

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

**Financial Statements
and Supplementary Information**

as of June 30, 2021 and 2020

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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

Opinion

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, 2021 and 2020, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Diocese of Fort Wayne - South Bend, Inc. - Central Operations as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or

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

the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Diocese of Fort Wayne - South Bend, Inc. - Central Operation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Diocese of Fort Wayne - South Bend, Inc. - Central Operation's ability to continue as a going concern for a reasonable period of time.

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

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
Certified Public Accountants
Fort Wayne, Indiana

September 20, 2021

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

ASSETS	June 30	
	2021	2020
Cash and cash equivalents	\$ 5,945,942	\$ 12,100,251
Accounts receivable (net of provision for doubtful accounts)	2,515,874	6,836,902
Investments	71,938,249	49,102,626
Loans receivable (net of provision for doubtful accounts)	12,456,537	15,050,391
Beneficial interest in trusts	3,330,190	3,363,234
Inventories	169,967	204,756
Land, buildings and equipment (net)	6,373,308	6,601,659
Prepaid expenses	13,288	-
Deposits	320,500	320,500
TOTAL ASSETS	\$ 103,063,855	\$ 93,580,319

(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	
	2021	2020
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,301,533	\$ 4,799,967
Parish deposits	53,218,858	50,930,335
Notes payable - bank	3,874,965	5,830,593
Collections payable	142,183	103,465
Annuities payable	7,624	7,624
Total Liabilities	58,545,163	61,671,984
NET ASSETS		
Without donor restrictions	37,910,156	25,357,479
With donor restrictions	6,608,536	6,550,856
Total Net Assets	44,518,692	31,908,335
TOTAL LIABILITIES AND NET ASSETS	\$ 103,063,855	\$ 93,580,319

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, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	June 30 2021 Total	June 30 2020 Total
REVENUES, GAINS AND OTHER SUPPORT				
Parish quotas	\$ 2,509,546	\$	\$ 2,509,546	\$ 2,570,885
Donations and bequests	1,856,928	109,861	1,966,789	2,734,834
Net investment income (loss)	(14,411)	(301)	(14,712)	(13,060)
Unrealized investment gain	15,519,780	155,640	15,675,420	1,024,016
Fund raising - Annual Bishop's Appeal	5,104,726		5,104,726	5,597,019
Insurance premiums	20,030,405		20,030,405	20,228,869
Interest - loans	470,429		470,429	460,235
Collections	244,522		244,522	230,594
Advertising	128,711		128,711	113,532
Sale of merchandise	393,028		393,028	317,141
Fees, rentals and workshops	793,191		793,191	1,022,226
Subscriptions	77,480		77,480	66,534
Miscellaneous	94,854		94,854	131,919
Change in value - beneficial trust interest		(11,904)	(11,904)	(19,025)
Gain (loss) on sale of assets	600		600	(11,313)
Net Assets Released From Restrictions	<u>195,616</u>	<u>(195,616)</u>	<u>-</u>	<u>-</u>
Total Revenue, Gains and Other Support and Net Assets Released from Restrictions	47,405,405	57,680	47,463,085	34,454,406
EXPENSES				
Ministry services	2,783,425		2,783,425	3,072,018
Educational services	5,016,785		5,016,785	4,843,339
Communications	735,818		735,818	830,486
Fund raising	420,562		420,562	387,233
Other services	20,051,673		20,051,673	19,702,985
Administrative	5,844,465		5,844,465	4,683,606
Total Expenses	<u>34,852,728</u>		<u>34,852,728</u>	<u>33,519,667</u>
CHANGE IN NET ASSETS	12,552,677	57,680	12,610,357	934,739
NET ASSETS AT BEGINNING OF YEAR	<u>25,357,479</u>	<u>6,550,856</u>	<u>31,908,335</u>	<u>30,973,596</u>
NET ASSETS AT END OF YEAR	<u>\$ 37,910,156</u>	<u>\$ 6,608,536</u>	<u>\$ 44,518,692</u>	<u>\$ 31,908,335</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

