

**ROMAN CATHOLIC DIOCESE  
OF GRAND RAPIDS  
DEPOSIT AND LOAN PROGRAM**

**FINANCIAL STATEMENTS**  
June 30, 2007 and 2006

ROMAN CATHOLIC DIOCESE OF GRAND RAPIDS  
DEPOSIT AND LOAN PROGRAM  
Grand Rapids, Michigan

FINANCIAL STATEMENTS  
June 30, 2007 and 2006

CONTENTS

REPORT OF INDEPENDENT AUDITORS.....	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION.....	2
STATEMENTS OF ACTIVITIES.....	3
STATEMENTS OF CASH FLOWS.....	4
NOTES TO FINANCIAL STATEMENTS .....	5



Crowe Chizek and Company LLC  
Member Horwath International

## REPORT OF INDEPENDENT AUDITORS

Most Reverend Walter A. Hurley  
Roman Catholic Diocese of Grand Rapids  
Deposit and Loan Program  
Grand Rapids, Michigan

We have audited the accompanying statements of financial position of the Roman Catholic Diocese of Grand Rapids Deposit and Loan Program (Program) as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Program's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United State 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Roman Catholic Diocese of Grand Rapids Deposit and Loan Program as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Crowe Chizek and Company LLC*

Crowe Chizek and Company LLC

Grand Rapids, Michigan  
September 25, 2007

ROMAN CATHOLIC DIOCESE OF GRAND RAPIDS  
DEPOSIT AND LOAN PROGRAM  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2007 and 2006

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash	\$ 592,658	
Money market funds	<u>460,738</u>	<u>\$ 3,929,525</u>
Total cash and cash equivalents	1,053,396	3,929,525
Investments (Note 3)	22,199,483	22,883,766
Loans	11,112,424	15,201,879
Accrued income	<u>23,553</u>	<u>32,919</u>
Total assets	<u>\$ 34,388,856</u>	<u>\$ 42,048,089</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Deposits	\$ 32,165,110	\$ 41,332,803
Accrued interest (Note 1)	<u>631,379</u>	
Total liabilities	32,796,489	41,332,803
Net assets - unrestricted	<u>1,592,367</u>	<u>715,286</u>
Total liabilities and net assets	<u>\$ 34,388,856</u>	<u>\$ 42,048,089</u>

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See accompanying notes to financial statements.

ROMAN CATHOLIC DIOCESE OF GRAND RAPIDS  
DEPOSIT AND LOAN PROGRAM  
STATEMENTS OF ACTIVITIES  
Years ended June 30, 2007 and 2006

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	<u>2007</u>	<u>2006</u>
<b>Revenues</b>		
Interest and dividends on investments	\$ 848,566	\$ 1,075,045
Net change in fair value of investments (Note 3)	1,241,450	(466,047)
Interest on loans	<u>617,150</u>	<u>752,355</u>
	2,707,166	1,361,353
Interest expense	<u>1,734,169</u>	<u>1,276,396</u>
<b>Net revenues before administrative expenses</b>	972,997	84,957
Administrative expenses	<u>(95,916)</u>	<u>(104,256)</u>
<b>Change in unrestricted net assets</b>	877,081	(19,299)
Net assets at beginning of year - unrestricted	<u>715,286</u>	<u>734,585</u>
<b>Net assets at end of year - unrestricted</b>	<u>\$ 1,592,367</u>	<u>\$ 715,286</u>

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See accompanying notes to financial statements.

ROMAN CATHOLIC DIOCESE OF GRAND RAPIDS  
DEPOSIT AND LOAN PROGRAM  
STATEMENTS OF CASH FLOWS  
Years ended June 30, 2007 and 2006

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	<u>2007</u>	<u>2006</u>
<b>Cash flows from operating activities</b>		
Change in unrestricted net assets	\$ 877,081	\$ (19,299)
Adjustments to reconcile the change in unrestricted net assets to net cash from operating activities		
Net change in fair value of investments	(1,241,450)	466,047
Change in accruals	<u>640,745</u>	<u>22,023</u>
Net cash from operating activities	276,376	468,771
 <b>Cash flows from investing activities</b>		
Net change in pooled investments	1,925,733	(16,731,305)
Proceeds from maturities of investments		6,685,620
Proceeds from sale of investments		18,026,451
Purchase of investments		(5,910,698)
Loan principal collections	5,327,280	2,841,001
Loans made	<u>(1,237,825)</u>	<u>(2,601,606)</u>
Net cash from investing activities	6,015,188	2,309,463
 <b>Cash flows from financing activities</b>		
Deposits received	10,591,895	12,088,558
Deposits withdrawn	<u>(19,759,588)</u>	<u>(11,572,878)</u>
Net cash from financing activities	<u>(9,167,693)</u>	<u>515,680</u>
 Net change in cash and cash equivalents	(2,876,129)	3,293,914
 Cash and cash equivalents at beginning of year	<u>3,929,525</u>	<u>635,611</u>
 <b>Cash and cash equivalents at end of year</b>	<u><u>\$ 1,053,396</u></u>	<u><u>\$ 3,929,525</u></u>

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See accompanying notes to financial statements.

