

ARCHDIOCESE OF MILWAUKEE

Milwaukee, Wisconsin

FINANCIAL STATEMENTS
Including Independent Auditors' Report

June 30, 2010 and 2009

ARCHDIOCESE OF MILWAUKEE

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BAKER TILLY

Baker Tilly Virchow Krause, LLP
115 S 84th St, Ste 400
Milwaukee, WI 53214-1475
tel 414 777 5500
fax 414 777 5555
bakertilly.com

INDEPENDENT AUDITORS' REPORT

The Most Reverend Jerome E. Listeki
Archbishop of Milwaukee
Milwaukee, Wisconsin

We have audited the accompanying statements of financial position of the Archdiocese of Milwaukee as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Archdiocese of Milwaukee's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 Archdiocese of Milwaukee as of June 30, 2010 and 2009, and the change 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.

As discussed in Note 8 to the financial statements, the Archdiocese of Milwaukee is the defendant in several lawsuits alleging personal injuries. The Archdiocese of Milwaukee is currently in mediation to discuss settlement of these lawsuits. The ultimate outcome of the mediation or lawsuits cannot presently be determined. Accordingly, no provision for any liability that may result has been recorded in the financial statements. Nevertheless, due to uncertainties with the lawsuit, it is at least reasonably possible that management's view of the outcome will change in the near term.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
October 18, 2010

ARCHDIOCESE OF MILWAUKEE

STATEMENTS OF FINANCIAL POSITION June 30, 2010 and 2009

	ASSETS	
	2010	2009
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,432,936	\$ 2,985,575
Short-term investments	7,792,815	7,406,403
Receivables	4,099,639	4,879,060
Other assets	637,719	597,820
Total Current Assets	18,963,109	15,868,858
Ground burial and mausoleum crypt sites	6,472,424	7,060,612
Property and equipment, net	5,045,710	5,236,791
Beneficial interest in Cemetery Perpetual Care Trust	48,740,865	44,716,547
INVESTMENTS AND OTHER ASSETS		
Long-term investments	10,969,349	13,386,682
Invested funds held for others	2,981,602	3,491,661
Cemeteries pre-need trust fund account	3,296,542	3,023,934
Charitable gift annuities investments	803,425	1,026,852
Other assets	1,149,488	1,594,892
Total Investments and Other Assets	19,200,406	22,524,021
TOTAL ASSETS	\$ 98,422,514	\$ 95,406,829
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Note payable	\$ 4,650,000	\$ 4,650,000
Current maturities of charitable gift annuities	90,968	98,102
Accounts payable	2,384,929	2,232,333
Contributions payable	3,866,640	4,025,224
Collections to be forwarded to other entities	1,103,033	960,123
Total Current Liabilities	12,095,570	11,965,782
Invested funds held for others	2,981,602	3,491,661
Charitable gift annuities	489,800	539,604
Accrued post-retirement and pension benefits	14,862,955	11,698,695
Deferred revenue	3,296,542	3,023,934
Long term portion of contributions payable	1,577,375	1,676,769
Total Liabilities	35,303,844	32,396,445
NET ASSETS		
Unrestricted		
Undesignated operating	1,566,135	3,843,096
Designated	6,480,976	8,463,255
Limited to Perpetual Care of Cemeteries	48,740,865	44,716,547
Total unrestricted	56,787,976	57,022,898
Temporarily restricted	2,614,328	2,271,120
Permanently restricted	3,716,366	3,716,366
Total Net Assets	63,118,670	63,010,384
TOTAL LIABILITIES AND NET ASSETS	\$ 98,422,514	\$ 95,406,829

See accompanying notes to financial statements.

ARCHDIOCESE OF MILWAUKEE

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2010 and 2009

	2010		Temporarily Restricted	2009		2009 Total
	Unrestricted	Permanently Restricted		Unrestricted	Permanently Restricted	
OPERATING REVENUE, GAINS, AND OTHER SUPPORT						
Contributions	\$ 8,783,402	\$ -	\$ 592,353	\$ 10,128,421	\$ -	\$ 10,399,337
Parish assessments	6,300,356	-	-	6,077,810	-	6,077,810
Tuition and program fees	823,049	-	-	730,388	-	730,388
Cemetery and mausoleum sales	4,886,348	-	-	4,079,994	-	4,079,994
Investment income	2,603,557	-	99,684	2,956,976	148,396	3,105,372
Miscellaneous revenues	1,008,952	-	-	1,766,511	-	1,766,511
Net assets released from restrictions	348,829	(348,829)	(348,829)	1,009,381	(1,009,381)	-
Total Revenue, Gains and Other Support	24,754,493	-	343,208	26,749,481	(590,069)	26,159,412
OPERATING EXPENSES						
Payroll and benefits	10,984,408	-	-	10,692,268	-	10,692,268
Facility and operating costs	1,945,480	-	-	2,147,453	-	2,147,453
Travel and education	397,501	-	-	340,486	-	340,486
Bad debts	-	-	-	450,959	-	450,959
Supplies	932,984	-	-	1,168,902	-	1,168,902
Assessments	352,417	-	-	426,725	-	426,725
Cost of lot and crypt sales	1,092,022	-	-	871,731	-	871,731
Professional services	3,974,620	-	-	4,192,302	-	4,192,302
Grants and donations	6,034,503	-	-	3,298,303	-	3,298,303
Other expenses	1,019,759	-	-	1,553,079	-	1,553,079
Depreciation	527,472	-	-	506,239	-	506,239
Total Expenses	27,261,166	-	343,208	25,648,447	(590,069)	25,648,447
Operating Income	(2,506,673)	-	-	1,101,034	-	510,965
NON-OPERATING ACTIVITIES						
Net realized and unrealized gains (losses)	692,612	-	-	420,219	-	420,219
Gain on sale of property and equipment	84,241	-	-	128,645	-	128,645
Pension related changes other than net periodic pension cost	(2,539,812)	-	-	180,941	-	180,941
Change in beneficial interest in trust	4,034,710	-	-	(11,317,523)	-	(11,317,523)
Total Non-operating activities	2,271,751	-	-	(10,587,718)	-	(10,587,718)
Change in net assets	(234,922)	-	343,208	(9,486,684)	(590,069)	(10,076,753)
NET ASSETS - Beginning of Year	57,022,898	3,716,366	2,271,120	66,509,582	2,861,189	73,087,137
NET ASSETS - END OF YEAR	\$ 56,787,976	\$ 3,716,366	\$ 2,614,328	\$ 57,022,898	\$ 2,271,120	\$ 63,010,384

See accompanying notes to financial statements.