	Without Donor Restrictions	With Donor Restrictions	June 30 2020 Total
REVENUES, GAINS AND OTHER SUPPORT			
Parish quotas	\$ 2,570,885	\$	\$ 2,570,885
Donations and bequests	2,676,434	58,400	2,734,834
Net investment income (loss)	(12,846)	(214)	(13,060)
Unrealized investment gain	1,013,247	10,769	1,024,016
Fund raising - Annual Bishop's Appeal	5,597,019		5,597,019
Insurance premiums	20,228,869		20,228,869
Interest - loans	460,235		460,235
Collections	230,594		230,594
Advertising	113,532		113,532
Sale of merchandise	317,141		317,141
Fees, rentals and workshops	1,022,226		1,022,226
Subscriptions	66,534		66,534
Miscellaneous	131,919		131,919
Change in value - beneficial trust interest		(19,025)	(19,025)
Loss on sale of assets	(11,313)		(11,313)
Net Assets Released From Restrictions	<u>265,267</u>	(<u>265,267</u>)	<u>-</u>
Total Revenue, Gains and Other Support and Net Assets Released from Restrictions	34,669,743	(215,337)	34,454,406
EXPENSES			
Ministry services	3,072,018		3,072,018
Educational services	4,843,339		4,843,339
Communications	830,486		830,486
Fund raising	387,233		387,233
Other services	19,702,985		19,702,985
Administrative	4,683,606		4,683,606
Total Expenses	<u>33,519,667</u>		<u>33,519,667</u>
CHANGE IN NET ASSETS	1,150,076	(215,337)	934,739
NET ASSETS AT BEGINNING OF YEAR	<u>24,207,403</u>	<u>6,766,193</u>	<u>30,973,596</u>
NET ASSETS AT END OF YEAR	<u>\$ 25,357,479</u>	<u>\$ 6,550,856</u>	<u>\$ 31,908,335</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, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	Ministry Services	Educational Services	Communications	Fund Raising	Other Services	Administrative	June 30 2021 Total	June 30 2020 Total
Salary-religious	\$ 67,361				\$ 41,902	\$ 438,855	\$ 548,118	\$ 508,409
Salary-lay	807,667	630,865	326,453	208,073	20,003	842,832	2,835,893	2,935,976
Commissions			19,307				19,307	15,337
FICA	56,622	46,043	25,477	14,230	1,496	58,271	202,139	212,181
Unemployment claims					91,267		91,267	57,689
Health and accident insurance	190,348	294,543	51,069	42,792	258,420	164,779	1,001,951	962,183
Pension and benefits	87,870	45,988	29,752	18,266	18,604	120,262	320,742	254,661
Education, seminars and conferences	14,382	62,358	165	299		2,583	79,787	105,291
Postage	4,088	2,191	1,266	23,074		15,679	46,298	44,028
Telephone	5,956	2,727	1,046	466	240	54,977	65,412	83,680
Office supplies	3,129	2,386	249	1,520		16,060	23,344	34,130
Printing	12,031	3,836	14,677	93,709		12,550	136,803	71,099
Equipment and furniture	903	1,760		213	1,543	2,594	7,013	4,718
Travel	11,384	47,572	4,452	333	1,523	12,454	77,718	105,668
Auto	2,500					42,288	44,788	45,687
Depreciation	27,719	2,965	27,281	988		366,513	425,466	427,241
Legal and professional	116,671	14,831				124,939	256,441	301,338
Public relations	275	1,448	396			710	2,829	6,338
Employee search						7	7	29
Donations and ministry support	437,059	201,066				10,103	648,228	776,461
Miscellaneous	7,351	68,326	223	84		18,809	94,793	64,482
Repairs, maintenance and utilities	20,500					490,603	511,103	470,899
Bank charges	63		820			72,990	73,873	82,364
Property and liability-self insurance					3,241,232	51,253	3,292,485	3,238,166
Student insurance						364,600	364,600	379,203
Memberships and subscriptions	5,326	68,581	3,251	1,080	20,400	13,179	111,817	102,194
Advertising and promotion	2,334	9,322	3,224			693	15,573	48,432
Program expense	303,128	635,833	27,861	5,235	2,178	16,738	990,973	1,106,277
Paper distribution			150,751				150,751	155,007
Freelance and news service			48,098				48,098	53,068
Assessments					148,615		148,615	140,777
Interest						1,014,642	1,014,642	908,876
Funding-ministry and education	251,758	227,127					478,885	390,460
High school subsidy		1,132,000					1,132,000	1,132,000
Insurance claims					16,204,250		16,204,250	15,982,018
High school scholarships		150,000					150,000	150,000
Tuition and allowances	22,000	1,085,017		10,200		300	1,117,517	1,141,700
Catholic Charities subsidy	325,000						325,000	325,000
High school endowment fund distribution		280,000					280,000	280,000
Rent						7,200	7,200	6,600
Provision for uncollectible accounts						1,485,402	1,485,402	250,000
Victim's assistance						21,600	21,600	160,000
Total Expenses	\$ 2,783,425	\$ 5,016,785	\$ 735,818	\$ 420,562	\$ 20,051,673	\$ 5,844,465	\$ 34,852,728	\$ 33,519,667

