

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

**Financial Statements
and Supplementary Information
as of June 30, 2020 and 2019**

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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, 2020 and 2019, 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.

Diocese of Fort-Wayne South Bend, Inc.
Independent Auditor's Report (Continued)

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, 2020 and 2019, 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 10, 2020

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

ASSETS	June 30	
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 12,100,251	\$ 9,097,234
Accounts receivable (net of provision for doubtful accounts)	6,836,902	2,329,396
Investments	49,102,626	42,280,350
Loans receivable (net of provision for doubtful accounts)	15,050,391	17,910,550
Beneficial interest in trusts	3,363,234	3,403,993
Inventories	204,756	191,064
Land, buildings and equipment (net)	6,601,659	6,960,186
Deposits	<u>320,500</u>	<u>343,000</u>
TOTAL ASSETS	<u><u>\$ 93,580,319</u></u>	<u><u>\$ 82,515,773</u></u>

(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)

LIABILITIES AND NET ASSETS	June 30	
	2020	2019
LIABILITIES		
Accounts payable and accrued expenses	\$ 4,799,967	\$ 2,010,976
Parish deposits	50,930,335	44,462,025
Notes payable - bank	5,830,593	4,858,965
Collections payable	103,465	202,587
Annuities payable	<u>7,624</u>	<u>7,624</u>
Total Liabilities	61,671,984	51,542,177
NET ASSETS		
Without donor restrictions	25,357,479	24,207,403
With donor restrictions	<u>6,550,856</u>	<u>6,766,193</u>
Total Net Assets	<u>31,908,335</u>	<u>30,973,596</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 93,580,319</u></u>	<u><u>\$ 82,515,773</u></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, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	June 30 2020 Total	June 30 2019 Total
REVENUES, GAINS AND OTHER SUPPORT				
Parish quotas	\$ 2,570,885	\$ -	\$ 2,570,885	\$ 2,439,815
Donations and bequests	2,676,434	58,400	2,734,834	2,059,986
Net investment income (loss)	(12,846)	(214)	(13,060)	419,747
Unrealized investment gain	1,013,247	10,769	1,024,016	1,271,575
Fund raising - Annual Bishop's Appeal	5,597,019	-	5,597,019	5,491,342
Insurance premiums	20,228,869	-	20,228,869	20,190,800
Interest - loans	460,235	-	460,235	474,004
Collections	230,594	-	230,594	290,659
Advertising	113,532	-	113,532	116,943
Sale of merchandise	317,141	-	317,141	365,343
Fees, rentals and workshops	1,022,226	-	1,022,226	1,116,565
Subscriptions	66,534	-	66,534	71,623
Miscellaneous	131,919	-	131,919	108,488
Change in value - beneficial trust interest	-	(19,025)	(19,025)	(15,210)
Gain (loss) on sale of assets	(11,313)	-	(11,313)	3,018
Net Assets Released From Restrictions	265,267	(265,267)	-	-
Total Revenue, Gains and Other Support and Net Assets Released from Restrictions	34,669,743	(215,337)	34,454,406	34,404,698
EXPENSES				
Ministry services	3,072,018	-	3,072,018	3,165,380
Educational services	4,843,339	-	4,843,339	4,552,586
Communications	830,486	-	830,486	809,555
Fund raising	387,233	-	387,233	346,620
Other services	19,702,985	-	19,702,985	17,642,093
Administrative	4,683,606	-	4,683,606	4,376,593
Total Expenses	33,519,667	-	33,519,667	30,892,827
CHANGE IN NET ASSETS	1,150,076	(215,337)	934,739	3,511,871
NET ASSETS AT BEGINNING OF YEAR	24,207,403	6,766,193	30,973,596	27,461,725
NET ASSETS AT END OF YEAR	\$ 25,357,479	\$ 6,550,856	\$ 31,908,335	\$ 30,973,596