ARCHDIOCESE OF MILWAUKEE

STATEMENTS OF CASH FLOWS Years Ended June 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 108,286	\$ (10,076,753)
Adjustments to reconcile total non-operating activities to net cash flows from operating activities		
Discount on note receivable	338,611	-
Depreciation and amortization	527,472	506,239
Net realized/unrealized losses (gains)	(692,612)	(420,219)
Gain on sale or disposal of property and equipment	(84,241)	(128,645)
Change in beneficial interest in Cemetery Perpetual Care Trust	(4,034,710)	11,317,523
Change in charitable gift annuities	(56,938)	(15,102)
Changes in assets and liabilities		
Receivables and payables	680,693	1,059,120
Other assets	58,352	(88,039)
Ground burial and mausoleum crypt sites	588,188	463,318
Deferred revenue	272,608	376,521
Accrued postretirement and pension benefits	<u>3,164,260</u>	<u>433,168</u>
Net Cash Flows from Operating Activities	<u>869,969</u>	<u>3,427,131</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(435,640)	(696,629)
Proceeds from the sale of property and equipment	187,229	294,904
Proceeds from sale of investments	11,674,265	14,999,748
Purchase of investments	(8,489,854)	(18,597,007)
Net change in mortgages receivable	8,541	8,542
Net change in collections to be forwarded on to other entities	142,910	(539,230)
Net change in invested funds held for others	<u>(510,059)</u>	<u>69,696</u>
Net Cash Flows from Investing Activities	<u>2,577,392</u>	<u>(4,459,976)</u>
 Net Change in Cash and Cash Equivalents	 3,447,361	 (1,032,845)
 CASH AND CASH EQUIVALENTS - Beginning of Year	 <u>2,985,575</u>	 <u>4,018,420</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u>\$ 6,432,936</u>	 <u>\$ 2,985,575</u>
 Supplemental cash flow disclosures		
Cash paid for interest	\$ 23,139	\$ 276,674
 Noncash investing and financing activities		
Purchase of property included in accounts payable	3,739	5,696

See accompanying notes to financial statements.

ARCHDIOCESE OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS June 30, 2010 and 2009

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

The Archdiocese of Milwaukee (the "Archdiocese") is a not-for-profit Wisconsin corporation, without capital stock. The Archdiocese has a Board of Directors which oversees all ordinary administration. The Archbishop of Milwaukee serves as the canonical administrator of the Archdiocese. The Archdiocese is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not include any amounts for capital stock or income taxes.

The following activities are not separately incorporated from the Archdiocese of Milwaukee and, accordingly, are included in the financial statements:

- Chancery and Central Offices ("Chancery")
- Cemeteries and Mausoleums (eight locations)
- Other Endowment and Restricted Funds

Under the laws of the State of Wisconsin, parishes, their related schools and certain other Catholic entities operating within the boundaries of the Archdiocese are not under the fiscal and operating control of the Archdiocese and, accordingly, in accordance with accounting principles generally accepted in the United States of America are not included in the financial statements.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. All significant balances and transactions between the specific activities have been eliminated in the financial statements.

Cash and Cash Equivalents

Cash equivalents are defined as securities and other short-term investments with maturities at date of acquisition of approximately three months or less.

Investments

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation, or if no value can be estimated, at a nominal value. The Organization records the change of ownership of bonds and stocks on the day a trade is made. Investment income or loss and unrealized gains or losses are included in the statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

ARCHDIOCESE OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS June 30, 2010 and 2009

NOTE 1 - Summary of Significant Accounting Policies (continued)

Receivables

The Archdiocese uses the allowance method to account for uncollectible accounts receivable. The allowance is based on historic collection experience and a review of the current status of receivables. Notes receivable arising from the sale of mausoleum crypts are typically collectible in monthly installments, including interest, over four years. Receivables are presented net of allowance for doubtful accounts of \$2,738,608 and \$2,743,046 at June 30, 2010 and 2009, respectively. Net receivables as of June 30 consist of:

	2010	2009
Accounts and notes	\$ 2,447,364	\$ 3,041,144
Current portion of note receivable	60,000	-
Contributions	379,369	393,458
Parish obligations	1,089,715	1,222,496
Mortgages	8,542	8,541
Interest and dividends	114,649	213,421
Total Accounts Receivable	\$ 4,099,639	\$ 4,879,060

Life Insurance Contributions

Donors have contributed multiple life insurance policies on their lives to the Archdiocese. The cash surrender value of \$315,471 and \$304,285 at June 30, 2010 and 2009, respectively, is included in long-term other assets on the statements of financial position.

Contribution revenue has been recorded for the cash surrender value of these policies, plus any future premium payments pledged by the donor.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 and expenditure for improvements and betterments that materially prolong the useful lives of assets are capitalized.

