinues contributions to a plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

Diocese of Lansing

Notes to Financial Statements June 30, 2014 and 2013

Note 8 - Multi-employer Defined Benefit Pension Plans (Continued)

(3) If a participating employer chooses to stop participating in a plan, a withdrawal liability may be created based on the unfunded vested benefits for all employees in the plan.

Specific plan information for the Diocese is not available from the Plan's administrator. If the Diocese withdraws its participation in the Plan, the Diocese would be responsible to make a contribution for its proportional share of any unfunded liability. The withdrawal liability would be calculated by the actuaries as outlined in the plan document at the time of withdrawal. The following information is based on the actuarial statements of the Plan as of June 30, 2014:

	<u>Michigan Catholic Conference Lay Employees Retirement Plan</u>
Total plan assets	\$ 1,330,425,048
Actuarial present value of accumulated plan benefits as of July 1, 2013	\$ 1,342,726,447
Total contributions received by the Plan	\$ 22,600,572
Indicated level of funding	99.0 %

The weighted average assumed rate of return used in the July 1, 2013 valuation was 7.5 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 is not available since the Plan does not compute it for each participating organization.

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, 2014. 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 Bishop of the Diocese of Lansing had a bond issued for the benefit of Father Gabriel Richard High School. During the fiscal year ended June 30, 2012, the Diocese retired the \$11,780,000 bond. The retired bond was replaced with a bond for \$8,165,000 plus reserves of the school. The bond is payable over 25 years with an initial fixed interest rate of 4.5 percent for the first seven years. The Diocese provided an irrevocable letter of credit with a bank related to the bond for the benefit of Father Gabriel Richard High School. As of June 30, 2014 and 2013, the outstanding balance on this bond issue is \$7,675,000 and \$7,860,000, respectively, and is payable through September 1, 2036. Currently, the other diocesan entity 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, 2014 and 2013, the outstanding balance on this bond issue is \$4,960,000 and \$5,200,000, respectively, and is payable through July 18, 2028. Currently, the other diocesan entity is making all payments due on the bonds and all related expenses.

During the prior year, the Diocese of Lansing entered into a financing arrangement for the purpose of relocating Fr. Luke M. Powers Catholic High School (the "School"). This arrangement is structured for the purpose of making use of federal New Markets Tax Credits and certain state tax credits. The Diocese, for the benefit of the School, is the lender to the project. The Diocese has agreed to fund \$5,240,000 of the \$15,990,000 needed to complete the \$20,600,000 project. Of this amount, \$3,400,000 had been funded at June 30, 2013 with the additional \$1,840,000 funded during fiscal year 2014. Approximately \$3,240,000 of the amount funded by the Diocese was received during fiscal year 2014, leaving approximately a \$2,000,000 loan to the School as part of the Diocesan Savings and Loan Program going forward. The School will be obligated to make certain payments for a facility lease and shared operational expenses when it takes occupancy of the facility, which occurred during fiscal year 2014. The Diocese has guaranteed certain lease payments of \$1,400,000 should the School be unable to make these lease payments.

As previously disclosed in Note 1, the scope of these financial statements excludes assets, liabilities, and the results of operations of the schools and 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 schools 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 schools 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, Diocesan Service Appeal contributions, assessment and accounts receivable, and accounts payable, 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.

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 purpose of the Diocese and the donor-restricted endowment fund
- (3) General economic conditions

Diocese of Lansing

Notes to Financial Statements June 30, 2014 and 2013

Note 13 - Donor-restricted Endowments (Continued)

- (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, 2014

	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ 5,414,436

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2014

	<u>Permanently Restricted</u>
Endowment net assets - Beginning of year	\$ 5,406,568
Bequests and donations	<u>7,868</u>
Endowment net assets - End of year	<u>\$ 5,414,436</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2013

	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ 5,406,568

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2013

	<u>Permanently Restricted</u>
Endowment net assets - Beginning of year	\$ 5,390,617
Bequests and donations	27,351
Other transfers	<u>(11,400)</u>
Endowment net assets - End of year	<u>\$ 5,406,568</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 policy of only spending the income earned (interest and dividends) of the endowment funds. The funds are invested in either a broad market, where capital appreciation is possible, or in investments with a fixed rate of return. The distribution of the funds into the different investments is made in accordance with the diocesan cash flow needs.

