

**DIOCESE OF KALAMAZOO**

**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2024  
With Comparative Totals for 2023**

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# SEBER TANS, PLC

## CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

### INDEPENDENT AUDITOR'S REPORT

The Most Reverend Edward M. Lohse, Bishop of Kalamazoo  
Diocese of Kalamazoo

#### Opinion

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, 2024, and the related statement of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2024, and the 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.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Diocese and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Diocese's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Diocese's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Report on Summarized Comparative Information**

We have previously audited Diocese of Kalamazoo's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 12, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Seber Tans, PLC*

Seber Tans, PLC  
Kalamazoo, Michigan  
February 26, 2025

**Diocese of Kalamazoo**  
**Statements of Financial Position**  
**June 30, 2024 with Comparative Totals for June 30, 2023**

	Without Donor Restriction	With Donor Restriction	Combined Totals June 30,	
			2024	2023
<b>ASSETS</b>				
Current Assets				
Cash	\$ 567,071	\$ 2,188,467	\$ 2,755,538	\$ 2,530,430
Accounts receivable, net of allowance	891,005	770,700	1,661,705	2,313,705
Notes receivable	19,593	-	19,593	23,793
Total Current Assets	<u>1,477,669</u>	<u>2,959,167</u>	<u>4,436,836</u>	<u>4,867,928</u>
Investments				
Investments directly held	12,288,323	-	12,288,323	11,302,881
Beneficial interests	-	5,266,643	5,266,643	4,004,275
Total Investments	<u>12,288,323</u>	<u>5,266,643</u>	<u>17,554,966</u>	<u>15,307,156</u>
Property and Equipment				
Land improvements	714,368	-	714,368	714,368
Buildings and improvements	1,311,663	-	1,311,663	1,289,558
Furnishings and equipment	24,940	-	24,940	8,891
Total Property and Equipment	<u>2,050,971</u>	<u>-</u>	<u>2,050,971</u>	<u>2,012,817</u>
Accumulated depreciation	927,578	-	927,578	867,998
Net Property and Equipment	<u>1,123,393</u>	<u>-</u>	<u>1,123,393</u>	<u>1,144,819</u>
<b>Total Assets</b>	<b><u>\$ 14,889,385</u></b>	<b><u>\$ 8,225,810</u></b>	<b><u>\$ 23,115,195</u></b>	<b><u>\$ 21,319,903</u></b>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities				
Accounts payable	\$ 326,227	\$ -	\$ 326,227	\$ 66,204
Accrued compensation and benefits	168,518	-	168,518	192,635
Custodial funds payable	272,373	-	272,373	494,987
Other accrued liabilities	208,209	-	208,209	203,801
Total Current Liabilities	<u>975,327</u>	<u>-</u>	<u>975,327</u>	<u>957,627</u>
Net Assets				
Without Donor Restriction				
Undesignated	13,482,931	-	13,482,931	13,141,923
Designated	431,127	-	431,127	401,583
With Donor Restriction	<u>-</u>	<u>8,225,810</u>	<u>8,225,810</u>	<u>6,818,770</u>
Total Net Assets	<u>13,914,058</u>	<u>8,225,810</u>	<u>22,139,868</u>	<u>20,362,276</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 14,889,385</u></b>	<b><u>\$ 8,225,810</u></b>	<b><u>\$ 23,115,195</u></b>	<b><u>\$ 21,319,903</u></b>

See Accompanying Notes to Financial Statements

**Diocese of Kalamazoo**  
**Statements of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2024 with Comparative Totals for 2023**

	Without Donor Restriction	With Donor Restriction	Combined Totals June 30,	
			2024	2023
Revenues and Other Support				
Bishop's Annual Appeal	\$ 509,341	\$ 2,959,168	\$ 3,468,509	\$ 3,476,330
Donations and grants	99,800	243,718	343,518	262,297
Fees	259,886	-	259,886	393,823
Investment income	276,086	-	276,086	206,757
Miscellaneous income	880,005	-	880,005	1,171,918
Net assets released from restrictions	1,795,846	(1,795,846)	-	-
Total Revenues and Other Support	<u>3,820,964</u>	<u>1,407,040</u>	<u>5,228,004</u>	<u>5,511,125</u>
Expenses				
Program services				
Christian formation	235,708	-	235,708	207,841
Education	409,300	-	409,300	559,511
Family ministry	133,786	-	133,786	147,963
Outreach	829,097	-	829,097	1,024,081
Pastoral formation	628,913	-	628,913	589,204
Total Program Services	<u>2,236,804</u>	<u>-</u>	<u>2,236,804</u>	<u>2,528,600</u>
Diocesan services and administration	2,662,375	-	2,662,375	2,254,225
Fundraising	-	-	-	19,970
Total Expenses	<u>4,899,179</u>	<u>-</u>	<u>4,899,179</u>	<u>4,802,795</u>
Change in Net Assets Before Other Income	(1,078,215)	1,407,040	328,825	708,330
Other Income (Expense)				
Net investment market change	1,448,767	-	1,448,767	884,103
<b>Change in Net Assets</b>	<u>370,552</u>	<u>1,407,040</u>	<u>1,777,592</u>	<u>1,592,433</u>
Net Assets at Beginning of Year	13,543,506	6,818,770	20,362,276	18,769,843
<b>Net Assets at End of Year</b>	<u><b>\$ 13,914,058</b></u>	<u><b>\$ 8,225,810</b></u>	<u><b>\$ 22,139,868</b></u>	<u><b>\$ 20,362,276</b></u>

