

DIOCESE OF KALAMAZOO

FINANCIAL STATEMENTS

**For the Year Ended June 30, 2018
With Comparative Totals for 2017**

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SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Most Reverend Paul J. Bradley, Bishop of Kalamazoo
Diocese of Kalamazoo

Report on the Financial Statements

We have audited the accompanying financial statements of the Diocese of Kalamazoo (a nonprofit organization) (the Diocese), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year 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 error or fraud.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Diocese'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 Kalamazoo as of June 30, 2018, and changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Diocese of Kalamazoo's 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated August 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Seber Tans, PLC". The signature is written in a cursive, flowing style.

Seber Tans, PLC
Kalamazoo, Michigan
March 12, 2019

Diocese of Kalamazoo
Statements of Financial Position
June 30, 2018 with Comparative Totals for 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Combined Totals June 30,	
				2018	2017
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 690,037	\$ 1,736,818	\$ -	\$ 2,426,855	\$ 1,919,907
Notes receivable	39,954	-	-	39,954	44,154
Accounts receivable	176,316	1,663,330	-	1,839,646	2,061,939
Prepaid expenses	10,000	-	-	10,000	5,658
Total Current Assets	916,307	3,400,148	-	4,316,455	4,031,658
Investments held at National Catholic Invest Pool	7,175,206	-	-	7,175,206	6,339,869
Beneficial Interest in Foundation	1,507,732	8,165,996	212,841	9,886,569	9,636,381
Property and Equipment					
Land improvements	728,868	-	-	728,868	728,868
Buildings and improvements	2,357,929	-	-	2,357,929	2,357,929
Furnishings and equipment	662,013	-	-	662,013	662,013
	3,748,810	-	-	3,748,810	3,748,810
Accumulated depreciation	1,515,586	-	-	1,515,586	1,438,884
Net Property and Equipment	2,233,224	-	-	2,233,224	2,309,926
Total Assets	\$ 11,832,469	\$ 11,566,144	\$ 212,841	\$ 23,611,454	\$ 22,317,834
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable	\$ 82,134	\$ -	\$ -	\$ 82,134	\$ 118,583
Accrued compensation	139,209	-	-	139,209	127,598
Custodial funds payable	255,890	-	-	255,890	155,410
Total Current Liabilities	477,233	-	-	477,233	401,591
Net Assets					
Unrestricted					
Undesignated	8,591,740	-	-	8,591,740	7,443,192
Designated for property and equipment	2,233,224	-	-	2,233,224	2,309,926
Other designated	530,272	-	-	530,272	506,011
Temporarily restricted	-	11,566,144	-	11,566,144	11,451,692
Permanently restricted	-	-	212,841	212,841	205,422
Total Net Assets	11,355,236	11,566,144	212,841	23,134,221	21,916,243
Total Liabilities and Net Assets	\$ 11,832,469	\$ 11,566,144	\$ 212,841	\$ 23,611,454	\$ 22,317,834

See Accompanying Notes to Financial Statements

Diocese of Kalamazoo
Statements of Activities
For the Year Ended June 30, 2018 with Comparative Totals for 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Combined Totals June 30,	
				2018	2017
Revenues and Other Support					
Bishop's Annual Appeal	\$ 29,258	\$ 3,400,148	\$ -	\$ 3,429,406	\$ 3,424,321
Donations and grants	740,214	309,870	7,419	1,057,503	783,941
Fees	465,591	-	-	465,591	469,544
Miscellaneous and reclassifications	52,382	-	-	52,382	99,252
Investment income	123,240	-	-	123,240	99,050
Net assets released from restrictions	3,649,070	(3,649,070)	-	-	-
Total Revenues and Other Support	5,059,755	60,948	7,419	5,128,122	4,876,108
Expenses					
Program services					
Pastoral formation	929,685	-	-	929,685	737,988
Christian formation	410,442	-	-	410,442	332,353
Family ministry	644,354	-	-	644,354	519,754
Education	666,628	-	-	666,628	783,791
Christian service	441,230	-	-	441,230	472,083
Outreach	133,931	-	-	133,931	133,858
Diocesan services and administration	1,483,114	-	-	1,483,114	1,430,822
Fundraising	1,295	-	-	1,295	-
Total Expenses	4,710,679	-	-	4,710,679	4,410,649
Change in Net Assets Before Other Income	349,076	60,948	7,419	417,443	465,459
Other Income					
Net appreciation of investments	747,031	53,504	-	800,535	861,023
Change in Net Assets	1,096,107	114,452	7,419	1,217,978	1,326,482
Net assets at beginning of year	10,259,129	11,451,692	205,422	21,916,243	20,589,761
Net Assets at End of Year	\$ 11,355,236	\$ 11,566,144	\$ 212,841	\$ 23,134,221	\$ 21,916,243