Land, buildings and equipment are primarily carried at cost.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings	50
Land improvements	20
Furniture and Fixtures	10
Equipment	3-10
Automobiles and trucks	5

ARCHDIOCESE OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS June 30, 2010 and 2009

NOTE 1 - Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

The Archdiocese follows current authoritative guidance for accounting for conditional asset retirement obligations. The guidance refers to a legal obligation to perform an asset retirement activity even if the timing and/or settlement is conditional on a future event that may or may not be within the control of an organization. Accordingly, if the Archdiocese has sufficient information to reasonably estimate the fair value of an obligation in connection with an asset retirement, it is required to recognize a liability at the time the liability is incurred. Since the Archdiocese is not aware of any material required remediation that would result in an asset retirement obligation, the Archdiocese has not recorded an asset retirement obligation.

Impairment of Long-Lived Assets

The Archdiocese reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. There have been no such losses during the years ended June 30, 2010 and 2009.

Beneficial Interest in Cemetery Perpetual Care Trust

On April 2, 2007, the Archdiocese of Milwaukee Catholic Cemetery Perpetual Care Trust (the "Cemetery Trust") was created to formalize the trust relationship with respect to funds which were held under a fiduciary responsibility to adequately provide for the future care of mausoleums, crypts and gravesites. In March, 2008, all assets relating to the future care of cemeteries and mausoleums were moved to a separate investment account controlled by the Cemetery Trust. A Beneficial Interest in the Cemetery Trust valued at the value of the trust's assets appears on the statements of financial position in accordance with current authoritative guidance. The Trust assets consist primarily of cash and investments. Pursuant to a contract for services, the Cemetery Trust makes payments to the Archdiocese of Milwaukee as reimbursement for costs incurred by the Archdiocese for providing services for the purpose of care and maintenance of Cemeteries. The Cemetery Trust is a distinct legal entity whose assets are legally restricted to the purposes of the Cemetery Trust. The Archdiocese of Milwaukee disclaims control of the Cemetery Trust or a right to receive assets for any purpose other than for the care and maintenance of cemetery properties.

Accounts Payable

Accounts Payable as of June 30 consist of:

	<u>2010</u>	<u>2009</u>
Accounts payable	\$ 751,728	\$ 664,232
Accrued liabilities	392,611	452,704
Deferred revenue	14,590	55,442
Due to related parties	-	93,560
Mediation and litigation settlements, sexual abuse therapy, and victim assistance payable	<u>1,226,000</u>	<u>966,395</u>
Total Accounts Payable	<u>\$ 2,384,929</u>	<u>\$ 2,232,333</u>

ARCHDIOCESE OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS June 30, 2010 and 2009

NOTE 1 - Summary of Significant Accounting Policies (continued)

Contributions Payable

Contributions payable represent unconditional promises to give to be paid by the Archdiocese in subsequent fiscal years. In 2007, the Archdiocese entered into an agreement to pay a contribution over an extended period of 15 years. The long term portion of this contribution has been discounted at 6% to its net present value. The obligations are as follows for the years ended June 30 net of the discount of \$338,611:

2011	\$ 3,866,640
2012	188,679
2013	177,999
2014	167,924
2015	158,419
Thereafter	<u>884,354</u>
Total	<u>\$ 5,444,015</u>

Collections to be Forwarded to Other Entities

Collections to be forwarded to other entities represent cash collected on behalf of other Catholic organizations and programs, mainly via the annual Combined Collections fund drive.

Invested Funds Held for Others

The Archdiocese administers the investments for various programs and organizations within the geographical boundaries of the Archdiocese of Milwaukee. These are not Archdiocesan funds. The Archdiocese may provide administrative services to help support these ministries and programs. The invested funds held for others as of June 30 consist of:

	<u>2010</u>	<u>2009</u>
Priests' Continuing Formation Program	\$ 2,014,908	\$ 1,989,586
Cemetery and Mausoleum Employees' Union Pension Plan	350,459	-
Protected Self Insurance Program	-	1,055,473
Other	<u>616,235</u>	<u>446,602</u>
Total	<u>\$ 2,981,602</u>	<u>\$ 3,491,661</u>

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Archdiocese are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Archdiocese pursuant to those stipulations.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Archdiocese. The donors of these assets permit the Archdiocese to use all or part of the income earned on related investments for general or specific purposes.

ARCHDIOCESE OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS June 30, 2010 and 2009

NOTE 1 - Summary of Significant Accounting Policies (continued)

Board Designated Net Assets

The Archdiocese may designate a portion of unrestricted net assets for a specific purpose. At June 30, designated unrestricted net assets consist of the following:

Specific Purposes

The Board of Directors has designated certain unrestricted net assets consistent with the purposes set forth in the original instruments as of June 30 as follows:

	<u>2010</u>	<u>2009</u>
St. John's Burse (for deaf and hearing impaired ministry)	\$ 535,930	\$ 565,786
St. Anthony Hospital (for health care needs of the medically indigent)	-	54,461
St. Aemilian Trust (for the establishment of facilities for orphans, dependent, neglected, and delinquent children, for rehabilitation, treatment and other welfare services needed for such ends, and the promotion of education, charity and religion)	4,703,697	4,885,109
St. Joseph Closed Parish Fund	-	1,112,044
St. Gerard Closed Parish Fund	-	1,186,037
Set aside for future Mt. Olivet mausoleum construction costs	750,288	-
General operations and other	<u>491,061</u>	<u>659,818</u>
Total designated net assets	<u>\$ 6,480,976</u>	<u>\$ 8,463,255</u>

The Archdiocese has an Economic Interest, as defined by Accounting Standards, in a Cemetery Perpetual Care Trust. Trust funding occurs as part of the sale of burial rights, and Trust funds are subject to a fiduciary obligation to be used for the purpose of perpetual care of Archdiocesan Cemeteries.

