

**DIOCESE OF FORT WAYNE - SOUTH BEND, INC.  
CENTRAL OPERATIONS  
FORT WAYNE, INDIANA**

**Financial Statements  
and Supplementary Information**

**as of June 30, 2019 and 2018**

## **CONTENTS**

**Page**

### **FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT**

Independent Auditor's Report	1-2
Statements of Financial Position	3-4
Statements of Activities and Net Assets	5-6
Statements of Functional Expenses	7-8
Statements of Cash Flows	9-10
Notes to Financial Statements	11-28

### **SUPPLEMENTARY INFORMATION**

Schedules of Functional Expenses – By Department – Ministry Services	29
Schedules of Functional Expenses – By Department – Educational Services	30
Schedules of Functional Expenses – By Department – Communications	31
Schedules of Functional Expenses – By Department – Fund Raising	32
Schedules of Functional Expenses – By Department – Other Services	33
Schedules of Functional Expenses – By Department – Administrative	34

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## INDEPENDENT AUDITOR'S REPORT

To Bishop Kevin C. Rhoades  
Diocese of Fort Wayne - South Bend, Inc.  
Central Operations  
Fort Wayne, Indiana

We have audited the accompanying financial statements of the Diocese of Fort Wayne - South Bend, Inc. - Central Operations (a nonprofit organization) which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Diocese of Fort Wayne - South Bend, Inc. – Central Operations as of June 30, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Supplementary Information**

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

*Leonard J. Andorfer & Co., LLP*

LEONARD J. ANDORFER & CO., LLP  
Certified Public Accountants  
Fort Wayne, Indiana

September 3, 2019

**DIOCESE OF FORT WAYNE - SOUTH BEND, INC.**  
**CENTRAL OPERATIONS**  
**Statements of Financial Position**

<b>ASSETS</b>	June 30	
	2019	2018
Cash and cash equivalents	\$ 9,097,234	\$ 8,776,428
Accounts receivable (net of provision for doubtful accounts)	2,329,396	3,195,487
Investments	42,280,350	35,747,458
Loans receivable (net of provision for doubtful accounts)	17,910,550	19,548,137
Beneficial interest in trusts	3,403,993	3,440,758
Inventories	191,064	196,389
Land, buildings and equipment (net)	6,960,186	6,529,558
Deposits	343,000	343,000
<b>TOTAL ASSETS</b>	<b>\$ 82,515,773</b>	<b>\$ 77,777,215</b>

(Continued)

The Notes to Financial Statements  
are an integral part of the statements.

**DIOCESE OF FORT WAYNE - SOUTH BEND, INC.**  
**CENTRAL OPERATIONS**  
**Statements of Financial Position (Continued)**

<b>LIABILITIES AND NET ASSETS</b>	June 30	
	2019	2018
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 2,010,976	\$ 2,029,869
Parish deposits	44,462,025	43,848,313
Notes payable - bank	4,858,965	4,328,965
Collections payable	202,587	100,719
Annuities payable	7,624	7,624
Total Liabilities	51,542,177	50,315,490
<b>NET ASSETS</b>		
Without donor restrictions	24,207,403	20,329,201
With donor restrictions	6,766,193	7,132,524
Total Net Assets	30,973,596	27,461,725
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 82,515,773</b>	<b>\$ 77,777,215</b>

The Notes to Financial Statements  
are an integral part of the statements.

**DIOCESE OF FORT WAYNE - SOUTH BEND, INC.**  
**CENTRAL OPERATIONS**  
**Statement of Activities and Net Assets**  
**For the Year Ended June 30, 2019**  
**(With Comparative Totals for the Year Ended June 30, 2018)**

	Without Donor Restrictions	With Donor Restrictions	June 30 2019 Total	June 30 2018 Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Parish quotas	\$ 2,439,815	\$	\$ 2,439,815	\$ 2,430,030
Donations and bequests	2,059,686	300	2,059,986	2,855,461
Net investment income	414,193	5,554	419,747	1,591,610
Unrealized investment gain	1,258,163	13,412	1,271,575	852,970
Fund raising - Annual Bishop's Appeal	5,491,342		5,491,342	5,511,827
Insurance premiums	20,190,800		20,190,800	20,146,679
Interest - loans	474,004		474,004	569,678
Collections	290,659		290,659	298,799
Advertising	116,943		116,943	133,135
Sale of merchandise	365,343		365,343	387,434
Fees, rentals and workshops	1,099,865	16,700	1,116,565	853,548
Subscriptions	71,623		71,623	64,548
Miscellaneous	108,488		108,488	88,948
Change in value - beneficial trust interest		( 15,210 )	( 15,210 )	( 24,054 )
Gain on sale of assets	3,018		3,018	3,282
<b>Net Assets Released From Restrictions</b>	<u>387,087</u>	<u>( 387,087 )</u>	<u>-</u>	<u>-</u>
Total Revenue, Gains and Other Support and Net Assets Released from Restrictions	34,771,029	( 366,331 )	34,404,698	35,763,895
<b>EXPENSES</b>				
Ministry services	3,165,380		3,165,380	3,096,001
Educational services	4,552,586		4,552,586	4,962,155
Communications	809,555		809,555	898,829
Fund raising	346,620		346,620	396,621
Other services	17,642,093		17,642,093	18,457,667
Administrative	4,376,593		4,376,593	4,452,350
Total Expenses	<u>30,892,827</u>	<u>-</u>	<u>30,892,827</u>	<u>32,263,623</u>
<b>CHANGE IN NET ASSETS</b>	3,878,202	( 366,331 )	3,511,871	3,500,272
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>20,329,201</u>	<u>7,132,524</u>	<u>27,461,725</u>	<u>23,961,453</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 24,207,403</u>	<u>\$ 6,766,193</u>	<u>\$ 30,973,596</u>	<u>\$ 27,461,725</u>

The Notes to Financial Statements  
are an integral part of the statements.

**DIOCESE OF FORT WAYNE - SOUTH BEND, INC.**  
**CENTRAL OPERATIONS**  
**Statement of Activities and Net Assets**  
**For the Year Ended June 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	June 30 2018 Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Parish quotas	\$ 2,430,030	\$	\$ 2,430,030
Donations and bequests	2,309,084	546,377	2,855,461
Net investment income	1,557,109	34,501	1,591,610
Unrealized investment gain	832,001	20,969	852,970
Fund raising - Annual Bishop's Appeal	5,511,827		5,511,827
Insurance premiums	20,146,679		20,146,679
Interest - loans	569,678		569,678
Collections	298,799		298,799
Advertising	133,135		133,135
Sale of merchandise	387,434		387,434
Fees, rentals and workshops	853,548		853,548
Subscriptions	64,548		64,548
Miscellaneous	88,948		88,948
Change in value - beneficial trust interest		( 24,054 )	( 24,054 )
Gain on sale of assets	3,282		3,282
<b>Net Assets Released From Restrictions</b>	<u>552,301</u>	<u>( 552,301 )</u>	<u>-</u>
Total Revenue, Gains and Other Support and Net Assets Released from Restrictions	35,738,403	25,492	35,763,895
<b>EXPENSES</b>			
Ministry services	3,096,001		3,096,001
Educational services	4,962,155		4,962,155
Communications	898,829		898,829
Fund raising	396,621		396,621
Other services	18,457,667		18,457,667
Administrative	4,452,350		4,452,350
Total Expenses	<u>32,263,623</u>		<u>32,263,623</u>
<b>CHANGE IN NET ASSETS</b>	3,474,780	25,492	3,500,272
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>16,854,421</u>	<u>7,107,032</u>	<u>23,961,453</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 20,329,201</u>	<u>\$ 7,132,524</u>	<u>\$ 27,461,725</u>

The Notes to Financial Statements  
are an integral part of the statements.