See Accompanying Notes to Financial Statements

**Diocese of Kalamazoo**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2024 and 2023**

	2024	2023
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 1,777,592	\$ 1,592,433
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	59,580	57,096
Net unrealized gain on investments	(1,101,377)	(612,263)
Gain on sale of property and equipment	-	(825,285)
Changes in assets and liabilities which impacted cash:		
Accounts and notes receivable	656,200	269,608
Accounts payable	260,023	(8,647)
Custodial funds payable	(222,614)	107,390
Accrued compensation, benefits, and other liabilities	(19,709)	87,068
Net Cash Provided by Operating Activities	<u>1,409,695</u>	<u>667,400</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(1,873,782)	(1,870,351)
Proceeds from sale of investments	727,349	292,642
Purchases of property and equipment	(38,154)	(6,352)
Proceeds from sale of property and equipment	-	1,280,960
Net Cash Used in Investing Activities	<u>(1,184,587)</u>	<u>(303,101)</u>
<b>Net Change in Cash</b>	<b>225,108</b>	<b>364,299</b>
Cash at Beginning of Year	<u>2,530,430</u>	<u>2,166,131</u>
<b>Cash at End of Year</b>	<b><u>\$ 2,755,538</u></b>	<b><u>\$ 2,530,430</u></b>

See Accompanying Notes to Financial Statements

**Diocese of Kalamazoo**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2024 with Comparative Totals for 2023**

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**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:

*Net Assets without Donor Restrictions* – Net assets available for use in general and not subject to donor (or certain grantor) restrictions. The Diocese has designated, from net assets without donor restrictions, funds which have been set aside for future needs of the Diocese.

*Net Assets with Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulate time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

At June 30, 2024 and 2023, the Diocese has approximately \$8,226,000 and \$6,819,000, respectively, in net assets with donor restrictions.

Cash Equivalents and Concentrations

For purposes of the statement of cash flows, the Diocese considers deposit accounts and instruments with original maturity of three months or less to be included with cash balances. 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 \$2,573,000 in excess of the insured limits as of June 30, 2024.

Reclassifications

Certain reclassifications have been made to present last year’s financial statements on a basis comparable to the current year’s financial statements. These reclassifications had no effect on the change in net assets or total net assets.

**Diocese of Kalamazoo**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2024 with Comparative Totals for 2023**

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**NOTE A – Summary of Significant Accounting Policies (Continued)**

Accounts Receivable

Accounts receivable, resulting primarily from the Bishop's Annual Appeal or from advances to assist parishes or schools, represent unconditional promises to give and are due and payable within one year. An allowance for uncollectible amounts is calculated by considering historical losses and applying that information to total accounts receivable. Amounts deemed to be uncollectible are charged to the provision for doubtful accounts in the period that such a determination is made. As of June 30, 2024 and 2023, the Diocese had provided an allowance for potentially uncollectible accounts of \$40,000.

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). The Michigan Catholic Conference ("MCC") is the administrator of the Investment Pool. The assets of the Investment Pool are held by the Northern Trust Company and are managed by independent investment managers. Additionally, the Diocese has separate funds directly invested in the market which are managed by a local investment firm. These investments are reported as Investments Directly Held in the accompanying financial statements.

Additionally, the Diocese has investments held indirectly through the Catholic Foundation of Southwestern Michigan (the "Foundation"). Investments made with the Foundation are reported as Beneficial Interests in the accompanying financial statements. The Foundation holds funds of the participating organizations, including the Diocese, and invests these funds for their benefit. 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.