Limited to Perpetual Care of Cemeteries	<u>\$ 48,740,865</u>	<u>\$ 44,716,547</u>
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Revenue Recognition

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

The Archdiocese reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

ARCHDIOCESE OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS June 30, 2010 and 2009

NOTE 1 - Summary of Significant Accounting Policies (continued)

Cemetery and Mausoleum Sales

The Archdiocese records revenue on sales of cemetery plots and mausoleum crypts at the date of sale as it has no legal obligation, beyond a short rescission period, to refund any such sale. As such, no reserve for sale returns has been established. As a matter of policy the Archdiocese has refunded sales under certain circumstances at amounts equal to or less than the original sales price, which units are then returned to inventory. This policy is subject to amendment at any time. The Archdiocese also allows customers to purchase cemetery plots and mausoleum crypts through the installment method in which customers are given four years to pay. Revenue from these sales is recognized immediately as there is little uncertainty as to the collectibility of the balance of the purchase price. There is a fiduciary obligation which exists to hold certain of the funds collected for perpetual care. As of March, 2008, the funds which must be held for the perpetual care of the Cemeteries were deposited into the Cemetery Trust.

Contributed Services

Volunteers contribute personal time to assist the Archdiocese in performing various services. Volunteer services are not recorded by the Archdiocese, as these services do not require specialized expertise as defined.

Contributed Facilities

The Archdiocese of Milwaukee occupies premises owned by DeSales Preparatory Seminary, Inc. There is currently no lease agreement and no rent is being charged for the use of the premises.

Fundraising Costs

Fundraising costs, consisting primarily of payroll and fringe benefits, supplies and professional services, for fiscal years ended June 30, 2010 and 2009 were \$924,466 and \$829,325, respectively.

Reclassifications

For comparability, certain 2009 amounts have been reclassified to conform with classifications adopted in 2010. The reclassifications have no effect on reported amounts of net assets or change in net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could be different from those estimates.

ARCHDIOCESE OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS June 30, 2010 and 2009

NOTE 2 - Fair Value of Financial Instruments

As defined by current authoritative guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Archdiocese uses various valuation methods including the market, income and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods, can be either readily observable, market corroborated, or generally unobservable inputs. Whenever possible the Archdiocese attempts to utilize valuation methods that maximize the use of observable inputs and minimizes the use of unobservable inputs. Based on the observation of the inputs used in the valuation methods, the Archdiocese is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

- Level 1 Quoted market prices in active markets for identical assets or liabilities.
- Level 2 Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3 Unobservable inputs that are not corroborated by market data.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy.

	June 30, 2010			
	Level 1	Level 2	Level 3	Total
Assets				
Money market funds	\$ -	\$ 873,708	\$ -	\$ 873,708
US Government bonds	-	7,901,211	-	7,901,211
Commercial bonds	-	3,207,729	-	3,207,729
US Government agency securities	-	3,079,695	-	3,079,695
Other investments	-	-	1,324,806	1,324,806
Beneficial interest in Cemetery Trust	-	-	48,740,865	48,740,865
Total Assets	\$ -	\$ 15,062,343	\$ 50,065,671	\$ 65,128,014
	June 30, 2009			
	Level 1	Level 2	Level 3	Total
Assets				
Money market funds	\$ -	\$ 3,637,361	\$ -	\$ 3,637,361
US Government bonds	-	6,442,172	-	6,442,172
Commercial bonds	-	2,994,082	-	2,994,082
US Government agency securities	-	1,258,659	-	1,258,659
Other investments	-	-	1,165,408	1,165,408
Beneficial interest in Cemetery Trust	-	-	44,716,547	44,716,547
Total Assets	\$ -	\$ 14,332,274	\$ 45,881,955	\$ 60,214,229

Money market funds are classified as Level 2 as they are not traded in an active market.

ARCHDIOCESE OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS June 30, 2010 and 2009

NOTE 2 - Fair Value of Financial Instruments (continued)

The Archdiocese classifies investments in bonds and US Government agency securities as Level 2 items as they are not publicly traded in active markets. The bonds are invested in U.S. government, corporate, and foreign issues.

The Archdiocese classifies investments held at the Archdiocese of Milwaukee Catholic Community Foundation, Inc. ("CCF") as Level 3. It is not possible to determine a daily value of the Archdiocese's portion of the commingled investment portfolio. The portfolio is divided among a group of investment managers to achieve diversification. CCF's policy requires a written distribution request to be submitted at least 60 days prior to the required distribution date. If a request is for more than 50% of the account balance at the time of the request, CCF reserves the right to defer payment of the amount for up to six months after receipt of the written distribution request.

The Archdiocese classifies the beneficial interest in Cemetery Trust as Level 3. Its value is based on the value of the underlying assets held by the trust.

The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

	Long-term investments	Beneficial interest in Cemetery Perpetual Care Trust	Total
Balance, July 1, 2009	\$ 1,165,408	\$ 44,716,547	\$ 45,881,955
Net gains (realized and unrealized) included in the change in net assets	139,017	4,034,710	4,173,727
Net purchases, sales, issuances, and fees	20,381	(10,392)	9,989
Balance, June 30, 2010	\$ 1,324,806	\$ 48,740,865	\$ 50,065,671
	Long-term investments	Beneficial interest in Cemetery Perpetual Care Trust	Total
Balance, July 1, 2008	\$ 1,434,604	\$ 55,638,333	\$ 57,072,937
Net gains (losses) (realized and unrealized) included in the change in net assets	(214,475)	(11,317,523)	(11,531,998)
Net purchases, sales, issuances, and fees	(54,721)	395,737	341,016
Balance, June 30, 2009	\$ 1,165,408	\$ 44,716,547	\$ 45,881,955

ARCHDIOCESE OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS June 30, 2010 and 2009

NOTE 3 - Investments

Investments by type, as of June 30 are:

	<u>2010</u>	<u>2009</u>
Cash	\$ 9,456,584	\$ 12,837,850
Money market funds	873,708	3,637,361
US Government bonds	7,901,211	6,442,172
Commercial bonds	3,207,729	2,994,082
US Government agency securities	3,079,695	1,258,659
Other investments	1,324,806	1,165,408
Total	<u>\$ 25,843,733</u>	<u>\$ 28,335,532</u>