**DIOCESE OF FORT WAYNE-SOUTH BEND, INC.**  
**CENTRAL OPERATIONS**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2019**  
**(With Comparative Totals for the Year Ended June 30, 2018)**

	Ministry Services	Educational Services	Communications	Fund Raising	Other Services	Administrative	June 30 2019 Total	June 30 2018 Total
Salary-religious	\$ 34,918				\$ 87,558	\$ 308,118	\$ 430,594	\$ 424,862
Salary-lay	919,302	568,545	276,933	185,989	23,059	772,418	2,746,246	2,853,052
Commissions			18,766				18,766	19,970
FICA	65,114	42,819	21,994	13,000	1,725	55,101	199,753	209,336
Unemployment claims					43,277		43,277	30,218
Health and accident insurance	194,801	253,059	50,087	40,601	235,985	183,306	957,839	983,447
Pension and benefits	62,080	41,591	25,996	10,154	22,087	104,084	265,992	276,357
Education, seminars and conferences	16,884	4,212	556	1,465	6,750	17,297	47,164	45,532
Postage	4,640	728	4,188	12,796		18,780	41,132	49,044
Telephone	4,760	1,561	1,880	456		80,177	88,834	91,482
Office supplies	8,488	2,694	9,774	1,330	50	13,215	35,551	71,520
Printing	14,368	5,395	5,401	20,719		12,398	58,281	45,191
Equipment and furniture	3,793	312	2,676	249		3,625	10,655	10,198
Travel	39,115	46,615	3,986	1,220	2,008	20,593	113,537	137,516
Auto	2,500				204	54,999	57,703	50,223
Depreciation	12,088	2,725	28,960	894		348,355	393,022	332,339
Legal and professional	159,050	46,044	47,004	4,453		50,030	306,581	351,621
Public relations	221	1,666	3,200	29		57	5,173	69,436
Employee search	59		883			524	1,466	274
Donations and ministry support	349,464	209,545			5,000	47,944	611,953	637,073
Miscellaneous	4,937	42,735	151	47	17,016	13,532	78,418	53,482
Repairs, maintenance and utilities	5,529	1,677				615,879	623,085	653,082
Bank charges			500			52,288	52,288	48,577
Property and liability-self insurance					3,456,453	52,618	3,509,071	3,466,549
Student insurance						349,000	349,000	345,765
Memberships and subscriptions	10,221	59,552	1,038			8,810	79,621	89,102
Advertising and promotion	389	3,337	2,457	41,853		1,369	49,405	98,526
Program expense	623,618	446,535	108,616	1,815	498	31,669	1,212,751	1,050,056
Paper distribution	4,550		136,823				141,373	208,604
Freelance and news service			57,086				57,086	64,716
Assessments					139,864		139,864	136,885
Interest						877,364	877,364	820,242
Funding-ministry, education, P.I.N.	275,691	109,078					384,769	513,580
High school subsidy		1,131,999					1,131,999	1,131,999
Insurance claims					13,599,959		13,599,959	14,454,499
High school scholarships		150,000					150,000	265,000
Tuition and allowances	23,800	1,100,162	600	9,550	600	1,800	1,136,512	1,024,960
Catholic Charities subsidy	325,000						325,000	425,000
High school endowment fund distribution		280,000					280,000	280,000
Rent						7,200	7,200	7,200
Provision for uncollectible accounts						250,000	250,000	367,703
Litigation and settlement costs						24,043	24,043	69,405
<b>Total Expenses</b>	<b><u>\$ 3,165,380</u></b>	<b><u>\$ 4,552,586</u></b>	<b><u>\$ 809,555</u></b>	<b><u>\$ 346,620</u></b>	<b><u>\$ 17,642,093</u></b>	<b><u>\$ 4,376,593</u></b>	<b><u>\$ 30,892,827</u></b>	<b><u>\$ 32,263,623</u></b>

The Notes to Financial Statements  
are an integral part of the statements.

**DIocese of Fort Wayne-South Bend, Inc.**  
**CENTRAL OPERATIONS**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2018**

	Ministry Services	Educational Services	Communications	Fund Raising	Other Services	Administrative	June 30 2018 Total
Salary-religious	\$ 76,313		\$	\$	\$ 50,246	\$ 298,303	\$ 424,862
Salary-lay	832,345	687,404	306,351	177,726	22,610	826,616	2,853,052
Commissions	480		19,490				19,970
FICA	60,280	51,141	24,250	11,890	1,361	60,414	209,336
Unemployment claims	4,052	3,215	1,359	767	17,306	3,519	30,218
Health and accident insurance	200,221	290,256	53,606	41,009	226,965	171,390	983,447
Pension and benefits	46,322	45,614	15,044	8,936	77,699	82,742	276,357
Education, seminars and conferences	18,220	5,915	925	13,399		7,073	45,532
Postage	7,717	1,290	1,612	19,834		18,591	49,044
Telephone	4,741	3,078	1,236	523		81,904	91,482
Office supplies	20,766	14,121	3,213	3,640		29,780	71,520
Printing	3,699	2,114	12,248	21,915		5,215	45,191
Equipment and furniture	2,601	1,897	3,445			2,255	10,198
Travel	42,988	65,622	2,767	3,155	2,116	20,868	137,516
Auto	3,273					46,950	50,223
Depreciation	7,235	2,665	28,047	1,227		293,165	332,339
Legal and professional	196,307	31,766	5,053	3,430	52	115,013	351,621
Public relations	23,685	19,259	4,360	466	72	21,594	69,436
Employee search						274	274
Donations and ministry support	414,718	177,337				45,018	637,073
Miscellaneous	6,719	31,325	138	68	1,307	13,925	53,482
Repairs, maintenance and utilities	19,339					633,743	653,082
Bank charges			766			47,811	48,577
Property and liability-self insurance					3,466,549		3,466,549
Student insurance						345,765	345,765
Memberships and subscriptions	12,328	64,511	959	1,200		10,104	89,102
Advertising and promotion	1,745	3,346	4,007	87,436		1,992	98,526
Program expense	425,367	484,880	136,033			3,776	1,050,056
Paper distribution			208,604				208,604
Freelance and news service			64,716				64,716
Assessments					136,885		136,885
Interest						820,242	820,242
Funding-ministry, education, P.I.N.	236,390	277,190					513,580
High school subsidy		1,131,999					1,131,999
Insurance claims					14,454,499		14,454,499
High school scholarships		265,000					265,000
Tuition and allowances	3,150	1,021,210	600				1,024,960
Catholic Charities subsidy	425,000						425,000
High school endowment fund distribution		280,000					280,000
Rent						7,200	7,200
Provision for uncollectible accounts						367,703	367,703
Litigation and settlement costs						69,405	69,405
Total Expenses	<u>\$ 3,096,001</u>	<u>\$ 4,962,155</u>	<u>\$ 898,829</u>	<u>\$ 396,621</u>	<u>\$ 18,457,667</u>	<u>\$ 4,452,350</u>	<u>\$ 32,263,623</u>

The Notes to Financial Statements  
are an integral part of the statements.