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

	Without Donor Restrictions	With Donor Restrictions	June 30 2019 Total
REVENUES, GAINS AND OTHER SUPPORT			
Parish quotas	\$ 2,439,813	\$ 2,439,813	\$ 2,439,813
Donations and bequests	2,059,686	300	2,059,986
Net investment income	414,193	5,554	419,747
Unrealized investment gain	1,258,163	13,412	1,271,575
Fund raising - Annual Bishop's Appeal	5,491,342		5,491,342
Insurance premiums	20,190,800		20,190,800
Interest - loans	474,004		474,004
Collections	290,659		290,659
Advertising	116,943		116,943
Sale of merchandise	365,343		365,343
Fees, rentals and workshops	1,099,865	16,700	1,116,565
Subscriptions	71,623		71,623
Miscellaneous	108,488		108,488
Change in value - beneficial trust interest		(15,210)	(15,210)
Gain on sale of assets	3,018		3,018
Net Assets Released From Restrictions	<u>387,087</u>	<u>(387,087)</u>	<u>-</u>
Total Revenue, Gains and Other Support and Net Assets Released from Restrictions	<u>34,771,029</u>	<u>(366,331)</u>	<u>34,404,698</u>
EXPENSES			
Ministry services	3,165,380		3,165,380
Educational services	4,552,586		4,552,586
Communications	809,555		809,555
Fund raising	346,620		346,620
Other services	17,642,093		17,642,093
Administrative	4,376,593		4,376,593
Total Expenses	<u>30,892,827</u>		<u>30,892,827</u>
CHANGE IN NET ASSETS	<u>3,878,202</u>	<u>(366,331)</u>	<u>3,511,871</u>
NET ASSETS AT BEGINNING OF YEAR	<u>20,329,201</u>	<u>7,132,524</u>	<u>27,461,725</u>
NET ASSETS AT END OF YEAR	<u>\$ 24,207,403</u>	<u>\$ 6,766,193</u>	<u>\$ 30,973,596</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, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	Ministry Services	Educational Services	Communications	Fund Raising	Other Services	Administrative	June 30 2020 Total	June 30 2019 Total
Salary-religious	\$ 57,238				\$ 61,603	\$ 389,568	\$ 508,409	\$ 430,594
Salary-lay	956,674	614,567	324,695	201,445	18,639	819,956	2,935,976	2,746,246
Commissions			15,337				15,337	18,766
FICA	67,082	45,104	24,788	13,833	1,424	59,950	212,181	199,753
Unemployment claims					57,689		57,689	43,277
Health and accident insurance	210,298	258,697	48,375	43,025	223,905	177,883	962,183	957,839
Pension and benefits	70,689	60,795	26,913	10,767	21,294	64,203	254,661	265,992
Education, seminars and conferences	17,616	82,050	126	1,985	1,000	2,514	105,291	47,164
Postage	4,824	1,056	863	19,604		17,681	44,028	41,132
Telephone	8,051	3,822	1,697	636		69,474	83,680	88,834
Office supplies	5,463	3,463	1,593	7,969	7	15,635	34,130	35,551
Printing	12,677	4,846	13,963	29,935		9,678	71,099	58,281
Equipment and furniture	1,098	320			2,320	980	4,718	10,655
Travel	28,895	51,616	4,188	1,020	1,198	18,751	105,668	113,537
Auto	2,292					43,395	45,687	57,703
Depreciation	24,934	2,317	28,002	822		371,166	427,241	393,022
Legal and professional	76,702	15,595	105			208,936	301,338	306,581
Public relations	548	1,970	3,570			250	6,338	5,173
Employee search						29	29	1,466
Donations and ministry support	470,574	259,752				46,135	776,461	611,953
Miscellaneous	8,169	26,919	277	475		28,642	64,482	78,418
Repairs, maintenance and utilities	15,044	113			402	455,340	470,899	623,085
Bank charges			539			81,825	82,364	52,788
Property and liability-self insurance					3,186,734	51,432	3,238,166	3,509,071
Student insurance						379,203	379,203	349,000
Memberships and subscriptions	6,710	77,524	1,579	1,200	720	14,461	102,194	79,621
Advertising and promotion	770	3,220	2,237	40,629		1,576	48,432	49,405
Program expense	412,878	536,675	121,164	4,038	3,255	28,267	1,106,277	1,212,751
Paper distribution			155,007				155,007	141,373
Freelance and news service			53,068				53,068	57,086
Assessments					140,777		140,777	139,864
Interest						908,876	908,876	877,364
Funding-ministry, education, P.I.N.	265,137	125,323					390,460	384,769
High school subsidy		1,132,000					1,132,000	1,131,999
Insurance claims					15,982,018		15,982,018	13,599,959
High school scholarships		150,000					150,000	150,000
Tuition and allowances	22,655	1,105,595	2,400	9,850		1,200	1,141,700	1,136,512
Catholic Charities subsidy	325,000						325,000	325,000
High school endowment fund distribution		280,000					280,000	280,000
Rent						6,600	6,600	7,200
Provision for uncollectible accounts						250,000	250,000	250,000
Victim's assistance						160,000	160,000	24,043
Total Expenses	\$ 3,072,018	\$ 4,843,339	\$ 830,486	\$ 387,233	\$ 19,702,985	\$ 4,683,606	\$ 33,519,667	\$ 30,892,827