The classification of investments, as reflected on the Statements of Financial Position, as of June 30 are:

	<u>2010</u>	<u>2009</u>
Short-term investments	\$ 7,792,815	\$ 7,406,403
Long-term investments	10,969,349	13,386,682
Invested funds held for others	2,981,602	3,491,661
Prepaid burials and deposits	3,296,542	3,023,934
Charitable gift annuities investments	803,425	1,026,852
Total	<u>\$ 25,843,733</u>	<u>\$ 28,335,532</u>

Net realized and unrealized gains (losses) for all Archdiocese investments for the years ended June 30 are:

	<u>2010</u>	<u>2009</u>
Net realized gains (losses) on investments	\$ 146,651	\$ 302,773
Net unrealized gains on investments	<u>545,961</u>	<u>117,446</u>
Total	<u>\$ 692,612</u>	<u>\$ 420,219</u>

Investment securities are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the financial statements.

NOTE 4 - Contributions Receivable

Gross contributions receivable are reported in the statements of financial position net of allowances for uncollectible amounts and unamortized discounts.

Unconditional promises (pledges/contributions) to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows, when significant. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is expected to be received. Amortization of the discount is included in contribution revenue.

ARCHDIOCESE OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS June 30, 2010 and 2009

NOTE 4 - Contributions Receivable (continued)

The contributions receivable balance as of June 30 is expected to be collected according to the following schedule:

	<u>2010</u>	<u>2009</u>
Less Than One Year	\$ 433,369	\$ 473,458
Less: Allowance for doubtful accounts	<u>(54,000)</u>	<u>(80,000)</u>
Net Contributions Receivable	<u>\$ 379,369</u>	<u>\$ 393,458</u>

NOTE 5 - Ground Burial and Mausoleum Crypt Sites

These properties are recorded at original cost and consist of the following as of June 30:

	<u>2010</u>	<u>2009</u>
Mausoleum crypts	\$ 3,657,993	\$ 4,238,793
Cemetery land and facilities held for burial privileges	<u>2,814,431</u>	<u>2,821,219</u>
Total	<u>\$ 6,472,424</u>	<u>\$ 7,060,012</u>

The Archdiocese does not provide depreciation on these properties. The cost of individual crypts and cemetery plots are allocated based on the total estimated costs of completion and are recorded as expense upon sale.

NOTE 6 - Property and Equipment

Property and equipment are summarized as follows as of June 30:

	<u>2010</u>	<u>2009</u>
Land	\$ 1,247,626	\$ 1,381,568
Land and building improvements	1,473,808	1,473,808
Construction in progress	73,240	73,240
Buildings	9,200,357	9,043,857
Furniture and fixtures	293,321	327,590
Equipment	1,421,713	1,351,937
Vehicles	708,450	697,058
Future parish sites	<u>358,629</u>	<u>358,629</u>
Total	14,777,144	14,707,687
Less: Accumulated depreciation	<u>(9,731,434)</u>	<u>(9,470,896)</u>
Net	<u>\$ 5,045,710</u>	<u>\$ 5,236,791</u>

ARCHDIOCESE OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS June 30, 2010 and 2009

NOTE 6 - Property and Equipment (continued)

Included in property and equipment is certain land, building and equipment (other than leasehold improvements and equipment owned directly by the tenants) being used by St. Joseph High School, Inc., Pius XI High School, Inc., and St. Thomas More High School, Inc. The Archdiocese and the high schools have entered into lease agreements for a term ending in 2043 with a renewal option for 15 years. The property and equipment being used by Pius XI High School, Inc. is subject to a mortgage entered into by Pius XI High School, Inc. for up to \$6,050,000. The land and property being used by Thomas More High School, Inc. is subject to a mortgage entered into by Thomas More High School, Inc. for up to \$1,000,000. Both mortgages are non-recourse as to the Archdiocese.

NOTE 7 - Business Note

At June 30, 2010, the Archdiocese has a line of credit financing agreement with Park Bank for up to \$4,650,000. Interest is payable monthly at 5.25%. The line of credit matures on December 31, 2010 and is secured by a mortgage on the Archbishop Cousins Catholic Center (owned by DeSales Preparatory Seminary, Inc.) and the St. Charles Youth and Family Services, Inc. property. Interest expense was \$23,139 and \$276,674 for the years ended June 30, 2010 and 2009, respectively. \$4,650,000 was outstanding on the line of credit at June 30, 2010 and 2009, respectively.

NOTE 8 - Accrued Mediation and Litigation Settlements

In January 2004, the Archdiocese established an independent mediation system to address reports of diocesan clergy sexual abuse of minors. The Archdiocese has accrued \$1,226,000 and \$966,395 as of June 30, 2010 and 2009, respectively, to cover mediation and litigation settlements, sexual abuse therapy, and victim assistance agreed to under mediation. These expenses will be paid for by sales of properties including the Archbishop Cousins Catholic Center and other earnings and revenues. Payments of \$899,269 and \$810,312 for mediation and litigation settlements, sexual abuse therapy, and victim assistance were made during the years ended June 30, 2010 and 2009, respectively.

The Archdiocese currently is a defendant in twelve lawsuits alleging personal injuries. All of the cases are at trial court level in the initial stages of pre-trial procedures. All Wisconsin cases have been stayed, however, pending a ruling from the Wisconsin Court of Appeals on a question of insurer liability. An additional lawsuit was filed in September 2010. The Archdiocese was also named in two lawsuits filed in Delaware. The Delaware Courts determined there were no grounds for naming the Archdiocese as a defendant and dismissed the two Delaware suits. Management has not accrued any additional expense in connection with these cases as management intends to vigorously defend the claims and the outcome is uncertain.