Investments are stated at fair value based on their closing value as reported on a national securities exchange. The Diocese's interest in income or loss of the Foundation (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.

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 approximated \$59,600 and \$57,100 during the years ended June 30, 2024 and 2023, respectively.

Revenue Recognition

The Diocese follows Accounting Standards Update ("ASU") No. 2018-08 Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Recognized contributions that are restricted by the donor are reported as donor restricted net assets. When a restriction is fulfilled, donor restricted net assets are reclassified to unrestricted net assets.

**Diocese of Kalamazoo**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2024 with Comparative Totals for 2023**

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**NOTE A – Summary of Significant Accounting Policies (Continued)**

Functional Allocation of Expenses

The costs of providing the Diocese's programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Payroll and related tax as well as employee benefits are allocated based on time and effort. Occupancy costs, maintenance expenses, telephone and depreciation expense are allocated on the basis of square footage. Such expenses are charged to the related functional area as described in Note I. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

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 current 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.

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, 2023.

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.

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.

**Diocese of Kalamazoo**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2024 with Comparative Totals for 2023**

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**NOTE A – Summary of Significant Accounting Policies (Continued)**

Change in Accounting Principle

The Financial Accounting Standards Board issued Accounting Standards Update No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, in June 2016. The standard replaced the incurred loss impairment methodology with a new methodology that reflects current expected credit losses ("CECL") on financial assets, including receivables and certain off balance sheet commitments. The new methodology requires the measurement of all expected credit losses based on historical experience, current economic conditions, and reasonable and supportable forecasts. The standard also expands the required quantitative and qualitative disclosures for expected credit losses. On July 1, 2023, the Organization adopted the standard using a modified retrospective method. As a result of this adoption, there was no changes to beginning of year net assets.

Subsequent Events

Management has evaluated subsequent events through February 26, 2025, the date on which the financial statements were available to be issued.

**NOTE B – Liquidity and Availability of Resources**

The Diocese has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations are due. Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the statement of financial position, comprised the following as of June 30:

	<u>2024</u>	<u>2023</u>
Cash	\$ 2,755,538	\$ 2,530,430
Accounts receivable	1,661,705	2,313,705
Investments	12,288,323	11,302,881
Beneficial interest in Foundation	<u>5,266,643</u>	<u>4,004,275</u>
Financial assets	21,972,209	20,151,291
Less purpose-restricted assets unavailable for general expenditures	<u>(5,266,643)</u>	<u>(4,004,275)</u>
Financial assets available to meet cash needs for general purposes within one year	<u>\$ 16,705,566</u>	<u>\$ 16,147,016</u>

While management realizes there could be unanticipated liquidity needs, they believe that the financial assets in the table above are sufficient to meet operating needs within a minimum of one year of the statement of financial position date.

**Diocese of Kalamazoo**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2024 with Comparative Totals for 2023**

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**NOTE C – Investments and Beneficial Interest**

The markets' impact on the Diocese's investments and beneficial interests, as presented on the statements of activities, comprises the following for the years ending June 30:

	2024	2023
Net realized gain on investments sold	\$ 347,390	\$ 271,840
Net unrealized gain on investments held	1,101,377	612,263
Net investment market change	\$ 1,448,767	\$ 884,103

**NOTE D – Financial Instruments and Fair Value Measurements**

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value. The 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). In instances whereby inputs used to measure fair value fall into different levels of the 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 or liability.

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.

Fair values determined by Level 3 inputs use other inputs that are not observable due to little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques which take into account the characteristic of the asset or liability.

The Diocese's policy is to recognize transfers amongst the different levels of the fair value hierarchy as of the end of the reporting period. There were no transfers amongst the fair value classifications during the years ended June 30, 2024 and 2023.

The following table summarizes the valuation of the Diocese's financial instruments by the aforementioned valuation categories at June 30, 2024:

**Diocese of Kalamazoo**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2024 with Comparative Totals for 2023**

**NOTE D – Financial Instruments and Fair Value Measurements (Continued)**

	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	\$ 989,202	\$ 989,202	\$ -	\$ -
Bond funds	640,092	640,092	-	-
Exchange traded funds	4,068,370	4,068,370	-	-
Fixed income	198,900	-	198,900	-
Mutual funds:				
Boyd Watterson Short Term Bond	1,318,430	-	1,318,430	-
Breckinridge	588,251	588,251	-	-
Diamond Hill Large Cap Value	1,507,076	1,507,076	-	-
Palisade Capital Small/Mid Cap	577,641	577,641	-	-
Rhumbline International	302,590	302,590	-	-
William Blair Growth	2,097,771	2,097,771	-	-
Beneficial Interest in The Catholic Foundation of Southwestern Michigan	5,266,643	5,266,643	-	-
Total Investments	<u>\$ 17,554,966</u>	<u>\$ 16,037,636</u>	<u>\$ 1,517,330</u>	<u>\$ -</u>