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

	Ministry Services	Educational Services	Communications	Fund Raising	Other Services	Administrative	June 30 2020 Total
Salary-religious	\$ 57,238				\$ 61,603	\$ 389,568	\$ 508,409
Salary-lay	956,674	614,567	324,695	201,445	18,639	819,956	2,935,976
Commissions			15,337				15,337
FICA	67,082	45,104	24,788	13,833	1,424	59,950	212,181
Unemployment claims					57,689		57,689
Health and accident insurance	210,298	258,697	48,375	43,025	223,905	177,883	962,183
Pension and benefits	70,689	60,795	26,913	10,767	21,294	64,203	254,661
Education, seminars and conferences	17,616	82,050	126	1,985	1,000	2,514	105,291
Postage	4,824	1,056	863	19,604		17,681	44,028
Telephone	8,051	3,822	1,697	636		69,474	83,680
Office supplies	5,463	3,463	1,593	7,969	7	15,635	34,130
Printing	12,677	4,846	13,963	29,935		9,678	71,099
Equipment and furniture	1,098	320			2,320	980	4,718
Travel	28,895	51,616	4,188	1,020	1,198	18,751	105,668
Auto	2,292					43,395	45,687
Depreciation	24,934	2,317	28,002	822		371,166	427,241
Legal and professional	76,702	15,595	105			208,936	301,338
Public relations	548	1,970	3,570			250	6,338
Employee search						29	29
Donations and ministry support	470,574	259,752				46,135	776,461
Miscellaneous	8,169	26,919	277	475		28,642	64,482
Repairs, maintenance and utilities	15,044	113			402	455,340	470,899
Bank charges			539			81,825	82,364
Property and liability-self insurance					3,186,734	51,432	3,238,166
Student insurance						379,203	379,203
Memberships and subscriptions	6,710	77,524	1,579	1,200	720	14,461	102,194
Advertising and promotion	770	3,220	2,237	40,629		1,576	48,432
Program expense	412,878	536,675	121,164	4,038	3,255	28,267	1,106,277
Paper distribution			155,007				155,007
Freelance and news service			53,068				53,068
Assessments					140,777		140,777
Interest						908,876	908,876
Funding-ministry and education	265,137	125,323					390,460
High school subsidy		1,132,000					1,132,000
Insurance claims					15,982,018		15,982,018
High school scholarships		150,000					150,000
Tuition and allowances	22,655	1,105,595	2,400	9,850		1,200	1,141,700
Catholic Charities subsidy	325,000						325,000
High school endowment fund distribution		280,000					280,000
Rent						6,600	6,600
Provision for uncollectible accounts						250,000	250,000
Victim's assistance						160,000	160,000
Total Expenses	<u>\$ 3,072,018</u>	<u>\$ 4,843,339</u>	<u>\$ 830,486</u>	<u>\$ 387,233</u>	<u>\$ 19,702,985</u>	<u>\$ 4,683,606</u>	<u>\$ 33,519,667</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	
	2021	2020
	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from		
Parish quotas	\$ 2,664,520	\$ 2,439,343
Donations and bequests	1,966,789	2,734,834
Net investment income (loss)	(14,712)	(13,060)
Fund raising	5,306,445	5,445,072
Insurance premiums	20,196,150	20,283,005
Interest - loans	319,800	490,770
Other income and fees	1,755,409	1,400,400
Cash paid for		
Program and administrative services	(36,418,793)	(29,257,407)
Interest - parish deposits	(1,014,642)	(908,842)
	<u> </u>	<u> </u>
Net Cash Provided By (Used For) Operating Activities	(5,239,034)	2,614,115
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(197,115)	(88,547)
Increase in investments	(7,160,203)	(5,798,260)
Proceeds from sale of assets	600	8,520
Decrease in parish loans receivable	2,108,548	2,830,814
Decrease (increase) in accounts receivable-other	4,000,000	(4,026,063)
Decrease in deposits	-	22,500
	<u> </u>	<u> </u>
Net Cash Used For Investing Activities	(1,248,170)	(7,051,036)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in parish deposits	2,288,523	6,468,310
Payments on notes payable - bank	(1,955,628)	(2,578,372)
Proceeds from notes payable - bank	-	3,550,000
	<u> </u>	<u> </u>
Net Cash Provided By Financing Activities	332,895	7,439,938
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,154,309)	3,003,017
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>12,100,251</u>	<u>9,097,234</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,945,942</u>	<u>\$ 12,100,251</u>