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

	Ministry Services	Educational Services	Communications	Fund Raising	Other Services	Administrative	June 30 2019 Total
Salary-religious	\$ 34,918				\$ 87,558	\$ 308,118	\$ 430,594
Salary-lay	919,302	568,545	276,933	185,989	23,059	772,418	2,746,246
Commissions			18,766				18,766
FICA	65,114	42,819	21,994	13,000	1,725	55,101	199,753
Unemployment claims					43,277		43,277
Health and accident insurance	194,801	253,059	50,087	40,601	235,985	183,306	957,839
Pension and benefits	62,080	41,591	25,996	10,154	22,087	104,084	265,992
Education, seminars and conferences	16,884	4,212	556	1,465	6,750	17,297	47,164
Postage	4,640	728	4,188	12,796		18,780	41,132
Telephone	4,760	1,561	1,880	456		80,177	88,834
Office supplies	8,488	2,694	9,774	1,330	50	13,215	35,551
Printing	14,368	5,395	5,401	20,719		12,398	58,281
Equipment and furniture	3,793	312	2,676	249		3,625	10,655
Travel	39,115	46,615	3,986	1,220	2,008	20,593	113,537
Auto	2,500				204	54,999	57,703
Depreciation	12,088	2,725	28,960	894		348,355	393,022
Legal and professional	159,050	46,044	47,004	4,453		50,030	306,581
Public relations	221	1,666	3,200	29		57	5,173
Employee search	59		883			524	1,466
Donations and ministry support	349,464	209,545			5,000	47,944	611,953
Miscellaneous	4,937	42,735	151	47	17,016	13,532	78,418
Repairs, maintenance and utilities	5,529	1,677				615,879	623,085
Bank charges			500			52,288	52,788
Property and liability-self insurance					3,456,453	52,618	3,509,071
Student insurance						349,000	349,000
Memberships and subscriptions	10,221	59,552	1,038			8,810	79,621
Advertising and promotion	389	3,337	2,457	41,853		1,369	49,405
Program expense	623,618	446,535	108,616	1,815	498	31,669	1,212,751
Paper distribution	4,550		136,823				141,373
Freelance and news service			57,086				57,086
Assessments					139,864		139,864
Interest						877,364	877,364
Funding-ministry, education, P.I.N.	275,691	109,078					384,769
High school subsidy		1,131,999					1,131,999
Insurance claims					13,599,959		13,599,959
High school scholarships		150,000					150,000
Tuition and allowances	23,800	1,100,162	600	9,550	600	1,800	1,136,512
Catholic Charities subsidy	325,000						325,000
High school endowment fund distribution		280,000					280,000
Rent						7,200	7,200
Provision for uncollectible accounts						250,000	250,000
Victim's assistance						24,043	24,043
Total Expenses	\$ 3,165,380	\$ 4,552,586	\$ 809,555	\$ 346,620	\$ 17,642,093	\$ 4,376,593	\$ 30,892,877