**DIOCESE OF FORT WAYNE - SOUTH BEND, INC.**  
**CENTRAL OPERATIONS**  
**Statements of Cash Flows**

	For the Year Ended June 30	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash received from</b>		
Parish quotas	\$ 2,456,865	\$ 2,430,030
Donations and bequests	2,059,986	3,292,852
Net investment income	419,747	1,591,610
Fund raising	5,232,698	5,816,101
Insurance premiums	20,362,999	20,219,923
Interest - loans	604,557	731,870
Other income and fees	2,179,817	1,837,253
<b>Cash paid for</b>		
Program and administrative services	( 29,534,117 )	( 31,730,316 )
Interest - parish deposits	( 877,389 )	( 820,242 )
Net Cash Provided By Operating Activities	2,905,163	3,369,081
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	( 835,023 )	( 595,501 )
Increase in investments	( 5,261,317 )	( 5,623,560 )
Proceeds from sale of assets	14,391	3,282
Decrease (increase) in parish loans receivable	1,635,448	( 906,986 )
Decrease in accounts receivable-other	718,432	1,000,000
Increase in deposits	-	( 127,000 )
Net Cash Used For Investing Activities	( 3,728,069 )	( 6,249,765 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in parish deposits	613,712	5,332,778
Payments on notes payable - bank	( 1,320,000 )	( 1,725,599 )
Proceeds from notes payable - bank	1,850,000	-
Net Cash Provided By Financing Activities	1,143,712	3,607,179
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	320,806	726,495
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	8,776,428	8,049,933
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 9,097,234	\$ 8,776,428

The Notes to Financial Statements  
are an integral part of the statements.

(Continued)

**DIOCESE OF FORT WAYNE - SOUTH BEND, INC.**  
**CENTRAL OPERATIONS**  
**Statements of Cash Flows (Continued)**

	For the Year Ended June 30 2019	2018
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ 3,511,871	\$ 3,500,272
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities</b>		
Depreciation	393,022	332,339
Change in value - beneficial interest in trusts	36,765	46,006
Gain on sale of assets	( 3,018 )	( 3,282 )
Unrealized investment gain	( 1,271,575 )	( 852,970 )
Uncollectible accounts	250,000	367,703
<b>Changes in operating assets and liabilities</b>		
<b>Decrease (increase) in</b>		
Accounts receivable	( 100,202 )	598,287
Inventories	5,325	( 7,936 )
<b>Increase (decrease) in</b>		
Accounts payable and accrued expenses	( 18,893 )	( 492,412 )
Collections payable	<u>101,868</u>	<u>( 118,926 )</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 2,905,163</u></u>	<u><u>\$ 3,369,081</u></u>

The Notes to Financial Statements  
are an integral part of the statements.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – Nature of Activities

The Diocese of Fort Wayne – South Bend, Inc. is organized and shall be operated exclusively to support and benefit the work and ministry of the Catholic Church and its related organizations in their religious, educational and charitable works. The accompanying financial statements reflect the Central Operations of the Diocese of Fort Wayne – South Bend, Inc. (the Diocese). Central Operations is not a legal entity, but an operating unit within the Diocesan Corporation. These statements are not intended to reflect the financial condition or results of operation of the Diocesan parishes or schools which are considered independent of Central Operations. These activities may or may not be separately incorporated under civil law. Each is a distinct operating entity from Central Operations maintaining separate accountability and carrying on their own services and programs.

### NOTE 2 – Summary of Significant Accounting Policies

**Promises to Give** – Contributions are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Diocese uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

**Property and Equipment** – Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Diocese reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment is depreciated using the straight-line method over estimated useful lives.

**Financial Statement Presentation** – Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions; accordingly, the net assets of the Diocese and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

**Net Assets With Donor Restrictions** – These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 2 – Summary of Significant Accounting Policies (Continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Investment income is reported as an increase in net assets without donor restrictions unless its use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

**Contributions** – The Diocese has adopted FASB ASC 958-605-05. In accordance with FASB ASC 958-605-05, contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

**Income Taxes** – The Diocese of Fort Wayne – South Bend, Inc. is a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the 50% charitable contribution limitation.

The Diocese has adopted FASB ASC 740-10-25, and determined no material unrecognized tax benefits or liabilities exist as of June 30, 2019. The adoption of FASB ASC 740-10-25 did not impact the Diocese's financial position or results of operations. If applicable, the Diocese will recognize interest and penalties related to underpayment of income taxes as income tax expense. As of June 30, 2019, the Diocese had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The Diocese does not anticipate any significant changes to unrecognized income tax benefits over the next year. The Diocese is not required to file tax returns as it is listed in the Official Catholic Directory.

**Basis of Accounting** – The Diocese records receipts and expenses on the accrual method for financial reporting purposes.

**Inventories** – Inventories of the Cathedral Bookstore and Diocesan Service Agency are carried at the lower of cost or market. Cost is determined on the first-in, first-out basis.

**Uncollectible Accounts** – The Diocese has adopted the allowance method of accounting for uncollectible accounts and loans receivable. The allowance is based on historical experience and management's analysis of current accounts and loans receivable. The value of the collateral supporting accounts and loans receivable is also considered in management's analysis.

**Investments** – The Diocese has adopted FASB ASC 958-320-50-1. The Diocese currently reports marketable equity securities and debt securities at their fair value. The fair value of investments for which quoted market prices are not available are generally measured based on net asset value ("NAV") provided by the external investment managers. The Diocese believes the carrying amount of these assets represents a reasonable estimate of fair market value. The Diocese maintains a diverse investment portfolio which is managed by professional investment managers in compliance with the investment policy established by the Diocese of Fort Wayne – South Bend Investment Trust, Inc.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 2 – Summary of Significant Accounting Policies (Continued)

**Loans Receivable** – Loans receivable are due primarily from parishes. The loans are due on demand with various payment schedules and with interest at a rate of 4%.