See Accompanying Notes to Financial Statements

Diocese of Kalamazoo
Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,217,978	\$ 1,326,482
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	76,702	75,945
Net appreciation of investments	(800,535)	(861,023)
Change in:		
Accounts and notes receivable	226,493	(114,778)
Prepaid expenses	(4,342)	(5,658)
Accounts payable	(36,449)	19,948
Accrued compensation	11,611	36,942
Custodial payable	100,480	(292,602)
Net Cash Provided by Operating Activities	<u>791,938</u>	<u>185,256</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(284,990)	(308,188)
Additions to property and equipment	-	(143,683)
Net Cash Used by Investing Activities	<u>(284,990)</u>	<u>(451,871)</u>
Net Change in Cash and Cash Equivalents	506,948	(266,615)
Cash and cash equivalents at beginning of year	<u>1,919,907</u>	<u>2,186,522</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,426,855</u>	<u>\$ 1,919,907</u>

See Accompanying Notes to Financial Statements

Diocese of Kalamazoo
Notes to Financial Statements
For the Years Ended June 30, 2018 and 2017

NOTE A – Summary of Significant Accounting Policies

Organization Purpose

The Diocese of Kalamazoo (the Diocese) provides governance and administers programs and services for the Roman Catholic parishes, schools and other affiliated organizations within nine counties of Southwestern Michigan. The accompanying financial statements include only those funds over which the Diocese maintains operational control. They do not include the financial condition and results of operations of the foundation, trust, parishes, schools, and other affiliated organizations. Under laws of the State of Michigan, all assets and liabilities of the parishes are in the name of the Bishop; however, each parish, school, or other organization is an operation distinct from the Diocese, maintains separate accounts, carries on its own services and programs, and reports annually to its respective constituency. The payments of promissory notes signed by the Bishop for the various parishes are the primary responsibility of the parishes and are not included in these financial statements.

Basis of Presentation

The financial statements of the Diocese have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Diocese and changes therein are classified and reported as follows:

Unrestricted net assets are not subject to donor-imposed restrictions. Designated funds are unrestricted funds which have been set aside for property and equipment and future needs of the Diocese.

Temporarily restricted net assets are subject to donor-imposed restrictions that may or will be met, either by the actions of the Diocese and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets are subject to donor-imposed restrictions and maintained permanently by the Diocese. Generally, the donors of these assets permit the Diocese to use all or part of the income earned on any related investments for general or specific purposes.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of management's estimates. These estimates affect the amounts reported in the financial statements and the disclosures provided. Actual results may differ from management's estimates.

Functional Allocation of Expenses

Expenses are summarized by functional classification in the statement of activities. Such expenses are charged directly to the related functional area.

Diocese of Kalamazoo
Notes to Financial Statements
For the Years Ended June 30, 2018 and 2017

NOTE A – Summary of Significant Accounting Policies (Continued)

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information. With respect to the statement of activities, the prior year information is presented in total, not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Diocese's financial statements for the year ended June 30, 2017.

Risk

The Diocese utilizes various investment instruments, which are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in their values could occur in the near term and such changes could materially affect the amounts reported in the financial statements.

Additionally, some investments held by the Diocese are invested in the securities of foreign companies, which involve special risks and considerations not typically associated with investing in securities of U.S. companies. These risks include devaluation of currencies, and less reliable, possible adverse, political and economic developments. Moreover, securities of many foreign companies and their markets may be less liquid and their prices more volatile than those of securities of comparable U.S. companies.

Cash Equivalents

For purposes of the statement of cash flows, the Diocese considers deposit accounts, money market funds, and certificates of deposit with original maturity of three months or less to be cash equivalents. However, cash balances held by investment managers are classified with investments in the accompanying financial statements.