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	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from		
Parish quotas	\$ 2,439,343	\$ 2,456,865
Donations and bequests	2,734,834	2,059,986
Net investment income (loss)	(13,060)	419,747
Fund raising	5,445,072	5,232,698
Insurance premiums	20,283,005	20,362,999
Interest - loans	490,770	604,557
Other income and fees	1,400,400	2,179,817
Cash paid for		
Program and administrative services	(29,257,407)	(29,534,117)
Interest - parish deposits	(908,842)	(877,389)
Net Cash Provided By Operating Activities	2,614,115	2,905,163
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(88,547)	(835,023)
Increase in investments	(5,798,260)	(5,261,317)
Proceeds from sale of assets	8,520	14,391
Decrease in parish loans receivable	2,830,814	1,635,448
Decrease (increase) in accounts receivable-other	(4,026,063)	718,432
Decrease in deposits	22,500	-
Net Cash Used For Investing Activities	(7,051,036)	(3,728,069)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in parish deposits	6,468,310	613,712
Payments on notes payable - bank	(2,578,372)	(1,320,000)
Proceeds from notes payable - bank	3,550,000	1,850,000
Net Cash Provided By Financing Activities	7,439,938	1,143,712
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,003,017	320,806
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	9,097,234	8,776,428
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 12,100,251	\$ 9,097,234

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	
	<u>2020</u>	<u>2019</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 934,739	\$ 3,511,871
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	427,241	393,022
Change in value - beneficial interest in trusts	40,759	36,765
Loss (gain) on disposition of assets	11,313	(3,018)
Unrealized investment gain	(1,024,016)	(1,271,575)
Uncollectible accounts	250,000	250,000
Changes in operating assets and liabilities		
Decrease (increase) in		
Accounts receivable	(702,098)	(100,202)
Inventories	(13,692)	5,325
Increase (decrease) in		
Accounts payable and accrued expenses	2,788,991	(18,893)
Collections payable	(99,122)	101,868
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,614,115</u>	<u>\$ 2,905,163</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 60% 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, 2020. 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, 2020, 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 \$908,842 and \$877,389 for the years ended June 30, 2020 and 2019, 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 \$427,241 and \$393,022 for the years ending June 30, 2020 and 2019, 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, 2020 and 2019, 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
June 30, 2020			
Furniture and equipment	\$ 2,428,075	\$ 1,509,199	\$ 918,876
Buildings and improvements	6,665,692	3,596,060	3,069,632
Land	2,468,540		2,468,540
Automobiles	345,104	200,493	144,611
	<u>\$ 11,907,411</u>	<u>\$ 5,305,752</u>	<u>\$ 6,601,659</u>
	Original Cost	Accumulated Depreciation	Net Book Value
June 30, 2019			
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
	<u>\$ 12,104,171</u>	<u>\$ 5,143,985</u>	<u>\$ 6,960,186</u>

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, 2020 and 2019 in the amount of \$71,623 and \$59,252, 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 \$48,432 and \$49,405 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, the gross accounts and loans receivable balance relating to amounts due from parishes and schools amounted to \$14,854,717 and \$17,006,223, 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 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 10, 2020, the date the financial statements were available to be issued.

The Diocese is monitoring the COVID-19 outbreak in the United States and throughout the world for impacts to its operations. Public health organizations are providing daily updates on changes to be made, including closures in certain industries. The length of the outbreak is uncertain at this time and therefore, the impact on the Diocese's financial condition and results of its operations is unknown.

In April 2020, the Diocese received a Small Business Administration (SBA) loan in the amount of \$1,000,000 under the Paycheck Protection Program. The loan bears interest at 1% and may be forgiven if the Diocese complies with the term specified in the agreement. The loan matures in April 2022.

NOTE 3 – Accounts Receivable – Net

Accounts receivable amounted to \$7,423,999 and \$2,909,726 as of June 30, 2020 and 2019, respectively. A summary of these receivables and related provision for uncollectible accounts is presented as follows:

	June 30 2020	June 30 2019
General receivables	\$ 26,505	\$ 25,670
Payroll	1,031,258	227,696
Quota	208,356	76,814
Insurance	98,988	110,302
Health and accident insurance	362,032	404,854
Retirement	59,113	70,626
Interest	796,990	827,525
Bishop's Appeal (net)	542,526	390,579
Affiliated organizations	128,633	632,125
Due from lay retirement plan	4,000,000	-
Other receivables	169,598	143,535
Gross accounts receivable	7,423,999	2,909,726
Less: provision for uncollectible accounts	(587,097)	(580,330)
Total Accounts Receivable - Net	<u>\$ 6,836,902</u>	<u>\$ 2,329,396</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 – Loans Receivable – Net