**Parish Deposits** – Parish deposits reflected in the balance sheet are primarily received from the parishes. The deposits are due on demand and bear interest at the rate of 2%. Interest expense incurred in connection with parish deposits amounted to \$877,389 and \$820,242 for the years ended June 30, 2019 and 2018, respectively.

**Property and Depreciation** – Property and equipment owned by the Diocese are recorded at cost with depreciation recorded on the straight-line basis over the following estimated useful lives:

Buildings	25-100 years
Building improvements	10-25 years
Furniture and equipment	5-10 years
Automobiles	5 years

Depreciation expense amounted to \$393,022 and \$332,339 for the years ending June 30, 2019 and 2018, respectively. Disposals are removed from the accounts at their original cost when identification is possible. Donated fixed assets are valued at estimated fair market value and recorded as contributed assets.

Expenditures for maintenance and repairs are charged to expense as incurred, while additions in excess of \$1,000 are capitalized. The cost and accumulated depreciation of property sold or otherwise disposed of are removed from the accounts, and any gain or loss is credited or charged to income.

At June 30, 2019 and 2018, the original cost, accumulated depreciation and net book value of the components of land, buildings and equipment are as follows:

	Original Cost	Accumulated Depreciation	Net Book Value
<b>June 30, 2019</b>			
Furniture and equipment	\$ 2,672,653	\$ 1,605,242	\$ 1,067,411
Buildings and improvements	6,661,873	3,368,423	3,293,450
Land	2,468,540	-	2,468,540
Automobiles	301,105	170,320	130,785
	\$ 12,104,171	\$ 5,143,985	\$ 6,960,186
	Original Cost	Accumulated Depreciation	Net Book Value
<b>June 30, 2018</b>			
Furniture and equipment	\$ 2,180,382	\$ 1,447,079	\$ 733,303
Buildings and improvements	6,364,130	3,165,178	3,198,952
Land	2,468,540	-	2,468,540
Automobiles	319,739	190,976	128,763
	\$ 11,332,791	\$ 4,803,233	\$ 6,529,558

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 2 – Summary of Significant Accounting Policies (Continued)

**Functional Allocation of Expenses** – The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Cash and Cash Equivalents** – For purposes of the statement of cash flows, the Diocese considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Compensated Absences** – The Diocese has accrued for the liability associated with accrued vacation pay not used as of June 30, 2019 and 2018 in the amount of \$59,252 and \$59,488, respectively. The amounts are included in accounts payable and accrued expenses in the statements of financial position.

**Collections Payable** – The Diocese collects funds on behalf of other organizations. These funds are considered liabilities of the Diocese and are not reflected as contribution revenue. As funds are disbursed to or on behalf of the other organizations, the liability is reduced with no effect on the Statement of Activities.

**Advertising and Promotion** – Advertising and promotional costs are expensed when incurred. Advertising and promotional costs amounted to \$49,405 and \$98,526 for the years ended June 30, 2019 and 2018, respectively.

**Concentration of Credit Risk** – Financial instruments that potentially subject the Diocese to concentrations of credit risk consist primarily of cash and cash equivalents and accounts and loans receivable. Deposits with financial institutions may from time to time exceed the Federal Deposit Insurance Corporation (FDIC) limit. Management does not believe that a significant risk of loss due to the failure of a financial institution the Diocesan Central Fund's utilizes is likely. At June 30, 2019 and 2018, the gross accounts and loans receivable balance relating to amounts due from parishes and schools amounted to \$17,006,223 and \$19,352,388, respectively.

The Diocese invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

**Reclassifications** – Prior year presentation has been reclassified to conform with the current year presentation. These reclassifications have no effect on previously reported operational results.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 2 – Summary of Significant Accounting Policies (Continued)

**Recent Accounting Pronouncements** – In August 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, with the objective of improving not-for-profit entity (“NFP”) financial statements to better provide useful information to grantors, creditors, donors, and other financial statement users. The ASU, which amends the requirements for financial statements and notes in ASC Topic 958, Not-for-Profit Entities, changes how NFPs present net assets and changes in net assets in the financial statements, in addition to requiring additional disclosures for expenses by nature and function and for the liquidity and availability of resources. The Diocese has applied this guidance retrospectively to all periods presented.

In February 2016, the FASB issued ASU 2016-2-Leases. The standard will increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The standard is effective for The Diocese beginning July 1, 2021 and is currently being evaluated to determine the impact on the financial statements.

**Subsequent Events** – In preparing these financial statements, the Diocese has evaluated events and transactions for potential recognition or disclosure through September 3, 2019, the date the financial statements were available to be issued.

### NOTE 3 – Accounts Receivable – Net

Accounts receivable amounted to \$2,909,726 and \$3,809,968 as of June 30, 2019 and 2018, respectively. A summary of these receivables and related provision for uncollectible accounts is presented as follows:

	June 30 2019	June 30 2018
General receivables	\$ 25,670	\$ 22,799
Payroll	-	35,182
Quota	76,814	93,864
Insurance	110,302	234,214
Health and accident insurance	404,854	453,141
Retirement	70,626	194,806
Interest	827,525	958,078
Bishop's Appeal (net)	390,579	131,935
Affiliated organizations	632,125	596,286
Due from lay retirement plan	-	1,000,000
Other receivables	371,231	89,663
Gross accounts receivable	2,909,726	3,809,968
Less: provision for uncollectible accounts	( 580,330 )	( 614,481 )
Total Accounts Receivable - Net	\$ 2,329,396	\$ 3,195,487

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 4 – Loans Receivable – Net

Loans receivable amounted to \$18,180,265 and \$19,815,713 as of June 30, 2019 and 2018, respectively. A summary of loans receivable and related provision for uncollectible accounts is presented as follows:

	June 30 2019	June 30 2018
Loans to Diocesan Organizations	\$ 15,127,316	\$ 16,857,421
Noninterest bearing loans	3,052,949	2,958,292
	18,180,265	19,815,713
Less: provision for uncollectible loans	( 269,715 )	( 267,576 )
Total Accounts Receivable - Net	\$ 17,910,550	\$ 19,548,137

### NOTE 5 – Provision for Uncollectible Accounts Receivable and Loans

Changes in the provision for uncollectible accounts receivable and loans were as follows:

	June 30 2019	June 30 2018
Beginning balance	\$ 882,057	\$ 905,775
Accounts written off	( 282,012 )	( 391,421 )
Bad debt provision	250,000	367,703
Ending balance	\$ 850,045	\$ 882,057

At June 30, 2019 and 2018, the following accounts and loans were past due:

	6 Months Past Due	12 Months Past Due	18 Months Past Due	Total Past Due
2019	\$ 8,700	\$ 2,150	\$ 757,276	\$ 768,126
2018	154,261	-	706,722	860,983

### NOTE 6 – Investments

Investments as of June 30, 2019 and 2018 consisted of the following:

	Fair Market Value	
	June 30, 2019	June 30, 2018
Cash equivalents	\$ 2,642,191	\$ 2,936,220
Non U.S. equity	21,434,136	15,979,959
Long/short equity	5,257,430	3,835,190
U.S. large cap	5,661,847	7,031,182
Fixed income	4,044,177	3,433,332
Absolute return strategy	2,426,506	1,596,259
Private equity	814,063	935,316
Total Investments at Fair Value	\$ 42,280,350	\$ 35,747,458
Total Investments at Historical Cost	\$ 39,017,930	\$ 33,591,281

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 6 – Investments (Continued)

Net investment income consists of the following:

	June 30 2019	June 30 2018
Dividends and interest	\$ 4,397	\$ 167,702
Realized gains	508,669	1,521,810
Unrealized gains	1,271,575	852,970
Investment management fees	( <u>93,319</u> )	( <u>97,902</u> )
Net Investment Income	<u>\$ 1,691,322</u>	<u>\$ 2,444,580</u>

### NOTE 7 – Deposits Held in Financial Institutions

The Diocese maintains cash balance at one primary bank. Deposits at this institution are insured by the Federal Deposit Insurance Corporation. The Diocese had deposits of \$8,700,518 and \$8,280,827 in excess of the federally insured limits as of June 30, 2019 and 2018, respectively.

### NOTE 8 – Retirement Plans

The Diocese participates in a defined benefit plan which previously covered all full-time lay employees who had completed one year of service and attained the age of 21. Employees of parishes, high schools and other related organizations are also covered under the plan. Pension expense amounted to \$175,313 and \$126,141 for the years ending June 30, 2019 and 2018, respectively.

The Diocese has adopted an Internal Revenue Code 403(b) retirement savings plan for substantially all employees. Contributions to the plan are made by the employees through salary deferrals. The plan also provides for Diocesan contributions for employees not covered by the defined benefit plan. Contributions to the 403(b) plan amounted to \$20,258 and \$17,306 for the years ended June 30, 2019 and 2018, respectively.

The following sets forth the funded status of the plan as of January 1, 2019 and 2018.

	January 1 2019	January 1 2018
Actuarial present value of benefit obligations:		
Vested benefits	\$ 103,646,000	\$ 99,888,000
Nonvested benefits	<u>879,000</u>	<u>873,000</u>
Accumulated and projected benefit obligations:	<u>\$ 104,525,000</u>	<u>\$ 100,761,000</u>
Fair value of assets held in the plan	<u>\$ 69,873,883</u>	<u>\$ 75,909,029</u>
Funding ratio	66.8%	75.3%

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 8 – Retirement Plans (Continued)

The assumed rate of return used in determining the actuarial present value of accumulated benefits was 7% at January 1, 2019 and 2018.

The following is an analysis of plan assets by category:

	January 1 2019	January 1 2018
Securities - Northern Trust	\$ 59,923,873	\$ 70,084,064
Annuity contract	5,344,715	1,478,541
Employer receivable	<u>4,605,295</u>	<u>4,346,424</u>
Total	<u>\$ 69,873,883</u>	<u>\$ 75,909,029</u>

The following is a reconciliation of plan assets for the plan year ending January 1, 2019 and 2018:

	Plan Year Ended January 1	
	2019	2018
Plan assets - beginning of year	\$ 75,909,029	\$ 66,391,818
Employer contribution	2,649,165	4,417,168
Benefits paid	( 5,887,344 )	( 5,445,203 )
Plan income (loss)	<u>( 2,796,967 )</u>	<u>10,545,246</u>
Plan Assets - end of year	<u>\$ 69,873,883</u>	<u>\$ 75,909,029</u>

The various Diocesan Corporations and affiliated organizations participating in the plan share the unfunded benefit obligation proportionately. FASB ASC 715-20-55 requires companies to move off balance sheet items onto the financial statements and has also changed required footnote disclosures. Because the Plan is a multi-employer plan, the amount of the accumulated benefits and net assets available for benefits related solely to the Central Operations is not determinable.

### NOTE 9 – Beneficial Interest in Trusts

The Diocese is the beneficiary of one charitable remainder trust and one perpetual trust. The estimated present value of the Diocesan interest in the trusts is as follows:

	June 30	
	2019	2018
Charitable remainder trust	\$ 292,239	\$ 307,449
Perpetual trust	<u>3,111,754</u>	<u>3,133,309</u>
	<u>\$ 3,403,993</u>	<u>\$ 3,440,758</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 9 – Beneficial Interest in Trusts (Continued)

The estimated present value of the beneficial interest in the perpetual trust was calculated as of June 30, 2019 and 2018 based on the age of the life beneficiaries using the following assumptions:

Discount rate	2.9%
Mortality table	Published tables adopted by the Internal Revenue Service

### NOTE 10 – Rental Income

The Diocese leases real property to Catholic Charities in South Bend, Indiana under the terms of a lease dated November 1, 2011. The lease called for monthly rent payments of \$2,800 through October 2016, and has been renewed for an additional five years under the same terms. Rental income received under the terms of this lease amounted to \$33,600 for each of the years ended June 30, 2019 and 2018.

The Diocese leases real property to Catholic Charities in Fort Wayne, Indiana under the terms of a lease dated November 1, 2013. The lease calls for monthly rent payments reviewed on an annual basis through June 2028. Rental income received under the terms of this lease amounted to \$87,475 for each of the years ended June 30, 2019 and 2018.

The Diocese also leases parking spaces located in the Archbishop Noll Catholic Center to two unrelated entities. The leases provide a monthly fee based on the number of spaces used and expire at various times through December 2020. Rental income associated with these leases amounted to \$134,484 and \$131,886 for the years ended June 30, 2019 and 2018, respectively.

Future minimum lease payments over the next five years under the terms of the above leases are as follows:

Year Ending June 30	Catholic Charities - South Bend	Catholic Charities - Fort Wayne	Parking Spaces
2020	\$ 33,600	\$ 87,475	\$ 82,530
2021	33,600	87,475	75,653
2022	11,200	87,475	-
2023	-	87,475	-
2024	-	87,475	-

### NOTE 11 – Note Payable – Bank

On December 19, 2012, the Diocese secured a promissory term note with 1<sup>st</sup> Source Bank in the amount of \$11,000,000. The note bears interest at a rate of 1.39% per annum in excess of the one month LIBOR rate (3.83% at June 30, 2019) and is due December 19, 2019.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 11 – Note Payable – Bank (Continued)

On February 23, 2016, the Diocese secured a second promissory term note with 1<sup>st</sup> Source Bank in the amount of \$1,500,000. The note bears interest at a rate of 1.57% per annum in excess of the one month LIBOR rate (4.01% at June 30, 2019). On March 17, 2017, the Diocese secured a third promissory term note with 1<sup>st</sup> Source Bank in the amount of \$4,000,000. The note bears interest at a rate of 1.45% per annum below the prime rate (4.05% at June 30, 2019). Proceeds from the notes were used to partially fund construction projects of two high schools and two parishes within the Diocese. The notes require payments based on all pledge amounts collected on a monthly basis. The amount outstanding as of June 30, 2019 and 2018 under these agreements amounted to \$4,858,965 and \$4,328,965, respectively. The amounts are unsecured but required a negative pledge against all real estate. Corresponding loans receivable from the entities have been recorded and are included in loans receivable on the statement of financial position.