On October 18, 2010 the Archdiocese participated in non-binding mediation discussions regarding all of the open lawsuits. The parties agreed to engage in further mediation meetings and to keep the content of the mediation talks confidential until the process is completed.

ARCHDIOCESE OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS June 30, 2010 and 2009

NOTE 9 - Deferred Revenue

The Archdiocese has both short-term and long-term deferred revenue. Deferred revenue primarily includes unearned income on burial fees which are to be recognized as revenue as the services are performed. Pre-need payments are treated as trust funds and handled in compliance with Wisconsin Statutes Chapter 157 which states that pre-need trust funds may not be withdrawn until the obligations under the pre-need sales contract have been fulfilled.

NOTE 10 - Charitable Gift Annuities

Charitable gift annuities consist of the following as of June 30:

	<u>2010</u>	<u>2009</u>
Charitable Gift Annuities, 7.00%	\$ 580,768	\$ 637,706
Less: Current portion	<u>(90,968)</u>	<u>(98,102)</u>
Long-Term Portion	<u>\$ 489,800</u>	<u>\$ 539,604</u>

Principal requirements on charitable gift annuities for years ending after June 30, 2010 are as follows:

2011	\$ 90,968
2012	85,017
2013	79,455
2014	74,257
2015	69,399
Thereafter	<u>181,672</u>
Total	<u>\$ 580,768</u>

NOTE 11 - Intradiocesan

St. Francis de Sales Seminary, Inc. (the "Seminary") is a freestanding, separate legal entity. The Seminary has a Board of Trustees overseeing governance and administration. The Archdiocese contributes a Catholic Stewardship Appeal grant to the Seminary to fulfill one of the appeal solicitation purposes, and is paid by the Seminary for certain administrative services under a contract. The grant was \$1,350,000 for each of the years ending June 30, 2010 and 2009. The contribution payable was \$1,350,000 at June 30, 2010 and 2009.

During the year ended June 30, 2010 a closed parish fund of \$1,130,607 previously in the custody of the Archdiocese was transferred to the Seminary to honor and utilize the fund's stated purpose of formation of priests from West Milwaukee, West Allis, and neighboring parishes. The amount is included within grants and donations on the statements of activities.

ARCHDIOCESE OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS June 30, 2010 and 2009

NOTE 11 - Intradiocesan (continued)

In 2010, the Archdiocese of Milwaukee converted an intradiocesan receivable to a intradiocesan note receivable. The long term portion of this note receivable has been discounted at 3.75% to its net present value and is included in other long-term assets on the Statements of Financial Position. The amount receivable is as follows for the years ended June 30 net of the discount of \$338,611:

2011	\$	60,000
2012		57,831
2013		55,741
2014		53,726
2015		51,784
Thereafter		<u>589,310</u>
Total		<u>\$ 868,392</u>

The Archdiocese guarantees a demand line of credit arrangement for St. Joseph's High School, Inc. in the amount of \$300,000.

NOTE 12 - Employee Benefit Plans

The Archdiocese has several pension plans covering substantially all employees. The plans also cover certain individuals employed by Catholic corporations and activities which are located within the boundaries of the Archdiocese but are not included among the entities that are under the fiscal management of the Archdiocese, as listed in Note 1. A summary of each plan follows:

Cemetery and Mausoleum Employees' Union Pension Plan

Union employees of the cemetery and mausoleum operations are participants in this defined benefit plan. During the 2008 fiscal year a change to the benefits calculation was negotiated, so that in the future a calculation similar to that used in the Lay Employees' Pension Plan will be applicable to most Union employees upon retirement.

The following table sets forth the plan's funded status and amounts recognized in the statements of financial position.

	<u>2010</u>	<u>2009</u>
Projected benefit obligation at end of year	\$ 2,397,665	\$ 1,987,148
Fair value of plan assets at end of year	<u>1,228,085</u>	<u>888,447</u>
Funded status of the plan, recognized in the statements of financial position	<u>\$ (1,169,580)</u>	<u>\$ (1,098,701)</u>

At June 30 2010 and 2009, the amount of the accumulated benefit obligation was \$1,656,893 and \$1,543,772, respectively.

The assets related to the plan are primarily invested in annuity contracts for preservation of principal. These Level 3 inputs had a fair market value of \$877,626 and \$888,447 at June 30, 2010 and 2009, respectively. The plan assets also included \$350,459 and \$0 at June 30, 2010 and 2009, respectively, of a receivable from the Archdiocese as the funds were held in an account owned by the Archdiocese and the funds were yet to be transferred to the Pension Plan.

ARCHDIOCESE OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS June 30, 2010 and 2009

NOTE 12 - Employee Benefit Plans (continued)

Cemetery and Mausoleum Employees' Union Pension Plan (continued)

Amounts that have yet to be recognized as components of net periodic pension benefit cost for the years ended June 30:

	2010	2009
Unrecognized net loss (gain)	\$ 337,806	\$ 46,006
Unrecognized prior service cost (credit)	\$ (551,257)	\$ (583,164)

The net amortization of the above amounts that are reclassified into a component of net periodic pension cost for the years ended June 30, 2010 and 2009 was \$(31,907).

The amounts expected to be recognized into net periodic pension benefit cost in the year ended June 30, 2011 are as follows:

Unrecognized net loss	\$ 6,620
Unrecognized prior service cost (credit)	\$ (31,907)

The amount of employee and employer contributions to the plan and the benefits paid by the plan for the years ended June 30 are as follows:

	2010	2009
Contributions	\$ 349,283	\$ 46,325
Benefits paid	\$ 49,338	\$ 49,338

The Archdiocese expects to contribute approximately \$105,000 to the plan during the year ended June 30, 2011.