Additional Information

Independent Auditor's Report on Additional Information

To the Most Reverend Earl A. Boyea
Diocese of Lansing

We have audited the financial statements of the Diocese of Lansing as of and for the years ended June 30, 2014 and 2013 and have issued our report thereon dated December 1, 2014, which contained an unmodified opinion on those financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules on pages 22 through 36 are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

December 1, 2014

Diocese of Lansing

Central Services Fund Balance Sheet

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Assets		
Invested in Savings and Loan Program	\$ 4,263,989	\$ 3,507,743
Accounts receivable - Net of allowance	1,106,106	1,125,354
Prepaid expenses	259,613	327,567
Contributions receivable - Net of allowance	<u>1,444,575</u>	<u>1,240,774</u>
Total assets	<u>\$ 7,074,283</u>	<u>\$ 6,201,438</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 929,333	\$ 677,551
Unremitted collections	<u>571,157</u>	<u>281,167</u>
Total liabilities	1,500,490	958,718
Net Assets		
Unrestricted - Undesignated	851,082	574,679
Temporarily restricted	<u>4,722,711</u>	<u>4,668,041</u>
Total net assets	<u>5,573,793</u>	<u>5,242,720</u>
Total liabilities and net assets	<u>\$ 7,074,283</u>	<u>\$ 6,201,438</u>

Diocese of Lansing

Central Services Fund Statement of Activities and Changes in Net Assets

	Year Ended	
	June 30, 2014	June 30, 2013
Changes in Unrestricted Net Assets		
Revenue:		
Diocesan assessments	\$ 2,477,632	\$ 2,357,384
Diocesan Services Appeal contributions	430,104	589,033
Interest	87,214	61,989
Bequests and donations	126,003	124,914
Rental and other income	102,211	112,677
Program and project receipts:		
Tribunal	27,925	29,799
Finance department	253,014	180,385
Formation	211,810	172,311
Catholic charities	20,064	13,545
Education	326,702	125,647
Total revenue	4,062,679	3,767,684
Net assets released from restriction - DSA campaign released from restriction		
	4,668,041	4,399,957
Total revenue and net assets released from restriction	8,730,720	8,167,641
Expenses:		
Catholic charities department	1,503,490	1,142,831
Education and Catechesis department	785,221	634,863
Formation department	1,604,722	1,444,404
Finance and administrative services department	1,033,796	1,070,369
Chancery services	1,901,265	1,812,970
Grants, assessments, and other ministries	2,039,600	1,875,240
Total expenses	8,868,094	7,980,677
(Decrease) Increase in Unrestricted Net Assets - Before other changes	(137,374)	186,964

Diocese of Lansing

Central Services Fund Statement of Activities and Changes in Net Assets (Continued)

	Year Ended	
	June 30, 2014	June 20, 2013
Other Changes in Unrestricted Net Assets		
Impairment of loans and receivables	\$ (141,353)	\$ (825,508)
Transfer between funds	<u>555,130</u>	<u>200,000</u>
Increase (Decrease) in Unrestricted Net Assets	276,403	(438,544)
Changes in Temporarily Restricted Net Assets		
Diocesan Services Appeal contributions	4,722,711	4,668,041
DSA campaign release from restriction	<u>(4,668,041)</u>	<u>(4,399,957)</u>
Increase in Temporarily Restricted Net Assets	<u>54,670</u>	<u>268,084</u>
Increase (Decrease) in Net Assets	331,073	(170,460)
Net Assets - Beginning of year	<u>5,242,720</u>	<u>5,413,180</u>
Net Assets - End of year	<u>\$ 5,573,793</u>	<u>\$ 5,242,720</u>