### NOTE 12 – Insurance Funds

The Diocese is self-insured for medical benefits, unemployment compensation, automotive losses, and property and liability losses as described below. Various religious organizations, parishes, and schools participate with the Diocese in the self-insurance plans. Premiums paid to the Diocese by these organizations are included in insurance revenue.

The Diocese purchases an excess loss policy from an independent insurance company to provide medical benefits on all claims exceeding \$200,000 per employee and dependents per year.

The Diocese administers a self-insured pool to fund medical benefits on claims up to \$200,000 per covered employee. An independent administrator processes all claims. Claims amounted to \$12,884,315 and \$13,637,634 for the years ended June 30, 2019 and 2018, respectively.

The Diocese is self-insured with respect to unemployment compensation. Claims and benefits paid amounted to \$43,277 and \$17,201 for the years ended June 30, 2019, and 2018.

The Diocese's worker's compensation coverage is insurance by Church Mutual Insurance Company, with Catholic Mutual Group as the broker.

The Diocese is self-insured for individual automotive losses of \$100,000 or less, and has purchased excess loss policies covering individual losses exceeding \$100,000 and aggregate losses exceeding \$400,000 per policy year. In connection with the automotive self-insurance, the Diocese has issued a letter of credit in the amount of \$1,000,000 to provide proof of financial responsibility in accordance with Indiana code.

The Diocese is self-insured for individual property and liability losses of \$100,000 or less, and has purchased excess loss policies covering individual losses exceeding \$100,000 and aggregate losses exceeding \$500,000 per policy year. The Diocese has excess liability in the amount of \$20,000,000 per occurrence and \$40,000,000 annual aggregate per location. Claims paid amounted to \$487,944 and \$370,395 for the years ended June 30, 2019 and 2018, respectively.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 13 – Related-Party Transactions

The Diocese has significant transactions with parishes and related corporations of the Diocese of Fort Wayne – South Bend, Inc. Below is a summary of the impact of significant transactions with these related parties on the statements of financial position and statements of activities and net assets:

	June 30 2019	June 30 2018
Assets and Liabilities:		
Accounts receivable, gross	\$ 2,640,181	\$ 3,541,325
Loans receivable, gross	14,366,042	15,811,063
Accounts payable and accrued expenses	103,664	14,048
Revenues:		
Parish quotas	2,439,815	2,430,030
Premiums and insurance billings	19,781,475	19,358,967
Interest income - notes receivable	474,004	569,678
Expenses:		
Education services	1,839,757	2,080,628
Ministry services	994,691	1,418,695

### NOTE 14 – Fair Value of Financial Instruments

FASB ASC 820-10-50-1 requires certain disclosures regarding the fair value of financial instruments. Financial instruments held by the Diocese impacted by this pronouncement include the Diocesan investments held at market value. Following is a description of the valuation methods used for assets measured at fair market value.

Cash equivalents – cash and money market funds are valued at quoted market prices.

Common stock – valued at the closing price on the actual market on which the securities are traded. Securities traded in non-US dollars are valued the same as securities traded in US dollars, however, the value is converted to US dollars based on the mid-spot FX rate.

Mutual funds – valued at the net asset value of shares held by the Investment Trust.

Corporate and convertible bonds – valued at the average of at least two market quotes.

Alternative investments – investments in hedge funds and private equity funds are valued at estimated fair value based on periodic financial information received by the fund manager. Corporate securities that fall into level three are valued using external or internal models as determined by the fund manager. Real estate investment valuations are generally based on discounted cash flow analysis, the analysis of comparative sales or the cost of purchase for real estate that has been recently acquired.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 14 – Fair Value of Financial Instruments (Continued)

Beneficial interest in trusts – The Diocesan beneficial interest in trusts are valued at its proportional interest in the underlying trust assets which are valued at the fair market value as reported by the investment manager at year-end or the present value of the expected future cash flows.

FASB ASC 820-10-50-1 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of input described below:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Diocese uses the Net Asset Value (NAV) per share, or its equivalent to determine the fair value as of the measurement date of all the underlying investments which: (a) do not have a readily determinable fair value and (b) prepare their investees financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

Fair value of financial instruments as of June 30, 2019 is as follows:

	Quoted market prices for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	NAV	Total
Cash equivalents	\$ 1,024,520	\$	\$	\$ 1,617,671	\$ 2,642,191
Non U.S. equity				21,434,136	21,434,136
Long/short equity				5,257,430	5,257,430
U.S. Large cap				5,661,847	5,661,847
Fixed income				4,044,177	4,044,177
Absolute return strategy				2,426,506	2,426,506
Private equity			814,063		814,063
Total investments	1,024,520	-	814,063	40,441,767	42,280,350
Beneficial interest in trusts		292,239	3,111,754		3,403,993
Total Financial Instruments	<u>\$ 1,024,520</u>	<u>\$ 292,239</u>	<u>\$ 3,925,817</u>	<u>\$ 40,441,767</u>	<u>\$ 45,684,343</u>



**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 14 – Fair Value of Financial Instruments (Continued)**

Fair value of financial instruments as of June 30, 2018 is as follows:

	Quoted market prices for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	NAV	Total
Cash equivalents	\$ 1,657,822	\$	\$	\$ 1,278,398	\$ 2,936,220
Non U.S. equity				15,979,959	15,979,959
Long/short equity				3,835,190	3,835,190
U.S. Large cap				7,031,182	7,031,182
Fixed income	237,341			3,195,991	3,433,332
Absolute return strategy			957,061	639,198	1,596,259
Private equity			935,316		935,316
Total investments	1,895,163	-	1,892,377	31,959,918	35,747,458
Beneficial interest in trusts		307,449	3,133,309		3,440,758
Total Financial Instruments	\$ 1,895,163	\$ 307,449	\$ 5,025,686	\$ 31,959,918	\$ 39,188,216

Investments valued at NAV or its equivalent as of June 30, 2019, consisted of the following:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Catholic Endowment Fund	\$ 40,441,767	\$ N/A	Unlimited	95 Days

Investments valued at NAV or its equivalent as of June 30, 2018, consisted of the following:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Catholic Endowment Fund	\$ 31,959,918	\$ N/A	Unlimited	95 Days

The table below presents a reconciliation for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3), and presents changes in unrealized gains or losses recorded in change in net assets for the year ended June 30, 2019 for Level 3 assets.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 14 – Fair Value of Financial Instruments (Continued)**

	<u>Investments</u>	Beneficial Interest in <u>Trusts</u>	<u>Total</u>
Balance - July 1, 2018	\$ 1,892,377	\$ 3,133,309	\$ 5,025,686
Transfers in	2,376		2,376
Transfers out	( 1,572,655 )		( 1,572,655 )
Dividends and interest income, realized and unrealized gains, and changes in value	491,965	( 21,555 )	470,410
Balance - June 30, 2019	<u>\$ 814,063</u>	<u>\$ 3,111,754</u>	<u>\$ 3,925,817</u>

The table below presents a reconciliation for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3), and presents changes in unrealized gains or losses recorded in change in net assets for the year ended June 30, 2018 for Level 3 assets.