The following table summarizes the valuation of the Diocese's financial instruments by the aforementioned valuation categories at June 30, 2023:

	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	\$ 317,386	\$ 317,386	\$ -	\$ -
Bond funds	533,475	533,475	-	-
Exchange traded funds	3,639,284	3,639,284	-	-
Fixed income	866,010	-	866,010	-
Mutual funds:				
Boyd Watterson Short Term Bond	1,368,987	-	1,368,987	-
Breckinridge	576,850	576,850	-	-
Diamond Hill Large Cap Value	1,438,868	1,438,868	-	-
Palisade Capital Small/Mid Cap	584,763	584,763	-	-
Rhumbline International	301,726	301,726	-	-
William Blair Growth	1,675,532	1,675,532	-	-
Beneficial Interest in The Catholic Foundation of Southwestern Michigan	4,004,275	4,004,275	-	-
Total Investments	<u>\$ 15,307,156</u>	<u>\$ 13,072,159</u>	<u>\$ 2,234,997</u>	<u>\$ -</u>

The Diocese holds a beneficial interest in assets held by the Catholic Foundation of Southwestern Michigan (the "Foundation"), a related organization (see Note I). The Diocese has determined the value of its interest in the Foundation using Level 1 inputs. Generally, the Foundation invests in money market funds, fixed income securities, and equity instruments that are traded in the open market. Under its agreement with the Foundation, the Diocese is afforded the ability to redeem its beneficial interest in these assets at the market value upon request.

The fair value of the Diocese's fixed income securities and certain mutual funds are determined primarily based on Level 2 inputs. The Diocese estimates the fair value of these securities using quoted prices for identical or similar assets in active markets, with additional consideration to contractual cash flows, benchmark yields, and credit spreads.

**Diocese of Kalamazoo**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2024 with Comparative Totals for 2023**

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**NOTE E – Donor Restricted Net Assets**

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

	2024	2023
Time-restricted net assets		
Bishops Annual Appeal, future services	\$ 2,959,167	\$ 2,814,495
Purpose-restricted net assets		
Battle Creek Health Care Fund	1,230,332	1,277,383
Campus improvement fund	2,293,880	1,298,272
Education of priests and seminarians	516,543	357,048
Endowed for men in the priesthood	169,078	138,471
Needs of the poor and disadvantaged	788,816	792,201
Other donor-designated purposes	267,994	140,900
Total Net Assets with Donor Restrictions	\$ 8,225,810	\$ 6,818,770

Donor-restricted net assets in the table above include \$504,702 at June 30, 2024 and 2023, that is restricted for investment in perpetuity, the income from which is expendable to support the purposes previously noted.

**NOTE F – Retirement Plans**

Lay Employees Retirement Plan

The Diocese participates in the Michigan Catholic Conference Lay Employees Retirement Plan (the “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 approximated \$95,900 and \$114,500 for the years ended June 30, 2024 and 2023, respectively. The Diocese’s contributions to the Lay Plan did not represent more than 5 percent 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.

Priests’ Retirement Plan

The Diocese also sponsors the Priests’ Retirement Plan (the “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 was not required to make a contribution to the plan for the years ended June 30, 2024 and 2023, respectively.

**Diocese of Kalamazoo**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2024 with Comparative Totals for 2023**

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**NOTE F – Retirement Plans (Continued)**

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, 2023 (the most recent available):

	Michigan Catholic Conference Lay Employees' Retirement Plan	Michigan Catholic Conference Priests' Plan
Total fair value of plan assets	\$ 1,322,476,717	\$ 10,427,163
Actuarial present value of accumulated plan benefits	1,497,570,057	7,367,892
Total contributions received by the plan during previous fiscal year	27,860,394	450,000
Funded ratio	88.3%	141.5%

**NOTE G – Self Insurance**

The Diocese is self-insured for general liability, property, vehicle and other liabilities for up to \$1,500,000. 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.

The general liability insurance coverage purchased for losses in excess of \$1,500,000 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. 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 \$18,800 and \$17,500 at June 30, 2024 and 2023, respectively, reserved to cover the estimated loss reserve; the Diocese has recorded a corresponding liability.