Assumptions used in calculating pension expense were:

	2010	2009
Discount rate	5.50 %	6.25 %
Rate of increase in compensation levels	4.0	4.0
Expected long-term rate of return on assets	7.0	7.0

The following benefit payments are expected to be paid from the plan:

2011	\$ 47,420
2012	62,345
2013	60,937
2014	59,565
2015	73,557
2016-2020	611,818
	\$ 915,642

ARCHDIOCESE OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS June 30, 2010 and 2009

NOTE 12 - Employee Benefit Plans (continued)

Post-Retirement Benefits Other Than Pensions

The Archdiocese provides defined benefit post-retirement health, dental, and vision insurance benefits to its diocesan priests. The vision benefits were added to the plan during the year ended June 30, 2008. Covered members become eligible for these benefits at retirement after meeting minimum age and service requirements. The costs of future benefits are accrued during the priest's active working career. The Archdiocese funds benefits on a pay as you go basis, with some retirees paying a portion of the costs.

At June 30, 2010 and 2009, the post-retirement health insurance benefit plan did not have any assets.

The following table sets forth the plan's funded status and amounts recognized in the statements of financial position.

	2010	2009
Accumulated post-retirement benefit obligation	\$ 13,693,375	\$ 10,599,994
Fair value of plan assets	-	-
Funded status of plan, recognized in the statements of financial position	<u>\$ (13,693,375)</u>	<u>\$ (10,599,994)</u>

Amounts that have yet to be recognized as components of net periodic benefit cost for the year ended June 30:

	2010	2009
Unrecognized net loss (gain)	\$ 2,099,280	\$ (657,347)
Unrecognized prior service cost (credit)	\$ (2,513,413)	\$ (2,834,193)

The net amortization of the above amounts that are reclassified into a component of net periodic benefit cost for the years ended June 30, 2010 and 2009 was \$(320,780).

The amounts expected to be recognized into net periodic benefit cost in the year ended June 30, 2011 are as follows:

Unrecognized net loss	\$ 64,597
Unrecognized prior service cost (credit)	\$ (320,780)

The amount of employer contributions to the plan and the benefits paid by the plan for the years ended June 30 are as follows:

	2010	2009
Employer contributions	\$ 503,183	\$ 500,049
Benefits paid	\$ 503,183	\$ 500,049

The Archdiocese expects to contribute approximately \$586,339 to the plan during the year ended June 30, 2011.

ARCHDIOCESE OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS June 30, 2010 and 2009

NOTE 12 - Employee Benefit Plans (continued)

Expected benefit payments for the years ended June 30:

2012	646,079
2013	704,538
2014	762,108
2015	<u>807,968</u>
	<u>\$ 3,507,032</u>

The weighted average discount rate used to develop the present value of benefit obligations was 5.5% at June 30, 2010 and 6.75% at June 30, 2009. The weighted average discount rate used to develop the net post retirement expense was 6.75% at June 30, 2010 and 7% at June 30, 2009.

The medical cost trend rate used to value the accumulated post-retirement benefit obligation is 8.2% for 2011, and is assumed to decrease gradually to an ultimate rate of 4.5% in 2030 while the dental and vision cost trend rates used for 2011 are 6% and are assumed to decrease gradually to an ultimate rate of 4.5% in 2015.

Lay Employees' Pension Plan

This is a noncontributory multi-employer defined benefit plan. All full-time lay employees of participating Catholic organizations located within the boundaries of the Archdiocese (except for the union employees of the cemetery and mausoleum operations) who have been employed for one year are covered by the plan. As this is a multi-employer plan, valuation information is not available by employer.

Pension expense for the years ended June 30, 2010 and 2009, respectively was approximately \$296,158 and \$243,021, which includes amortization of past service costs over 30 years. Annual contributions to the plan equal amounts accrued for pension expense.

Archdiocese of Milwaukee Priests' Pension Plan

This is a contributory multi-employer defined benefit plan covering all archdiocesan priests. As such, valuation information is not available by employer.

Pension expense for the years ended June 30, 2010 and 2009 was approximately \$48,185 and \$46,462, respectively, which includes amortization of past service costs over 30 years. Annual contributions to the plan equal amounts accrued for pension expense.

ARCHDIOCESE OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS June 30, 2010 and 2009

NOTE 13 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of amounts restricted by donors for (a) other particular operating activities, (b) use in a specified future period, (c) investment for a specified term, or (d) combinations of the above.

Temporarily restricted net assets are restricted as follows as of June 30:

	<u>2010</u>	<u>2009</u>
Rapp Trust (for capital needs of St. Michael's Church in Mitchell, Wisconsin)	\$ 269,662	\$ 236,991
General Operations and Other	<u>2,344,666</u>	<u>2,034,129</u>
Total Temporarily Restricted Net Assets	<u>\$ 2,614,328</u>	<u>\$ 2,271,120</u>

NOTE 14 - Permanently Restricted Net Assets

Permanently restricted net assets consist of amounts contributed by donors with the express intent that the principal be maintained in perpetuity. Donors have specified that the investment income be used for (a) scholarships, (b) other particular operating activities, or (c) other general expenses.

	<u>2010</u>	<u>2009</u>
Education Endowment Fund (for the support and furtherance of Roman Catholic education in the Catholic Archdiocese of Milwaukee)	\$ 1,000,000	\$ 1,000,000
Msgr. Eugene J. Kapalczynski Development Fund	2,624,360	2,624,360
General operations and other	<u>92,006</u>	<u>92,006</u>
Total Permanently Restricted Net Assets	<u>\$ 3,716,366</u>	<u>\$ 3,716,366</u>

NOTE 15 - Endowment

The Archdiocese follows the provisions of current authoritative guidance relating to endowments of not for profit organizations, which provides guidance on classifying net assets associated with donor-restricted endowment funds held by an organization. A key component of the guidance is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure.