	<u>Investments</u>	Beneficial Interest in <u>Trusts</u>	<u>Total</u>
Balance - July 1, 2017	\$ 2,634,383	\$ 3,155,261	\$ 5,789,644
Transfers in	436,672		436,672
Transfers out	( 1,255,277 )		( 1,255,277 )
Dividends and interest income, realized and unrealized gains, and changes in value	76,599	( 21,952 )	54,647
Balance - June 30, 2018	<u>\$ 1,892,377</u>	<u>\$ 3,133,309</u>	<u>\$ 5,025,686</u>

**NOTE 15 – Net Assets With Donor Restrictions**

Net assets with donor restrictions as of June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Gilmartin fund	\$ 781,544	\$ 781,544
Josephine A. Sommerer fund	372,120	405,068
Nellie Fowerbaugh estate	551,022	551,022
Future trust interest	301,412	316,622
Fund for the aging	94,594	147,719
Music education scholarship	144,250	144,250
Burses	608,444	608,444
Perpetual trust interest	3,111,754	3,133,297
Priests' retirement	-	253,295
Other funds	801,053	791,263
	<u>\$ 6,766,193</u>	<u>\$ 7,132,524</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 15 –Net Assets With Donor Restrictions (Continued)

Net assets with donor restrictions released from restriction during the years ended June 30, 2019 and 2018 are as follows:

	2019	2018
Josephine A. Sommerer fund	\$ 50,000	\$ 44,433
Fund for the aging	53,125	154,000
Perpetual trust interest	21,543	47,864
Priests' retirement	253,295	292,982
Other funds	9,124	13,022
	<u>\$ 387,087</u>	<u>\$ 552,301</u>

### NOTE 16 – Endowments

The Diocese endowments include funds that are established for a variety of purposes and include both donor-restricted endowment funds and funds designated to function as endowments. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with permanently restricted funds, including designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Diocese endowment funds are invested as part of the Diocese of Fort Wayne-South Bend Investment Trust, Inc. (the Trust).

The Diocese has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor permanently restricted funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Diocese classifies as permanently restricted net assets (a) the original value of gifts, (b) the original value of subsequent gifts, and (c) accumulations 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 fund that is not classified in permanently restricted net assets is classified as designated net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 16 – Endowments (Continued)**

Endowment net asset composition by type of fund as of June 30, 2019, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds	\$	\$ 3,864,449	\$ 3,864,449
Designated funds	4,402,647		4,402,647
Total funds	<u>\$ 4,402,647</u>	<u>\$ 3,864,449</u>	<u>\$ 8,267,096</u>

Endowment net asset composition by type of fund as of June 30, 2018, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds	\$	\$ 3,885,991	\$ 3,885,991
Designated funds	4,505,189		4,505,189
Total funds	<u>\$ 4,505,189</u>	<u>\$ 3,885,991</u>	<u>\$ 8,391,180</u>

Changes in endowment net assets for the year ended June 30, 2019, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - beginning of year	\$ 4,505,189	\$ 3,885,991	\$ 8,391,180
Investment return:			
Dividends, interest and realized investment gains (net)	55,215		55,215
Unrealized gains	125,158		125,158
Change in value - beneficial trust interest		( 21,542 )	( 21,542 )
Total investment return	<u>180,373</u>	<u>( 21,542 )</u>	<u>158,831</u>
Appropriation of endowment assets for expenditures	( 282,915 )		( 282,915 )
Endowment net assets - end of year	<u>\$ 4,402,647</u>	<u>\$ 3,864,449</u>	<u>\$ 8,267,096</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 16 – Endowments (Continued)

Changes in endowment net assets for the year ended June 30, 2018, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ 4,380,921	\$ 3,933,855	\$ 8,314,776
Investment return:			
Dividends, interest and realized investment gains (net)	253,225		253,225
Unrealized losses	154,093		154,093
Change in value - beneficial trust interest	<u>                    </u>	( <span style="color: red;">47,864</span> )	( <span style="color: red;">47,864</span> )
Total investment return	407,318	( <span style="color: red;">47,864</span> )	359,454
Appropriation of endowment assets for expenditures	( <span style="color: red;">283,050</span> )		( <span style="color: red;">283,050</span> )
Endowment net assets - end of year	<u>\$ 4,505,189</u>	<u>\$ 3,885,991</u>	<u>\$ 8,391,180</u>

**Funds With Deficiencies** – From time to time, the fair value of assets associated with individual donor permanently restricted funds may fall below the level that the donor or UPMIFA requires the Diocese to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. These deficiencies result from unfavorable investment performance due to unfavorable market conditions for the investments supporting the permanently restricted and designated net assets.

**Return Objectives and Risk Parameters** – The long-term goal of the Trust will be to achieve a rate of growth sufficient to provide for the spending needs of various components of the total fund, increase the real purchasing power of the principal, and cover the annual operating expenses. Each component asset class of the Trust is expected to outperform its appropriate benchmark unless the volatility of quarterly returns is less than the benchmark.

**Strategies Employed for Achieving Objectives** – The total returns of each traditional asset class, equity and fixed income specialists, alternative investment manager and the total trust will be compared to the distribution of returns represented by an appropriate and statistically valid Universe of separately managed funds. Over a market cycle, the total trust and its individual components are expected to rank in the top half of their appropriate Universe.

**Spending Policy** – The Diocese has a policy of appropriating for distribution each year 100% of the income earned by the endowment assets during the prior fiscal year. The appropriation for spending is at the discretion of the Bishop of the Diocese of Fort Wayne-South Bend, Inc.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 17 – Availability and Liquidity

The following reflects the Diocese's financial assets as of June 30, 2019, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the balance sheet date.

	<u>2019</u>
Financial asset at year-end:	
Cash and cash equivalents	\$ 9,097,234
Receivables	2,329,396
Investments	<u>42,280,350</u>
 Total financial assets	 53,706,980
 Less amounts not available for general expenditures within one year:	
Funds held as parish deposits	44,462,025
Donor-imposed restriction	3,864,449
Collections held	<u>202,587</u>
 Total	 48,529,061
 Financial assets available to meet cash needs for general expenditures within one year	 <u><u>\$ 5,177,919</u></u>

The Diocese is partially supported by restricted contributions. Because a donor's restrictions require resources to be used in a particular manner or in a future period, the Diocese must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. A significant portion of loans receivable are due within the next three years and Diocesan policy dictates how quickly funds held as parish deposits could be withdrawn. As part of the Diocese's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Diocese invests cash in short-term and long-term investments.