ROMAN CATHOLIC DIOCESE OF GRAND RAPIDS  
DEPOSIT AND LOAN PROGRAM  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007 and 2006

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**NOTE 1 - OVERVIEW OF THE DEPOSIT AND LOAN PROGRAM**

The Roman Catholic Diocese ("Diocese") of Grand Rapids Deposit and Loan Program ("Program") is a cooperative investment and lending program established for the purpose of financing the capital needs of its participants, which are the member parishes and organizations of the Diocese. The funding for the Program is obtained from participant deposits that have no stated maturity dates.

Interest rates, currently 5.00% for loans and 4.00% for deposits, are subject to regular review by the Diocesan Finance Council. At June 30, 2007, additional interest of 2.00% was accrued on deposits, thereby increasing the effective yield on deposits to 5.60% for the year then ended. Interest on deposits is paid monthly by adding it to deposit balances.

Certain administrative and support services are provided by Diocesan staff and are reimbursed by the Program to the Diocese. These fees are included in administrative expenses in the statements of activities.

These financial statements are not intended to and do not reflect the activities of the Roman Catholic Diocese of Grand Rapids as a whole.

**NOTE 2 - SUMMARY OF ACCOUNTING POLICIES**

Basis of Accounting: Revenues and expenses are recorded on the accrual basis of accounting.

Financial Statement Presentation: Net assets are classified as unrestricted since they are available for support of current operations.

Cash and cash equivalents: Cash and cash equivalents consist of bank deposit accounts and money market funds, which may, at times, exceed federally insured limits.

Investments: Investments are carried at fair value, determined by quoted market prices, plus any accrued interest.

Loans: Loans are reported at the principal balance outstanding, net of an allowance for loan losses. Loans are charged off where collection of principal is considered doubtful.

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance that is maintained at a level considered adequate to cover probable incurred credit losses, increased by the provision for loan losses and decreased by charge-offs less recoveries. Management estimates the allowance balance required using the Program's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay and current economic conditions. Estimating the risk of loss and the amount of loss on any loan is necessarily subjective. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off. Loans are charged against the allowance for loan losses when management believes that the uncollectibility of a loan balance is confirmed.

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(Continued)

ROMAN CATHOLIC DIOCESE OF GRAND RAPIDS  
DEPOSIT AND LOAN PROGRAM  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007 and 2006

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**NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (Continued)**

A loan is considered to be impaired when it is probable that the Program will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans considered to be impaired are reduced to the present value of expected future cash flow by allocating a portion of the allowance for loan losses to such loans. If these allocations cause the allowance for loan losses to increase, such increase is reported as a provision for loan losses. The carrying values of impaired loans are periodically adjusted to reflect cash payments, revised estimates of future cash flows, and increases in the present value of expected cash flows due to the passage of time.

The Program had no provision for loan losses in 2007 or 2006. There were no impaired loans, nonaccrual loans or allowance for loan losses as of June 30, 2007 or 2006.

Loan Income: Interest income on loans is accrued over the term of the loan based on the amount of principal outstanding.

Income Tax Status: As an entity of the Diocese, the Program is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Accounting Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year presentation.

**NOTE 3 - INVESTMENTS**

Investments consist of:

	<u>2007</u>	<u>2006</u>
Michigan Catholic Conference Socially Responsible Investment Pool		
Fixed income securities	\$ 12,928,146	\$ 15,658,432
Equity securities	<u>9,271,337</u>	<u>7,225,334</u>
	<u>\$ 22,199,483</u>	<u>\$ 22,883,766</u>

(Continued)

ROMAN CATHOLIC DIOCESE OF GRAND RAPIDS  
DEPOSIT AND LOAN PROGRAM  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007 and 2006

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**NOTE 3 - INVESTMENTS (Continued)**

The Michigan Catholic Conference Socially Responsible Investment Pool was established in order to allow Michigan Dioceses and related organizations to pool funds for investment in the fixed income and equity markets using socially responsible investment guidelines.

Net realized and unrealized gains (losses) on investments reflected in the statements of activities were as follows:

	<u>2007</u>	<u>2006</u>
Michigan Catholic Conference Socially Responsible Investment Pool		
Fixed income securities	\$ 62,356	\$ (271,696)
Equity securities	1,179,094	(23,266)
U.S. Government obligations		(38,876)
Corporate obligations	_____	_____(132,209)
	<u>\$ 1,241,450</u>	<u>\$ (466,047)</u>

**NOTE 4 - COMMITMENTS AND CONTINGENCIES**

The Program has committed to fund loans or withdrawals of amounts on deposit to finance construction and renovation projects at parishes throughout the Diocese, with interest rates and repayment terms to be determined on the particular loan dates. As of June 30, 2007, these outstanding commitments were approximately \$1,500,000, to be funded over the next year.