ARCHDIOCESE OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS June 30, 2010 and 2009

NOTE 15 - Endowment (continued)

Interpretation of Relevant Law – The Archdiocese 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. The Archdiocese 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. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Archdiocese in a manner consistent with the standard of prudence prescribed by UPMIFA as adopted by the State of Wisconsin. If the market value of the permanently restricted net asset at year end is below the original fair value, the deficit is recorded as an unrestricted unrealized loss.

Fund Objectives and Policies – The endowment funds assist the Archdiocese in its mission by providing support for Catholic education and for the support of operations and activities of the Archdiocese's programs and services. The endowment funds consist of donor restricted gifts. The endowment funds are invested in conservative fixed income investments to provide funding for the purposes supported by the endowments with a primary objective of maintaining the principal of the endowment assets. The Archdiocesan spending policy is that the income generated by the investments can be used for purposes which are consistent with the donor restrictions.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Archdiocese to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles ("GAAP"), deficiencies of this nature that are reported in unrestricted net assets were \$0 and \$71,583 as of June 30, 2010 and 2009, respectively. This deficiency resulted from unfavorable market fluctuations. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

Endowment net asset composition by type of fund consists of the following as of June 30:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ 424,720	\$ 3,716,366	\$ 4,141,086
	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ (71,583)	\$ 405,287	\$ 3,716,366	\$ 4,050,070

ARCHDIOCESE OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS June 30, 2010 and 2009

NOTE 15 - Endowment (continued)

Changes in endowment net assets for the year ended June 30 are as follows:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2009	\$ (71,583)	\$ 405,287	\$ 3,716,366	\$ 4,050,070
Investment return				
Investment income	-	81,869	-	81,869
Net appreciation realized and unrealized	<u>71,583</u>	<u>39,148</u>	<u>-</u>	<u>110,731</u>
Total investment return	71,583	121,017	-	192,600
Appropriation for expenditure	<u>-</u>	<u>(101,584)</u>	<u>-</u>	<u>(101,584)</u>
Endowment net assets: June 30, 2010	<u>\$ -</u>	<u>\$ 424,720</u>	<u>\$ 3,716,366</u>	<u>\$ 4,141,086</u>
	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2008	\$ -	\$ 495,668	\$ 3,716,366	\$ 4,212,034
Investment return				
Investment income	-	122,108	-	122,108
Net depreciation realized and unrealized	<u>(71,583)</u>	<u>(98,505)</u>	<u>-</u>	<u>(170,088)</u>
Total investment return	(71,583)	23,603	-	(47,980)
Appropriation for expenditure	<u>-</u>	<u>(113,984)</u>	<u>-</u>	<u>(113,984)</u>
Endowment net assets: June 30, 2009	<u>\$ (71,583)</u>	<u>\$ 405,287</u>	<u>\$ 3,716,366</u>	<u>\$ 4,050,070</u>

ARCHDIOCESE OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS June 30, 2010 and 2009

NOTE 16 - Operating Leases

The Archdiocese leases equipment, and office space. All leases are accounted for as operating leases.

Future minimum lease payments as of June 30, 2010 are as follows:

2011	\$ 228,525
2012	48,240
2013	12,540
2014	<u>1,800</u>
	<u>\$ 291,105</u>

Expense on the operating leases was \$227,096 and \$184,631 for the years ended June 30, 2010 and 2009, respectively.

NOTE 17 - Protected Self-Insurance Program

The Archdiocese, both for itself and as the agent for all parishes and various other Catholic entities operating within the boundaries of the Archdiocese, entered into a Protected Self-Insurance Program. Premiums and loss reserves are determined and claims are processed by a service agency on a contractual basis.

Losses are paid from the Loss Fund of the Protected Self-Insurance Program to which premiums are paid by the participants. No single claim from the Loss Fund may exceed a specified maximum. Claims in excess of this maximum are fully covered by insurance. Any portion of the Loss Fund, which might revert back to the Archdiocese, is not measurable.

NOTE 18 - Services for Faith in Our Future Trust

The Archdiocese of Milwaukee signed a services contract with the Faith in Our Future Trust, a separate legal entity, to provide administrative services for the Trust. As part of the contractual agreement the Archdiocese advances payments for professional services. As of June 30, 2010 and 2009 respectively, the Archdiocese had a receivable of \$34,119 and \$404,734 for reimbursement of costs and expense incurred on behalf of the Trust. Contributions to the Faith in Our Future Trust are donor restricted and grants from the Trust can be made only for purposes of Catholic Education and Faith Formation, as specified and disclosed in materials provided to donors. The Archdiocese of Milwaukee does not have control or a beneficial interest in the net assets of the Faith in Our Future Trust, and therefore, none of the activities of the Trust are included in the Archdiocese financial statements.

ARCHDIOCESE OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS June 30, 2010 and 2009

NOTE 19 - Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practical to estimate that value as of 2010 and 2009:

Cash, Cash Equivalents and Investments

The carrying value approximates fair value as determined by published market data for all instruments.

Notes and Mortgage Notes Receivable

The carrying amount approximates fair value because of the variable nature of the associated interest rate or the short maturity of those instruments.

Note Payable

The carrying amount of the note payable approximates fair value due the variable nature of the interest rate.

Charitable Gift Annuities

The carrying amount approximates fair value because of the variable nature of the associated interest rate or the short maturity of those instruments.

Contributions Payable

The carrying amount of the contributions payable approximates fair value due to the discount rate utilized.

NOTE 20 - Concentrations

The Archdiocese maintains cash balances in four institutions which exceeds the federally insured limit of \$250,000. The Archdiocese has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

NOTE 21 - Subsequent Event

Spaces in a mausoleum to be constructed at Mt. Olivet Cemetery have been pre-sold. To meet requirements of state law, the Archdiocese has arranged for construction at a bid price of approximately \$575,000 plus certain materials and services. Completion is anticipated by summer 2011.

The Archdiocese has evaluated subsequent events through October 18, 2010 which is the date that the financial statements were approved and available to be issued.