### NOTE 18 – Contingent Liabilities

The Diocese is subject to various commitments and contingent liabilities, including general litigation arising in the ordinary course of its activities. Where applicable, reserves have been established for those cases where the potential liability is estimable and probable. The reserve amounted to \$0 and \$60,957 as of June 30, 2019 and 2018, respectively.

**SUPPLEMENTARY  
INFORMATION**

**DIOCESE OF FORT WAYNE - SOUTH BEND, INC.**  
**CENTRAL OPERATIONS**  
**Schedules of Functional Expenses - By Department -**  
**Ministry Services**

	For the Year Ended June 30	
	2019	2018
<b>WITHOUT DONOR RESTRICTIONS</b>		
Special ministries	\$ 214,640	\$ 340,915
Liturgy department	181,375	161,961
Cathedral museum	40,351	7,646
Vocation department	40,573	44,070
Family life	696,186	272,043
Tribunal	414,006	447,949
Hospital ministry	-	123,138
Hispanic ministry	-	138,595
Youth ministry	173,409	115,665
Catholic Charities	425,275	425,000
Fund for the poor	90,500	92,500
St. Mary's Heritage fund	200,000	192,000
Parish in need	213,691	172,390
Other	26,026	32,071
Missions	19,433	18,951
Permanent diaconate	78,731	6,446
World Youth Day	156,264	390
CCHD Intern	751	2,000
Bishop's OSV funds	67,247	41,075
Pueri Cantores	11,984	11,232
Renew international	45,000	93,172
Education for ministry	-	8,596
Franciscan formation	7,689	181,254
Catholic missions	-	2,818
St. Thomas Moore society	-	1,000
	3,103,131	2,932,877
<b>WITH DONOR RESTRICTIONS</b>		
Fund for the aging	53,125	154,000
Ross - St. Bernard's	9,124	9,124
	62,249	163,124
<b>TOTAL MINISTRY SERVICES</b>	<b>\$ 3,165,380</b>	<b>\$ 3,096,001</b>

The Notes to Financial Statements  
are an integral part of the statements.



**DIOCESE OF FORT WAYNE - SOUTH BEND, INC.**  
**CENTRAL OPERATIONS**  
**Schedules of Functional Expenses - By Department -**  
**Educational Services**

	For the Year Ended June 30	
	2019	2018
<b>WITHOUT DONOR RESTRICTIONS</b>		
School administration	\$ 322,500	\$ 337,401
Secretariat of Catholic education	144,726	145,498
Religious education	517,140	540,077
Seminarian education	1,220,385	1,245,579
Continuing education - Priests	91,268	68,558
Large Catholic family fund	24,078	222,757
High school subsidies - Villa	40,000	40,000
Msgr. Hession scholarship fund	10,000	10,000
High school scholarships	150,000	240,000
High school subsidies	1,091,999	1,091,999
Bishop Noll scholarships	25,000	25,000
School marketing	23,066	26,728
Music education endowment income	2,915	3,050
CSO funded projects	46,174	44,952
Twinning	178,680	170,871
School fund	23,724	39,901
Principal training	4,901	21,544
St. Joseph Reg. Med. Center	17,267	135,619
South Bend technology	81,357	80,077
High school endowment	280,000	280,000
Other	17,773	23,295
Franciscan seminary education	112,658	4,851
OSV - master arts	51,450	64,175
Hispanic diaconate formation	825	51,892
OSV stipend	24,700	-
	4,502,586	4,913,824
<b>WITH DONOR RESTRICTIONS</b>		
Josephine A. Sommerer Scholarship Fund	50,000	44,433
Fr. Beuter Trust	-	3,898
	50,000	48,331
<b>TOTAL EDUCATIONAL SERVICES</b>	<b>\$ 4,552,586</b>	<b>\$ 4,962,155</b>

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**DIOCESE OF FORT WAYNE - SOUTH BEND, INC.**  
**CENTRAL OPERATIONS**  
**Schedules of Functional Expenses - By Department -**  
**Communications**

	For the Year Ended June 30	
	2019	2018
<b>WITHOUT DONOR RESTRICTIONS</b>		
Today's Catholic	\$ 438,335	\$ 522,202
Communications office	134,973	142,438
TV Mass	154,993	148,469
Diocesan Directory	10,596	10,901
Catholic Business Network	-	141
7th Floor Studios	70,658	74,678
<b>TOTAL COMMUNICATIONS</b>	<b>\$ 809,555</b>	<b>\$ 898,829</b>

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**DIOCESE OF FORT WAYNE - SOUTH BEND, INC.**  
**CENTRAL OPERATIONS**  
**Schedules of Functional Expenses - By Department -**  
**Fund Raising**

	For the Year Ended June 30	
	2019	2018
<b>WITHOUT DONOR RESTRICTIONS</b>		
Bishop's appeal	\$ 248,017	\$ 308,223
Development office	98,493	87,484
Planned giving	110	914
<b>TOTAL FUND RAISING</b>	<b>\$ 346,620</b>	<b>\$ 396,621</b>

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**DIOCESE OF FORT WAYNE - SOUTH BEND, INC.**  
**CENTRAL OPERATIONS**  
**Schedules of Functional Expenses - By Department -**  
**Other Services**

	For the Year Ended June 30	
	2019	2018
<b>WITHOUT DONOR RESTRICTIONS</b>		
Personnel	\$ 366,539	\$ 344,458
Assessments	139,864	136,885
Parish assistance	36,001	36,914
Group insurance expense	14,972,275	16,030,593
Property/liability insurance expense	2,084,137	1,891,616
Unemployment claims	43,277	17,201
<b>TOTAL OTHER SERVICES</b>	<b>\$ 17,642,093</b>	<b>\$ 18,457,667</b>

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**DIOCESE OF FORT WAYNE - SOUTH BEND, INC.**  
**CENTRAL OPERATIONS**  
**Schedules of Functional Expenses - By Department -**  
**Administrative**

	For the Year Ended June 30	
	2019	2018
<b>WITHOUT DONOR RESTRICTIONS</b>		
Bishop	\$ 107,496	\$ 86,261
Administration	761,339	761,235
Archive department	55,303	52,392
Central purchasing	63,145	58,596
Data processing	119,820	117,624
Accounting	230,760	185,887
Property management	844,329	929,285
Property manager	137,043	117,372
Interest expense	877,364	820,242
Foreign clergy	46,385	32,156
Provision for uncollectible accounts	250,000	367,703
Separation benefits - lay	86,285	119,555
Priests' retirement	46,490	-
Safe environment	77,994	70,720
Andrews Center	30,320	21,248
Litigation and settlement costs	24,043	69,405
Old Chancery	10,433	-
Other	5,750	3,922
Student insurance	349,000	345,765
	4,123,299	4,159,368
<b>WITH DONOR RESTRICTIONS</b>		
Priests' retirement	253,294	292,982
<b>TOTAL ADMINISTRATIVE</b>	<b>\$ 4,376,593</b>	<b>\$ 4,452,350</b>

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