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	
	2021	2020
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Change in net assets	\$ 12,610,357	\$ 934,739
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	425,466	427,241
Change in value - beneficial interest in trusts	33,044	40,759
Loss (gain) on disposition of assets	(600)	11,313
Unrealized investment gain	(15,675,420)	(1,024,016)
Uncollectible accounts	1,174,895	250,000
Changes in operating assets and liabilities		
Decrease (increase) in		
Accounts receivable	(368,561)	(702,098)
Inventories	34,789	(13,692)
Prepaid expenses	(13,288)	-
Increase (decrease) in		
Accounts payable and accrued expenses	(3,498,434)	2,788,991
Collections payable	38,718	(99,122)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(\$ 5,239,034)	\$ 2,614,115

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 CARES Act temporarily increased the deductibility of charitable contributions to 100% of adjusted gross income for charitable contributions made in 2021.

The Diocese has adopted FASB ASC 740-10-25, and determined no material unrecognized tax benefits or liabilities exist as of June 30, 2021. 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, 2021, 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 \$1,014,642 and \$908,842 for the years ended June 30, 2021 and 2020, 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 \$425,466 and \$427,241 for the years ending June 30, 2021 and 2020, 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, 2021 and 2020, 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, 2021			
Furniture and equipment	\$ 2,477,187	\$ 1,672,794	\$ 804,393
Buildings and improvements	6,815,955	3,830,232	2,985,723
Land	2,462,540	-	2,462,540
Automobiles	306,822	186,170	120,652
	\$ 12,062,504	\$ 5,689,196	\$ 6,373,308
	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
	\$ 11,907,411	\$ 5,305,752	\$ 6,601,659

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Functional Expenses – The cost of providing the program and other activities has been summarized on a functional basis in the accompanying statements of activities and changes in net assets. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, certain professional services, supplies, information technology, insurance and other expenses, which are allocated on the basis of time and effort.

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, 2021 and 2020 in the amount of \$110,895 and \$71,623, 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 promotion costs are expensed when incurred. Advertising and promotion costs amounted to \$15,573 and \$48,432 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, the gross accounts and loans receivable balance relating to amounts due from parishes and schools amounted to \$11,060,047 and \$14,854,717, 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, 2022 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 30, 2021, 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.

NOTE 3 – Accounts Receivable – Net

Accounts receivable amounted to \$3,792,560 and \$7,423,999 as of June 30, 2021 and 2020, respectively. A summary of these receivables and related provision for uncollectible accounts is presented as follows:

	June 30 2021	June 30 2020
General receivables	\$ 50,291	\$ 26,505
Payroll	885,727	1,031,258
Quota	53,382	208,356
Insurance	73,259	98,988
Health and accident insurance	196,287	362,032
Retirement	18,518	59,113
Interest	947,619	796,990
Bishop's Appeal (net)	340,807	542,526
Affiliated organizations	1,112,090	128,633
Due from lay retirement plan	-	4,000,000
Other receivables	114,580	169,598
Gross accounts receivable	3,792,560	7,423,999
Less: provision for uncollectible accounts	(1,276,686)	(587,097)
Total Accounts Receivable - Net	\$ 2,515,874	\$ 6,836,902