Loans receivable amounted to \$15,349,451 and \$18,180,265 as of June 30, 2020 and 2019, respectively. A summary of loans receivable and related provision for uncollectible accounts is presented as follows:

	June 30 2020	June 30 2019
Loans to Diocesan Organizations	\$ 12,407,177	\$ 15,127,316
Noninterest bearing loans	2,942,274	3,052,949
	<u>15,349,451</u>	<u>18,180,265</u>
Less: provision for uncollectible loans	(299,060)	(269,715)
Total Accounts Receivable - Net	<u>\$ 15,050,391</u>	<u>\$ 17,910,550</u>

NOTE 5 – Provision for Uncollectible Accounts Receivable and Loans

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

	June 30 2020	June 30 2019
Beginning balance	\$ 850,045	\$ 882,057
Accounts written off	(213,888)	(282,012)
Bad debt provision	250,000	250,000
Ending balance	<u>\$ 886,157</u>	<u>\$ 850,045</u>

At June 30, 2020 and 2019, the following accounts and loans were past due:

	6 Months Past Due	12 Months Past Due	18 Months Past Due	Total Past Due
2020	\$ 485,279	\$ 5,477	\$ 767,436	\$ 1,258,192
2019	8,700	2,150	757,276	768,126

NOTE 6 – Investments

Investments as of June 30, 2020 and 2019 consisted of the following:

	Fair Market Value	
	June 30, 2020	June 30, 2019
Cash equivalents	\$ 3,928,210	\$ 2,642,191
Non U.S. equity	27,497,471	21,434,136
Long/short equity	7,856,420	5,257,430
U.S. large cap	4,910,263	5,661,847
Fixed income	4,910,262	4,044,177
Absolute return strategy	-	2,426,506
Private equity	-	814,063
Total Investments at Fair Value	<u>\$ 49,102,626</u>	<u>\$ 42,280,350</u>
Total Investments at Historical Cost	<u>\$ 44,816,190</u>	<u>\$ 39,017,930</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 – Investments (Continued)

Net investment income consists of the following:

	June 30 2020	June 30 2019
Dividends and interest	\$ 114,105	\$ 4,397
Realized gains	5,417	508,669
Unrealized gains	1,024,016	1,271,575
Investment management fees	(132,582)	(93,319)
Net Investment Income	<u>\$ 1,010,956</u>	<u>\$ 1,691,322</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 \$11,583,771 and \$8,700,518 in excess of the federally insured limits as of June 30, 2020 and 2019, 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 \$149,830 and \$175,313 for the years ending June 30, 2020 and 2019, 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 \$28,417 and \$20,258 for the years ended June 30, 2020 and 2019, respectively.

The following sets forth the funded status of the plan as of January 1, 2020 and 2019.

	January 1 2020	January 1 2019
Actuarial present value of benefit obligations:		
Vested benefits	\$ 105,955,000	\$ 103,646,000
Nonvested benefits	<u>823,000</u>	<u>879,000</u>
Accumulated and projected benefit obligations:	<u>\$ 106,778,000</u>	<u>\$ 104,525,000</u>
Fair value of assets held in the plan	<u>\$ 77,748,146</u>	<u>\$ 69,873,883</u>
Funding ratio	72.8%	66.8%

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, 2020 and 2019.

The following is an analysis of plan assets by category:

	January 1 2020	January 1 2019
Securities - Northern Trust	\$ 67,496,832	\$ 59,923,873
Annuity contract	1,342,855	5,344,715
Employer receivable	8,908,459	4,605,295
 Total	 <u>\$ 77,748,146</u>	 <u>\$ 69,873,883</u>

The following is a reconciliation of plan assets for the plan year ending January 1, 2020 and 2019:

	Plan Year Ended January 1 2020	2019
Plan assets - beginning of year	\$ 69,873,883	\$ 75,909,029
Employer contribution	4,692,445	2,649,165
Benefits paid	(6,339,101)	(5,887,344)
Plan income (loss)	<u>9,520,919</u>	<u>(2,796,967)</u>
 Plan Assets - end of year	 <u>\$ 77,748,146</u>	 <u>\$ 69,873,883</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 2020	2019
Charitable remainder trust	\$ 273,214	\$ 292,239
Perpetual trust	3,090,020	3,111,754
	<u>\$ 3,363,234</u>	<u>\$ 3,403,993</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, 2020 and 2019 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, 2020 and 2019.