The Diocese maintains most of its cash balances at one financial institution. The bank balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Diocese had approximately \$2,272,000 in excess of the insured limits at June 30, 2018.

Financial Instruments

The Diocese's financial instruments consist of cash balances, accounts and notes receivable, investments, and accounts payable. The Diocese's estimates of fair value approximate their carrying amounts as of June 30, 2018 and 2017.

Accounts Receivable

Accounts receivable, resulting primarily from the Bishop's Annual Appeal, represent unconditional promises to give and are due and payable within one year. No allowance for uncollectible promises has been recorded as management expects that such receivables are fully collectible at June 30, 2018 and 2017. Periodically management reviews account receivable balances and may write-off uncollectible amounts.

Diocese of Kalamazoo
Notes to Financial Statements
For the Years Ended June 30, 2018 and 2017

NOTE A – Summary of Significant Accounting Policies (Continued)

Investments, Beneficial Interest in Foundation, and Investment Income

The Diocese has funds invested with the National Catholic Investment Pool (the Investment Pool) (formerly the Diocesan Investment Pool) and a third-party investment advisor indirectly through the Catholic Foundation of Southwestern Michigan (the Foundation). Investments made directly to the Investment Pool are reported as Investment in the accompanying financial statements. Investments made with the Foundation are reported as Beneficial Interest in Foundation in the accompanying financial statements. Investments in the Investment Pool and with the Foundation consist of cash, certificates of deposits, mutual funds, corporate bonds and government bonds.

The Michigan Catholic Conference (MCC, Inc.) is the administrator of the Investment Pool. The assets of the Investment Pool are held by the Northern Trust Company (Custodian) and are managed by independent investment managers. The Foundation assets are held by Charles Schwab, who invest the assets at the Foundation's direction. Investments are stated at fair value based on their closing value as reported on a national securities exchange.

Property and Equipment

Purchased assets are stated at cost. Donations of property and equipment are recorded at their market value on date of donation. Property and equipment are depreciated over the estimated useful lives using the straight-line method. Depreciation expense was approximately \$77,000 and \$76,000 for the years ended June 30, 2018 and 2017.

Contributions

Contributions to the Diocese are recorded as revenue when a donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets.

Income Taxes

In a determination letter dated March 25, 1946, and updated annually since that time, the Internal Revenue Service ruled that all organizations listed in The Official Catholic Directory are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Diocese is listed in the 2018 edition of The Official Catholic Directory and, therefore, is exempt from federal income taxes. The Diocese has evaluated relevant criteria and determined that no significant contingencies exist with regard to its tax positions.

Diocese of Kalamazoo
Notes to Financial Statements
For the Years Ended June 30, 2018 and 2017

NOTE B – Investments and Beneficial Interest in Foundation

The Diocese's investments (including investments purchased, sold, and held during the year) appreciated in fair value for the year ended June 30, as follows:

	2018	2017
Net realized gain on investments	\$ 405,790	\$ 543,373
Net unrealized gain on investments	394,745	317,650
	<u>\$ 800,535</u>	<u>\$ 861,023</u>

The Foundation was formed in 2016 for the benefit of the Diocese and its parishes, schools, and other organizations. The Foundation holds funds of the participating organizations, including the Diocese, and invests these funds for the benefit of the participating organizations. The Diocese is a beneficiary organization of the Foundation and recognizes its rights to assets held by the Foundation on its behalf. The Diocese has recognized its rights to these assets by recording its beneficial interest in the Foundation assets in the accompanying financial statements. The Diocese has chosen to transfer to the Foundation assets that are restricted for specific purposes, whether temporarily or permanently, and unrestricted and undesignated funds. The income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the increase or decrease in net assets in the accompanying financial statements based on the presence or absence of donor restrictions.