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 – Loans Receivable – Net

Loans receivable amounted to \$13,240,903 and \$15,349,451 as of June 30, 2021 and 2020, respectively. A summary of loans receivable and related provision for uncollectible accounts is presented as follows:

	<u>June 30</u> <u>2021</u>	<u>June 30</u> <u>2020</u>
Loans to Diocesan Organizations	\$ 10,498,629	\$ 12,407,177
Noninterest bearing loans	<u>2,742,274</u>	<u>2,942,274</u>
	13,240,903	15,349,451
Less: provision for uncollectible loans	(784,366)	(299,060)
Total Accounts Receivable - Net	<u><u>\$ 12,456,537</u></u>	<u><u>\$ 15,050,391</u></u>

NOTE 5 – Provision for Uncollectible Accounts Receivable and Loans Receivable

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

	<u>June 30</u> <u>2021</u>	<u>June 30</u> <u>2020</u>
Beginning balance	\$ 886,157	\$ 850,045
Accounts written off	(310,507)	(213,888)
Bad debt provision	1,485,402	250,000
Ending balance	<u><u>\$ 2,061,052</u></u>	<u><u>\$ 886,157</u></u>

At June 30, 2021 and 2020, the following accounts were past due:

	<u>6 Months</u> <u>Past Due</u>	<u>12 Months</u> <u>Past Due</u>	<u>18 Months</u> <u>Past Due</u>	<u>Total</u> <u>Past Due</u>
2021	\$ 1,076	\$ 380,291	\$ 895,319	\$ 1,276,686
2020	485,279	5,477	767,436	1,258,192

NOTE 6 – Investments

Investments as of June 30, 2021 and 2020 consisted of the following:

	Fair Market Value	
	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Cash equivalents	\$ 6,138,263	\$ 4,150,939
Non U.S. equity	37,410,864	27,001,340
Long/short equity	14,284,148	7,714,668
U.S. large cap	10,202,963	4,821,668
Fixed income	3,400,988	4,821,668
Private equity	501,023	592,343
Total Investments at Fair Value	<u><u>\$ 71,938,249</u></u>	<u><u>\$ 49,102,626</u></u>
Total Investments at Historical Cost	<u><u>\$ 51,976,441</u></u>	<u><u>\$ 44,816,190</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 – Investments (Continued)

Net investment income consists of the following:

	June 30 2021	June 30 2020
Dividends and interest	\$ 162,478	\$ 114,105
Realized gains	32	5,417
Unrealized gains	15,675,420	1,024,016
Investment management fees	(177,222)	(132,582)
Net Investment Income	\$ 15,660,708	\$ 1,010,956

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 \$5,514,982 and \$11,583,771 in excess of the federally insured limits as of June 30, 2021 and 2020, 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 \$167,416 and \$149,830 for the years ending June 30, 2021 and 2020, respectively. The plan was frozen effective December 31, 2020. Contributions are to be made for defined benefit participants through age 65 with more than 10 years of service. The contribution under this provision amounted to \$49,182 for the year ended June 30, 2021.

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 \$27,436 and \$28,417 for the years ended June 30, 2021 and 2020, respectively.

The following sets forth the funded status of the plan as of January 1, 2021 and 2020.

	January 1 2021	January 1 2020
Actuarial present value of benefit obligations:		
Vested benefits	\$ 120,406,000	\$ 105,955,000
Nonvested benefits	860,000	823,000
Accumulated and projected benefit obligations:	\$ 121,266,000	\$ 106,778,000
Fair value of assets held in the plan	\$ 89,036,048	\$ 77,748,146
Funding ratio	73.4%	72.8%

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 6% at January 1, 2021 and 7% at January 1, 2020.