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, 2020 and 2019.

The Diocese leases real property to an unrelated entity in Mishawaka, Indiana under the terms of a lease dated February 1, 2019. The lease calls for monthly rent payments of \$1,667 through December 31, 2020. The lease may be extended for a five-year period at the option of the lessee. Rental income amounted to \$18,337 and \$9,585 for the years ended June 30, 2020 and 2019, respectively.

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 \$137,283 and \$134,484 for the years ended June 30, 2020 and 2019, 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	Unrelated Entity - Mishawaka	Parking Spaces
2021	\$ 33,600	\$ 87,475	\$ 20,000	\$ 75,653
2022	11,200	87,475	20,000	-
2023	-	87,475	20,000	-
2024	-	87,475	20,000	-
2025	-	87,475	20,000	-

NOTE 11 – Note Payable – Bank

On December 18, 2019, the Diocese secured a promissory term note with 1st Source Bank in the amount of \$1,904,000. The note bears interest at a rate of 1.39% per annum in excess of the one month LIBOR rate (3.8% at June 30, 2020) and is due December 19, 2024.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 11 – Note Payable – Bank (Continued)

On April 26, 2019, the Diocese secured a second promissory term note with 1st 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 (1.8% at June 30, 2020). On September 13, 2019, the Diocese secured a third promissory term note with 1st Source Bank in the amount of \$1,000,000. The note bears interest at a rate of 1.5% per annum above the prime rate (3.5% at June 30, 2020). On October 9, 2019 the Diocese secured a fourth promissory note with 1st Source Bank in the amount of \$250,000. The note bears interest at a rate of 1.5% per annum above the prime rate (3.5% as of June 30, 2020). 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. On April 23, 2020 the Diocese secured a note with 1st Source Bank under the provisions of the Paycheck Protection Program in the amount of \$1,000,000. The amount may be forgiven under the terms of the program. The amount outstanding as of June 30, 2020 and 2019 under these agreements amounted to \$5,830,593 and \$4,858,965, 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 \$15,332,471 and \$12,884,315 for the years ended June 30, 2020 and 2019, respectively.

The Diocese is self-insured with respect to unemployment compensation. Claims and benefits paid amounted to \$57,689 and \$43,277 for the years ended June 30, 2020, and 2019.

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 \$374,018 and \$487,944 for the years ended June 30, 2020 and 2019, 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 2020	June 30 2019
Assets and Liabilities:		
Accounts receivable, gross	\$ 2,664,459	\$ 2,640,181
Loans receivable, gross	12,190,258	14,366,042
Accounts payable and accrued expenses	85,016	103,664
Revenues:		
Parish quotas	2,570,885	2,439,815
Premiums and insurance billings	20,228,869	19,781,475
Interest income - notes receivable	460,235	474,004
Expenses:		
Education services	1,839,593	1,839,757
Ministry services	714,573	994,691

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, 2020 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	\$ 293,605	\$	\$	\$ 3,857,334	\$ 4,150,939
Non U.S. equity				27,001,340	27,001,340
Long/short equity				7,714,668	7,714,668
U.S. Large cap				4,821,668	4,821,668
Fixed income				4,821,668	4,821,668
Private equity			592,343		592,343
Total investments	293,605	-	592,343	48,216,678	49,102,626
Beneficial interest in trusts	273,214		3,090,020		3,363,234
Total Financial Instruments	<u>\$ 566,819</u>	<u>\$ -</u>	<u>\$ 3,682,363</u>	<u>\$ 48,216,678</u>	<u>\$ 52,465,860</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 14 – Fair Value of Financial Instruments (Continued)

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	\$ 1,024,520	\$ 292,239	\$ 3,925,817	\$ 40,441,767	\$ 45,684,343

Investments valued at NAV or its equivalent as of June 30, 2020, consisted of the following:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Catholic Endowment Fund	\$ 48,216,678	\$ N/A	Unlimited	95 Days

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

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Catholic Endowment Fund	\$ 40,441,767	\$ 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, 2020 for Level 3 assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 14 – Fair Value of Financial Instruments (Continued)

	Investments	Beneficial Interest in Trusts	Total
Balance - July 1, 2019	\$ 814,063	\$ 3,111,754	\$ 3,925,817
Transfers in			-
Transfers out	(221,720)		(221,720)
Dividends and interest income, realized and unrealized gains, and changes in value		(21,734)	(21,734)
Balance - June 30, 2020	<u>\$ 592,343</u>	<u>\$ 3,090,020</u>	<u>\$ 3,682,363</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, 2019 for Level 3 assets.