Diocese of Lansing

Cemetery Fund Balance Sheet

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Assets		
Cash and cash equivalents	\$ 2,200	\$ 2,200
Invested in diocesan savings programs	3,364,006	3,094,387
Accounts receivable - Net of allowance	86,672	73,703
Cemetery inventory	34,941	32,799
Unrecovered cost of crypts and niches	1,851,512	1,852,756
Undeveloped burial ground	85,000	85,000
Accrued interest receivable	46,732	46,732
Investments	408,618	376,830
Equipment and real estate:		
Equipment	264,570	365,642
Real estate:		
Land and buildings	1,446,030	1,435,125
Accumulated depreciation	<u>(1,056,499)</u>	<u>(1,121,913)</u>
Net equipment and real estate	<u>654,101</u>	<u>678,854</u>
Total assets	<u>\$ 6,533,782</u>	<u>\$ 6,243,261</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 24,989	\$ 9,098
Cemetery trust funds (pre-need)	<u>1,211,504</u>	<u>1,186,665</u>
Total liabilities	1,236,493	1,195,763
Net Assets		
Unrestricted - Designated	5,288,426	5,038,635
Temporarily restricted	<u>8,863</u>	<u>8,863</u>
Total net assets	<u>5,297,289</u>	<u>5,047,498</u>
Total liabilities and net assets	<u>\$ 6,533,782</u>	<u>\$ 6,243,261</u>

Diocese of Lansing

Cemetery Fund Statement of Activities and Changes in Net Assets

	Year Ended	
	June 30, 2014	June 30, 2013
Changes in Unrestricted Net Assets		
Revenue:		
General receipts	\$ 7,580	\$ 4,449
Products and services	881,003	674,354
Investment and other income	429,541	381,273
Total revenue	1,318,124	1,060,076
Expenses:		
Product costs	197,088	143,486
Operational costs	871,245	907,167
Total expenses	1,068,333	1,050,653
Increase in Unrestricted Net Assets	249,791	9,423
Net Assets - Beginning of year	5,047,498	5,038,075
Net Assets - End of year	\$ 5,297,289	\$ 5,047,498

Diocese of Lansing

Plant Fund Balance Sheet

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Assets		
Invested in Savings and Loan Program	\$ 819	\$ 96
Equipment and real estate:		
Equipment	705,163	716,995
Real estate:		
Land and buildings	18,316,105	18,281,943
Future sites	1,150,835	1,163,835
Accumulated depreciation	<u>(7,233,451)</u>	<u>(6,800,710)</u>
Net equipment and real estate	<u>12,938,652</u>	<u>13,362,063</u>
Total assets	<u>\$ 12,939,471</u>	<u>\$ 13,362,159</u>
Net Assets - Unrestricted - Designated	<u>\$ 12,939,471</u>	<u>\$ 13,362,159</u>

Diocese of Lansing

Plant Fund Statement of Activities and Changes in Net Assets

	Year Ended	
	June 30, 2014	June 30, 2013
Revenue		
Rental and other income	\$ 9,950	\$ 1,744
(Loss) gain on dispositions	(19,464)	22
Net revenue	(9,514)	1,766
Expenses		
Depreciation	532,732	530,231
Repairs and maintenance	9,260	13,608
Data processing	49,238	24,869
Equipment	6,749	19,373
Miscellaneous	11,195	18,890
Total expenses	609,174	606,971
Decrease in Net Assets - Before other changes	(618,688)	(605,205)
Other Changes in Net Assets - Transfer between funds	196,000	276,000
Decrease in Net Assets	(422,688)	(329,205)
Net Assets - Beginning of year	13,362,159	13,691,364
Net Assets - End of year	<u>\$ 12,939,471</u>	<u>\$ 13,362,159</u>