The following is an analysis of plan assets by category:

	January 1 2021	January 1 2020
Securities - Northern Trust	\$ 83,547,874	\$ 67,496,832
Annuity contract	1,140,668	1,342,855
Employer receivable	<u>4,347,506</u>	<u>8,908,459</u>
Total	<u>\$ 89,036,048</u>	<u>\$ 77,748,146</u>

The following is a reconciliation of plan assets for the plan year ending January 1, 2021 and 2020:

	Plan Year Ended January 1	
	2021	2020
Plan assets - beginning of year	\$ 77,748,146	\$ 69,873,883
Employer contribution	4,468,655	4,692,445
Benefits paid	(6,627,924)	(6,339,101)
Plan income (loss)	<u>13,447,171</u>	<u>9,520,919</u>
Plan Assets - end of year	<u>\$ 89,036,048</u>	<u>\$ 77,748,146</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	
	2021	2020
Charitable remainder trust	\$ 261,310	\$ 273,214
Perpetual trust	<u>3,068,880</u>	<u>3,090,020</u>
	<u>\$ 3,330,190</u>	<u>\$ 3,363,234</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, 2021 and 2020 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 October 31, 2017. The lease called for monthly rent payments of \$2,800 through October 2022. Rental income received under the terms of this lease amounted to \$33,600 for each of the years ended June 30, 2021 and 2020.

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, 2021 and 2020.

The Diocese leases real property to an unrelated entity in Mishawaka, Indiana under the terms of a lease dated February 8, 2020. The lease calls for monthly rent payments of \$1,667 through December 31, 2025. Rental income amounted to \$23,338 and \$18,337 for the years ended June 30, 2021 and 2020, 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 2024. Rental income associated with these leases amounted to \$143,555 and \$137,283 for the years ended June 30, 2021 and 2020, 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
2022	\$ 33,600	\$ 87,475	\$ 20,000	\$ 141,950
2023	8,400	87,475	20,000	141,950
2024	-	87,475	20,000	141,950
2025	-	87,475	10,000	70,975
2026	-	87,475	-	-

NOTE 11 – Notes 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, 2021) and is due December 19, 2024.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 11 – Notes 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, 2021). 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, 2021). 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, 2021). 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 Diocese was informed of the official forgiveness by the S.B.A. on August 5, 2021. The amount outstanding as of June 30, 2021 and 2020 under these agreements amounted to \$3,874,965 and \$5,830,593, 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 \$15,483,980 and \$15,332,471 for the years ended June 30, 2021 and 2020, respectively.

The Diocese is self-insured with respect to unemployment compensation. Claims and benefits paid amounted to \$91,267 and \$57,689 for the years ended June 30, 2021, and 2020.

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 \$427,027 and \$374,018 for the years ended June 30, 2021 and 2020, 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 2021	June 30 2020
Assets and Liabilities:		
Accounts receivable, gross	\$ 3,137,949	\$ 2,664,459
Loans receivable, gross	7,868,098	12,190,258
Accounts payable and accrued expenses	177,976	85,016
Revenues:		
Parish quotas	2,509,546	2,570,885
Premiums and insurance billings	20,030,405	20,228,869
Interest income - notes receivable	470,429	460,235
Expenses:		
Education services	1,820,980	1,839,593
Ministry services	624,155	714,573

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.

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, 2021 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	\$ 3,417,473	\$	\$	\$ 2,720,790	\$ 6,138,263
Non U.S. equity				37,410,864	37,410,864
Long/short equity				14,284,148	14,284,148
U.S. large cap				10,202,963	10,202,963
Fixed income				3,400,988	3,400,988
Private equity			501,023		501,023
Total investments	<u>3,417,473</u>	<u>-</u>	<u>501,023</u>	<u>68,019,753</u>	<u>71,938,249</u>
Beneficial interest in trusts	261,310		3,068,880		3,330,190
Total Financial Instruments	<u>\$ 3,678,783</u>	<u>\$ -</u>	<u>\$ 3,569,903</u>	<u>\$ 68,019,753</u>	<u>\$ 75,268,439</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 14 – Fair Value of Financial Instruments (Continued)

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	\$ 566,819	\$ -	\$ 3,682,363	\$ 48,216,678	\$ 52,465,860

Investments valued at NAV or its equivalent as of June 30, 2021, consisted of the following:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Catholic Endowment Fund	\$ 68,019,753	\$ N/A	Unlimited	95 days

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

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, 2021 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, 2020	\$ 592,343	\$ 3,090,020	\$ 3,682,363
Transfers in			-
Transfers out	(91,320)		(91,320)
Dividends and interest income, realized and unrealized gains, and changes in value		(21,140)	(21,140)
Balance - June 30, 2021	<u>\$ 501,023</u>	<u>\$ 3,068,880</u>	<u>\$ 3,569,903</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, 2020 for Level 3 assets.