NOTE C – Financial Instruments and Fair Value Measurements

As described in Note A, the Diocese's estimates of the fair value of financial assets and liabilities approximate carrying value. Financial accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Diocese has the ability to access.
- Level 2 Inputs to the valuation methodology include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Diocese of Kalamazoo
Notes to Financial Statements
For the Years Ended June 30, 2018 and 2017

NOTE C – Financial Instruments and Fair Value Measurements (Continued)

The following table summarizes the valuation of the Diocese's financial instruments by the aforementioned pricing categories at June 30, 2018:

	Total	Quoted Prices in Active Markets (Level 1)	Prices with Other Observable Inputs (Level 2)	Prices with Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 22	\$ 22	\$ -	\$ -
Mutual Funds:				
Diamond Hill Large Cap Value	1,933,087	1,933,087	-	-
Wells Capital Growth	2,007,710	2,007,710	-	-
Rhumblin - International	261,454	261,454	-	-
Loomis Sayles Small/Mid Cap	711,750	711,750	-	-
Blackrock Intermediate Bond	522,649	-	522,649	-
Boyd Watterson Short Term Bond	1,738,534	-	1,738,534	-
Beneficial Interest in The Catholic Foundation of Southwestern	9,886,569	-	-	9,886,569
Subtotal	<u>\$ 17,061,775</u>	<u>\$ 4,914,023</u>	<u>\$ 2,261,183</u>	<u>\$ 9,886,569</u>

The following table summarizes the valuation of the Diocese's financial instruments by the aforementioned pricing categories at June 30, 2017:

	Total	Quoted Prices in Active Markets (Level 1)	Prices with Other Observable Inputs (Level 2)	Prices with Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 22	\$ 22	\$ -	\$ -
Mutual Funds:				
Diamond Hill Large Cap Value	1,793,991	1,793,991	-	-
Wells Capital Growth	2,645,361	2,645,361	-	-
Rhumblin - International	243,208	243,208	-	-
Loomis Sayles Small/Mid Cap	642,410	642,410	-	-
Blackrock Intermediate Bond	525,940	-	525,940	-
Boyd Watterson Short Term Bond	488,937	-	488,937	-
Beneficial Interest in The Catholic Foundation of Southwestern	9,636,380	-	-	9,636,380
Total Investments	<u>\$ 15,976,249</u>	<u>\$ 5,324,992</u>	<u>\$ 1,014,877</u>	<u>\$ 9,636,380</u>

Diocese of Kalamazoo
Notes to Financial Statements
For the Years Ended June 30, 2018 and 2017

NOTE C – Financial Instruments and Fair Value Measurements (Continued)

The following table reconciles the changes in fair value of Level 3 investments for the years ended June 30, 2018 and 2017:

Balance at July 1, 2016	\$ 9,345,987
Change in investment value	48,472
Net contributions and distributions	<u>241,921</u>
Balance June 30, 2017	9,636,380
Change in investment value	49,086
Net contributions and distributions	<u>201,103</u>
Balance June 30, 2018	<u><u>\$ 9,886,569</u></u>

The Diocese Level 3 asset are held and invested by the Catholic Foundation of Southwestern Michigan (the Foundation). A description of the Foundation's investment policies and holdings can be found in the Foundation's financial statements. Generally, the Foundation invests in fixed income and equity instruments that are traded in the open market. The change in the investment value for Level 3 assets, as shown in the table above, has been included in net appreciation of investments in the accompany statement of activities.

NOTE D – Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2018	2017
Undesignated, time restricted funds	\$ 5,500,000	\$ 5,500,000
Diocesan Services Appeal programs and services	3,400,148	3,421,517
Battle Creek Health Care Fund	1,405,212	1,399,182
Education of priests and seminarians	1,031,969	895,330
Needs of the poor and disadvantaged	120,715	149,041
Other	108,100	86,622
	<u>\$ 11,566,144</u>	<u>\$ 11,451,692</u>

During 2016, the Diocese received a contribution of \$6,814,000. The contribution, which was otherwise unrestricted, contained a clause requiring \$5,500,000 to be restricted from use until June 30, 2019, should any claims be made on the donor's estate.

Permanently restricted net assets totaled \$212,841 and \$205,422 at June 30, 2018 and 2017, respectively, and are restricted for investment in perpetuity, the income from which is expendable to support the education of men for the priesthood.

Diocese of Kalamazoo
Notes to Financial Statements
For the Years Ended June 30, 2018 and 2017

NOTE E – Retirement Plans

The Diocese participates in the Michigan Catholic Conference Lay Employees Retirement Plan (Lay Plan), a multi-employer defined benefit pension plan established for the benefit of lay employees of the Catholic dioceses, parishes, schools, and other diocesan organizations. The Lay Plan number and Employer Identification Number is 38-1971920.