Diocese of Lansing

Savings and Loan Program Fund Balance Sheet

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Assets		
Cash and cash equivalents	\$ 26,418,209	\$ 18,671,843
Investments	14,253,822	11,097,531
Accrued interest receivable	1,737,739	1,808,639
Prepaid expenses and other assets	(67,034)	(32,720)
Loans:		
Parishes, schools, and others	42,529,509	46,941,264
Allowance for doubtful loans	<u>(2,192,555)</u>	<u>(1,454,043)</u>
Net loans	<u>40,336,954</u>	<u>45,487,221</u>
Total assets	<u>\$ 82,679,690</u>	<u>\$ 77,032,514</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 266,392	\$ 296,762
Deposits:		
Parishes, schools, and others	56,177,730	55,431,160
Other diocesan funds included in these financial statements	<u>17,378,556</u>	<u>13,066,341</u>
Total deposits	<u>73,556,286</u>	<u>68,497,501</u>
Total liabilities	73,822,678	68,794,263
Net Assets - Unrestricted - Designated	<u>8,857,012</u>	<u>8,238,251</u>
Total liabilities and net assets	<u>\$ 82,679,690</u>	<u>\$ 77,032,514</u>

Diocese of Lansing

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

	Year Ended	
	June 30, 2014	June 30, 2013
Revenue		
Interest	\$ 1,988,273	\$ 1,548,975
Dividends	93,480	110,946
Net realized and unrealized gain on investments	<u>1,415,369</u>	<u>967,570</u>
Total revenue	3,497,122	2,627,491
Expenses		
Distributions to depositors	1,835,955	1,712,834
Administrative expenses	<u>334,810</u>	<u>259,750</u>
Total expenses	<u>2,170,765</u>	<u>1,972,584</u>
Increase in Unrestricted Net Assets - Before other changes	1,326,357	654,907
Other Changes in Unrestricted Net Assets		
Impairment of loans and receivables	(738,512)	(1,388,051)
Other transfers	<u>30,916</u>	<u>-</u>
Increase (Decrease) in Net Assets	618,761	(733,144)
Net Assets - Beginning of year	<u>8,238,251</u>	<u>8,971,395</u>
Net Assets - End of year	<u><u>\$ 8,857,012</u></u>	<u><u>\$ 8,238,251</u></u>

Diocese of Lansing

Trust and Endowment Fund Balance Sheet

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Assets		
Invested in Savings and Loan Program	\$ 3,163,310	\$ 3,430,488
Other assets	-	1,397,211
Investments	<u>24,633,643</u>	<u>19,834,140</u>
Total assets	<u>\$ 27,796,953</u>	<u>\$ 24,661,839</u>
Liabilities and Net Assets		
Liabilities		
Gains due to depositors	\$ 908,543	\$ 416,048
Deposits:		
Parishes, schools, and others	23,263,476	21,001,831
Other diocesan funds included in these financial statements	<u>3,624,594</u>	<u>3,243,618</u>
Total deposits	<u>26,888,070</u>	<u>24,245,449</u>
Total liabilities	27,796,613	24,661,497
Net Assets - Unrestricted - Designated	<u>340</u>	<u>342</u>
Total liabilities and net assets	<u>\$ 27,796,953</u>	<u>\$ 24,661,839</u>

Diocese of Lansing

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

	Year Ended	
	June 30, 2014	June 30, 2013
Revenue		
Interest	\$ 297,442	\$ 119,782
Dividends	228,041	274,180
Net realized and unrealized gain on investments	<u>2,888,339</u>	<u>2,391,756</u>
Total revenue	3,413,822	2,785,718
Expenses		
Distributions to depositors	3,333,353	2,721,309
Administrative expenses	<u>80,471</u>	<u>64,409</u>
Total expenses	<u>3,413,824</u>	<u>2,785,718</u>
Decrease in Net Assets	(2)	-
Net Assets - Beginning of year	<u>342</u>	<u>342</u>
Net Assets - End of year	<u><u>\$ 340</u></u>	<u><u>\$ 342</u></u>

Diocese of Lansing

Protected Loss Program Fund Balance Sheet

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Assets		
Invested in Savings and Loan Program	\$ (133,829)	\$ (630,345)
Accounts receivable - Net of allowance	110,201	606,560
Michigan no-fault self-insurance loss reserve	<u>30,380</u>	<u>34,077</u>
Total assets	<u>\$ 6,752</u>	<u>\$ 10,292</u>
Liabilities and Net Assets		
Liabilities - Accounts payable	\$ 6,736	\$ 826
Net Assets - Unrestricted - Designated	<u>16</u>	<u>9,466</u>
Total liabilities and net assets	<u>\$ 6,752</u>	<u>\$ 10,292</u>