	Investments	Beneficial Interest in Trusts	Total
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>

NOTE 15 –Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2020 and 2019 consisted of the following:

	2020	2019
Music education scholarship	\$ 144,251	\$ 144,251
Burses	608,444	608,444
Perpetual trust interest	3,090,020	3,111,754
Total Endowment Funds	3,842,715	3,864,449
Gilmartin fund	781,544	781,544
Josephine A. Sommerer fund	342,860	372,120
Nellie Fowerbaugh estate	426,022	551,022
Future trust interest	282,387	301,412
Fund for the aging	39,549	94,594
Other funds	835,779	801,052
Total Donor Restricted Funds	<u>\$ 6,550,856</u>	<u>\$ 6,766,193</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, 2020 and 2019 are as follows:

	2020	2019
Josephine A. Sommerer fund	\$ 38,750	\$ 50,000
Fund for the aging	180,045	53,125
Perpetual trust interest	21,734	21,543
Priests' retirement	-	253,295
Other funds	24,738	9,124
	<u>\$ 265,267</u>	<u>\$ 387,087</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. Board designated endowment funds are primarily made up of the high school endowment fund. 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, 2020, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds	\$	\$ 3,842,715	\$ 3,842,715
Designated funds	4,210,718		4,210,718
Total funds	<u>\$ 4,210,718</u>	<u>\$ 3,842,715</u>	<u>\$ 8,053,433</u>

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>

Changes in endowment net assets for the year ended June 30, 2020, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - beginning of year	\$ 4,402,647	\$ 3,864,449	\$ 8,267,096
Investment return:			
Dividends, interest and realized investment losses (net)	(11,633)		(11,633)
Unrealized gains	104,489		104,489
Change in value - beneficial trust interest	(21,734)	(21,734)	(21,734)
Total investment return	92,856	(21,734)	71,122
Appropriation of endowment assets for expenditures	(284,785)		(284,785)
Endowment net assets - end of year	<u>\$ 4,210,718</u>	<u>\$ 3,842,715</u>	<u>\$ 8,053,433</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 16 – Endowments (Continued)

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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)	(21,542)
Total investment return	180,373	(21,542)	158,831
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>

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, 2020 and 2019, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the balance sheet date.

	2020	2019
Financial asset at year-end:		
Cash and cash equivalents	\$ 12,100,251	\$ 9,097,234
Receivables	6,836,902	2,329,396
Investments	49,102,626	42,280,350
 Total financial assets	 68,039,779	 53,706,980
 Less amounts not available for general expenditures within one year:		
Funds held as parish deposits	50,930,335	44,462,025
Donor-imposed restriction	3,842,715	3,864,449
Collections held	103,465	202,587
 Total	 54,876,515	 48,529,061
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 13,163,264</u>	 <u>\$ 5,177,919</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.

**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	
	2020	2019
WITHOUT DONOR RESTRICTIONS		
Special ministries	\$ 153,576	\$ 214,640
Liturgy department	133,650	181,375
Cathedral museum	53,134	40,351
Vocation department	44,930	40,573
Family life	747,309	696,186
Tribunal	451,593	414,006
Hospital ministry	22,564	-
Youth ministry	188,532	173,409
Catholic Charities	425,265	425,275
Fund for the poor	90,500	90,500
St. Mary's Heritage fund	197,906	200,000
Parish in need	199,223	213,691
Other	28,569	26,026
Missions	19,750	19,433
Permanent diaconate	64,927	78,731
World Youth Day	338	156,264
CCHD Intern	-	751
Bishop's OSV funds	35,595	67,247
Pueri Cantores	7,174	11,984
RENEW International	-	45,000
Education for ministry	2,412	-
Franciscan formation	-	7,689
Catholic missions	288	-
Total Without Donor Restrictions	2,867,235	3,103,131
WITH DONOR RESTRICTIONS		
Fund for the aging	55,045	53,125
Nellie Fowerbaugh estate	125,000	-
Bathe/Avilla fund	1,914	-
Youth ministries	13,700	-
Ross - St. Bernard's	9,124	9,124
Total With Donor Restrictions	204,783	62,249
TOTAL MINISTRY SERVICES	\$ 3,072,018	\$ 3,165,380