The Diocese's contributions to the Lay Plan were approximately \$99,000 and \$106,000 for the years ended June 30, 2018 and 2017, respectively. The amount of contributions to the Lay Plan was 8.6% of wages of all covered employees. The Diocese's contributions to the Lay Plan did not represent more than 5% of the total contributions received by the Lay Plan.

Specific Plan information for the Diocese is not available from the Lay Plan's administrator. If the Diocese terminates its participation in the Lay Plan, the Diocese would be obligated to make a contribution to the Lay Plan in an amount equal to its proportionate share of any unfunded liability. The termination liability would be calculated by the actuaries as outlined in the Lay Plan document.

The Diocese also sponsors the Priests' Retirement Plan (Priests' Plan) through the Michigan Catholic Conference, a defined benefit pension plan established for the benefit of priests ordained or incardinated in the Diocese. The Priests' Plan number and employer identification number is 20-8419571.

The Diocese sponsors the Priests' Plan on behalf of the parishes in southwestern Michigan. The amount of contributions required during the year is allocated to the various parishes served. The Diocese contribution to the priest retirement plan for priest compensated by the Diocese was \$60,867 and \$40,220 for the years ended June 30, 2018 and 2017, respectively.

Specific plan information for the Diocese is not available from the Priests' Plan administrator. In the event of termination of the Priests' Plan, assets would be allocated in the following order of preference: 1) to provide for continuance of pension payments to retirees; 2) to provide for payment of pension benefits to all other priest participants based on their accrued benefits as of the termination date; and 3) to the Diocese if any assets remained. No retiree, participant, or other person has any rights or claims under the Priests' Plan in excess of the assets available to pay benefits.

The following information is based on the valuation reports of the Lay Plan and Priests' Plan as of July 1, 2017:

	Michigan Catholic Conference Lay Employees' Retirement Plan	Michigan Catholic Conference Priests' Plan
Total fair value of plan assets	\$ 1,289,816,409	\$ 7,229,428
Actuarial present value of accumulated plan benefits	1,453,824,228	5,873,186
Total contributions received by the plan during previous fiscal year	27,111,183	855,000
Funded Ratio	87.80%	123.10%

Diocese of Kalamazoo
Notes to Financial Statements
For the Years Ended June 30, 2018 and 2017

NOTE F – Self Insurance

The Diocese is self-insured for general liability, property, vehicle and other liabilities for up to one million dollars. Insurance for losses above the self-insured liability has been purchased through MCC. The self-funded insurance obligation is managed by MCC to whom the Diocese makes annual contributions. Contributions are made in amounts the MCC determines necessary to fulfill expected future losses. Expense is recorded at the time contributions are made. The Diocese does not record a liability for the self-funded insurance unless it becomes aware of a substantial claim incurred for which additional funding will be necessary. From time to time the MCC evaluates expected future liabilities and may return amounts to the Diocese that are deemed to be over funding of expected obligations. In 2018, the MCC returned to the Diocese \$500,000 (\$250,000 from each of the worker's compensation and general liability funds) which was deemed to be an overfunding of liability requirements. These funds were recorded as donation and grant income.

The general liability insurance coverage purchased for losses in excess of one million dollars does not cover any claims for Diocesan obligations for abuse or misconduct committed by priests. The Diocese is self-insured for all such claims.

The Diocese is authorized by the Michigan Department of Insurance and Financial Services to self-insure no-fault risk for its vehicles for the twelve-month certification period ending June 30, 2018. 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 is fully funded as of the commencement of the current certification period. Included in cash is approximately \$16,000 and \$16,000 at June 30, 2018 and 2017, respectively, restricted to cover the estimated loss reserve; the Diocese has recorded a corresponding liability.

NOTE G – Cash Flow Information

The Diocese did not pay any cash for interest during the years ended June 30, 2018 and 2017.

NOTE H – Commitments and Contingencies

In September 2018, the Michigan Attorney General initiated an investigation into the sexual abuse of minors in the Catholic Church in Michigan. The Attorney General stated in February, 2019, that the investigation may take as long as two years. The seven Dioceses of Michigan each have pledged full cooperation with the investigation.

NOTE I – Subsequent Events

Management has evaluated subsequent events through March 12, 2019, the date on which the financial statements were available to be issued.