Diocese of Lansing

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

	Year Ended	
	June 30, 2014	June 30, 2013
Revenue		
Participant premiums	\$ 412,234	\$ 3,546,610
Other income	-	634,077
Insurance recoveries	<u>170,669</u>	<u>205,888</u>
Total revenue	582,903	4,386,575
Expenses		
Premiums paid to MCC	-	2,221,476
Reinsurance premiums paid	-	927,333
Insurance service fees and other	<u>573,777</u>	<u>813,478</u>
Total expenses	<u>573,777</u>	<u>3,962,287</u>
Increase in Net Assets - Before other changes	9,126	424,288
Other Changes in Net Assets		
Impairment of loans and receivables	(104,376)	(433,149)
Transfer between funds	<u>85,800</u>	<u>-</u>
Decrease in Net Assets	(9,450)	(8,861)
Net Assets - Beginning of year	<u>9,466</u>	<u>18,327</u>
Net Assets - End of year	<u><u>\$ 16</u></u>	<u><u>\$ 9,466</u></u>

Diocese of Lansing

Designated Gift Fund Balance Sheet

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Assets		
Cash and cash equivalents	\$ 96,733	\$ 96,723
Pledges receivable - Net of allowance	159,618	-
Investments	1,747,050	1,703,578
Invested in Savings and Loan Program	9,764,460	6,387,949
Invested in trust and endowment	580,395	519,391
Accrued interest receivable	8,910	8,910
Prepaid expenses	<u>463,955</u>	<u>463,716</u>
Total assets	<u><u>\$ 12,821,121</u></u>	<u><u>\$ 9,180,267</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 338,654	\$ 1,561
Unremitted collections	390,761	327,815
Amounts due beneficiaries	21,231	25,043
Funds held for others	<u>2,001,073</u>	<u>1,073</u>
Total liabilities	2,751,719	355,492
Net Assets		
Unrestricted - Designated	2,733,435	2,272,700
Temporarily restricted	1,921,531	1,145,507
Permanently restricted	<u>5,414,436</u>	<u>5,406,568</u>
Total net assets	<u>10,069,402</u>	<u>8,824,775</u>
Total liabilities and net assets	<u><u>\$ 12,821,121</u></u>	<u><u>\$ 9,180,267</u></u>

Diocese of Lansing

Designated Gift Fund Statement of Activities and Changes in Net Assets

	Year Ended	
	June 30, 2014	June 30, 2013
Changes in Unrestricted Net Assets		
Revenue:		
Interest	\$ 78,059	\$ 262,387
Bequests and donations	72,037	84,973
Distribution from related entity	1,811,690	1,037,000
Program and project receipts	156,507	501,609
Total revenue	2,118,293	1,885,969
Net assets released from restrictions -		
Satisfaction of restriction	823,658	210,487
Total revenue and net assets released from restrictions	2,941,951	2,096,456
Expenses:		
Grants	2,200,688	1,115,901
Administrative expenses	280,528	233,239
Total expenses	2,481,216	1,349,140
Increase in Unrestricted Net Assets	460,735	747,316
Changes in Temporarily Restricted Net Assets		
Bequests and donations	1,319,498	124,746
Investment income	280,183	32,052
Net assets released from restrictions	(823,657)	(210,487)
Increase (Decrease) in Temporarily Restricted Net Assets	776,024	(53,689)
Changes in Permanently Restricted Net Assets		
Bequests and donations	7,868	27,351
Other transfers	-	(34,412)
Investment income	-	23,012
Increase in Permanently Restricted Net Assets	7,868	15,951
Increase in Net Assets	1,244,627	709,578
Net Assets - Beginning of year	8,824,775	8,115,197
Net Assets - End of year	\$ 10,069,402	\$ 8,824,775