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	
	2020	2019
WITHOUT DONOR RESTRICTIONS		
School administration	\$ 375,360	\$ 322,500
Secretariat of Catholic education	149,165	144,726
Religious education	527,096	517,140
Seminarian education	1,240,702	1,220,385
Continuing education - Priests	82,818	91,268
Large Catholic family fund	51,573	24,078
High school subsidies - Villa	40,000	40,000
Msgr. Hession scholarship fund	10,000	10,000
High school scholarships	150,000	150,000
High school subsidies	1,092,000	1,091,999
Bishop Noll scholarships	25,000	25,000
School marketing	25,416	23,066
Music education endowment income	4,785	2,915
CSO funded projects	40,850	46,174
Twinning	191,380	178,680
School fund	30,996	23,724
Principal training	-	4,901
St. Joseph Reg. Med. Center	4,137	17,267
South Bend technology	84,256	81,357
High school endowment	280,000	280,000
Other	9,220	17,773
Franciscan seminary education	106,631	112,658
OSV - master arts	58,575	51,450
Hispanic diaconate formation	825	825
OSV stipend	223,804	24,700
Total Without Donor Restrictions	4,804,589	4,502,586
WITH DONOR RESTRICTIONS		
Josephine A. Sommerer Scholarship Fund	38,750	50,000
Total With Donor Restrictions	38,750	50,000
TOTAL EDUCATIONAL SERVICES	<u>\$ 4,843,339</u>	<u>\$ 4,552,586</u>

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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	
	2020	2019
WITHOUT DONOR RESTRICTIONS		
Today's Catholic	\$ 438,014	\$ 438,335
Communications office	197,120	134,973
TV Mass	108,613	154,993
Diocesan Directory	12,145	10,596
7th Floor Studios	<u>74,594</u>	<u>70,658</u>
TOTAL COMMUNICATIONS	<u><u>\$ 830,486</u></u>	<u><u>\$ 809,555</u></u>

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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	
	2020	2019
WITHOUT DONOR RESTRICTIONS		
Bishop's Appeal	\$ 264,322	\$ 248,017
Development office	122,893	98,493
Planned giving	18	110
TOTAL FUND RAISING	\$ 387,233	\$ 346,620

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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	
	2020	2019
WITHOUT DONOR RESTRICTIONS		
Personnel	\$ 308,089	\$ 366,539
Assessments	140,777	139,864
Parish assistance	39,768	36,001
Group insurance expense	17,163,339	14,972,275
Property/liability insurance expense	1,993,323	2,084,137
Unemployment claims	<u>57,689</u>	<u>43,277</u>
TOTAL OTHER SERVICES	<u><u>\$ 19,702,985</u></u>	<u><u>\$ 17,642,093</u></u>

The Notes to Financial Statements
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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	
	2020	2019
WITHOUT DONOR RESTRICTIONS		
Bishop	\$ 74,772	\$ 107,496
Administration	797,751	761,339
Archive department	55,258	55,303
Central purchasing	56,880	63,145
Data processing	99,373	119,820
Accounting	245,211	230,760
Property management	896,285	844,329
Property manager	146,654	137,043
Interest expense	908,842	877,364
Foreign clergy	35,200	46,385
Provision for uncollectible accounts	250,000	250,000
Separation benefits - lay	62,826	86,285
Priests' retirement	375,218	46,490
Safe environment	117,329	77,994
Andrews Center	15,164	30,320
Litigation and settlement costs	160,000	24,043
Old Chancery	326	10,433
Other	7,314	5,750
Student insurance	379,203	349,000
	<u>4,683,606</u>	<u>4,123,299</u>
WITH DONOR RESTRICTIONS		
Priests' retirement	<u>-</u>	<u>253,294</u>
TOTAL ADMINISTRATIVE	<u>\$ 4,683,606</u>	<u>\$ 4,376,593</u>

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