**Diocese of Kalamazoo**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2024 with Comparative Totals for 2023**

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**NOTE H – Statement of Functional Expenses**

Costs of providing program and support services have been reported on a functional basis in the Statement of Activities and in the schedule of Functional Expenses included in this footnote. Functional expenses are typically aligned by department; therefore, salaries and benefits did not require allocation. The financial statements report other categories of expenses that are attributable to more than one program or support function. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. As such, expenses utilized by all employees, such as occupancy, utilities, supplies, and insurance have been allocated on the basis office space square footage. Information technology costs such as support services, general computer related costs, and communication expenses have been allocated based on headcount in each department. Expenses deemed to be indirect to employee work are considered to be management and general expenses. Costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used were considered reasonable, other methods could have been used that would have produced different amounts.

Functional expenses by natural category for the fiscal year ended June 30, 2024, were as follows:

	Support Services			Total
	Programs	Services and Administration	Fundraising	
Bank and investment fees	\$ -	\$ 72,473	\$ -	\$ 72,473
Buildings and equipment	-	544,324	-	544,324
Catholic charities	567,216	124	-	567,340
Contract services	100,513	18,580	-	119,093
Depreciation	-	59,580	-	59,580
Dues and subscriptions	5,910	32,222	-	38,132
Education, tuition and fees	165,132	-	-	165,132
Employee benefits	326,144	339,817	-	665,961
Miscellaneous	7,121	210,619	-	217,740
Office supplies	11,900	202,706	-	214,606
Professional fees	2,974	302,055	-	305,029
Salaries and wages	789,783	688,324	-	1,478,107
Seminars, ministry, and meetings	240,468	114,791	-	355,259
Travel and lodging	19,643	23,794	-	43,437
Utilities	-	52,966	-	52,966
	<u>\$ 2,236,804</u>	<u>\$ 2,662,375</u>	<u>\$ -</u>	<u>\$ 4,899,179</u>

**Diocese of Kalamazoo**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2024 with Comparative Totals for 2023**

**NOTE H – Statement of Functional Expenses (Continued)**

Functional expenses by natural category for the fiscal year ended June 30, 2023, were as follows:

	Support Services			Total
	Programs	Services and Administration	Fundraising	
Bank and investment fees	\$ -	\$ 66,731	\$ -	\$ 66,731
Buildings and equipment	-	557,555	-	557,555
Catholic charities	773,252	-	-	773,252
Contract services	128,021	12,986	-	141,007
Depreciation	-	57,096	-	57,096
Dues and subscriptions	734	20,872	-	21,606
Education, tuition and fees	227,063	-	-	227,063
Employee benefits	297,354	318,411	7,090	622,855
Miscellaneous	45,743	121,159	-	166,902
Office supplies	180,820	169,512	-	350,332
Professional fees	41,718	260,227	-	301,945
Salaries and wages	592,783	569,996	11,840	1,174,619
Seminars, ministry, and meetings	221,525	19,398	417	241,340
Travel and lodging	19,407	11,493	623	31,523
Utilities	180	68,789	-	68,969
	<u>\$ 2,528,600</u>	<u>\$ 2,254,225</u>	<u>\$ 19,970</u>	<u>\$ 4,802,795</u>

**NOTE I – Related Party Transactions**

The Diocese of Kalamazoo Parish Deposit & Loan Fund Trust (the “Trust”)

The Trust operates a Deposit and Loan Fund that accepts excess reserves from the parishes of the Diocese and either invests or loans these funds to other parishes of the Diocese for construction and renovation projects. The Diocesan staff provide administrative and support services to the Trust for which the Diocese charges an annual fee of 0.25 percent of assets. As of June 30, 2024 and 2023, the Diocese has accounts receivable from the Trust of \$6,114 and \$5,590 respectively, for outstanding administrative fees owed. Total fees charged to the Trust during the years ended June 30, 2024 and 2023, totaled \$69,637 and \$66,671, respectively.

Catholic Foundation of Southwestern Michigan and Affiliate (the “Foundation”)

The Foundation holds funds of participating organizations, including the Diocese, and invests these funds for the benefit of the participating organizations. The Diocese will occasionally pay certain expenses on behalf of the Foundation. Additionally, the Diocesan staff provide administrative and support services to the Foundation. During the years ended June 30, 2024 and 2023, the cost of these services has been borne by the Diocese but not quantified. In future years, the Diocese may accumulate such costs and charge an annual fee for services provided. As of June 30, 2023, amounts owed to the Diocese for reimbursement of expenses totaled \$90. There were no amounts owed to the Diocese as of June 30, 2024.