	<u>Investments</u>	Beneficial Interest in <u>Trusts</u>	<u>Total</u>
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>

NOTE 15 – Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Music education scholarship	\$ 144,251	\$ 144,251
Burses	608,444	608,444
Perpetual trust interest	<u>3,068,880</u>	<u>3,090,020</u>
Total Endowment Funds	3,821,575	3,842,715
Gilmartin fund	781,544	781,544
Josephine A. Sommerer fund	442,520	342,860
Nellie Fowerbaugh estate	382,022	426,022
Future trust interest	270,483	282,387
Fund for the aging	26,120	39,549
Other funds	884,272	835,779
Total Donor Restricted Funds	<u>\$ 6,608,536</u>	<u>\$ 6,550,856</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, 2021 and 2020 are as follows:

	2021	2020
Josephine A. Sommerer fund	\$ 40,000	\$ 38,750
Fund for the aging	13,429	180,045
Perpetual trust interest	21,140	21,734
Other funds	121,047	24,738
	<u>\$ 195,616</u>	<u>\$ 265,267</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, 2021, is as follows:

Donor-restricted funds	\$	\$ 3,821,575	\$ 3,821,575
Designated funds	5,436,809		5,436,809
Total funds	<u>\$ 5,436,809</u>	<u>\$ 3,821,575</u>	<u>\$ 9,258,384</u>

Endowment net asset composition by type of fund as of June 30, 2020, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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>

Changes in endowment net assets for the year ended June 30, 2021, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ 4,210,718	\$ 3,842,715	\$ 8,053,433
Investment return:			
Dividends, interest and realized investment losses (net)	(2,942)		(2,942)
Unrealized gains	1,510,133		1,510,133
Change in value - beneficial trust interest		(21,140)	(21,140)
Total investment return	<u>1,507,191</u>	<u>(21,140)</u>	<u>1,486,051</u>
Appropriation of endowment assets for expenditures	(281,100)		(281,100)
Endowment net assets - end of year	<u>\$ 5,436,809</u>	<u>\$ 3,821,575</u>	<u>\$ 9,258,384</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 16 – Endowments (Continued)

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ 4,402,647	\$ 3,864,449	\$ 8,267,096
Investment return:			
Dividends, interest and realized investment gains (net)	(11,633)		(11,633)
Unrealized gains	104,489		104,489
Change in value - beneficial trust interest	(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	\$ 4,210,718	\$ 3,842,715	\$ 8,053,433

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, 2021 and 2020, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the balance sheet date.

Receivables	2,515,874	6,836,902
Investments	<u>71,938,249</u>	<u>49,102,626</u>
Total financial assets	80,400,065	68,039,779
Less amounts not available for general expenditures within one year:		
Funds held as parish deposits	53,218,858	50,930,335
Donor imposed restriction	6,608,536	6,550,856
Collections payable	<u>142,183</u>	<u>103,465</u>
Total	59,969,577	57,584,656
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 20,430,488</u>	<u>\$ 10,455,123</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. There were no reserves established as of June 30, 2021 or 2020.

**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	
	2021	2020
WITHOUT DONOR RESTRICTIONS		
Special ministries	\$ 175,516	\$ 153,576
Liturgy department	106,304	133,650
Cathedral museum	63,925	53,134
Vocation department	53,445	44,930
Family life	563,251	747,309
Tribunal	460,174	451,593
Hospital ministry	92,673	22,564
Youth ministry	93,481	188,532
Catholic Charities	425,386	425,265
Fund for the poor	90,500	90,500
St. Mary's Heritage fund	196,400	197,906
Parish in need	192,272	199,223
Other	27,238	28,569
Missions	20,016	19,750
Permanent diaconate	69,024	64,927
World Youth Day	-	338
CCHD Intern	6,221	-
Bishop's OSV funds	61,774	35,595
Pueri Cantores	-	7,174
Catechesis	12,150	-
Education for ministry	1,636	2,412
Heavenly lights	186	-
Catholic missions	300	288
	2,711,872	2,867,235
Total Without Donor Restrictions		
WITH DONOR RESTRICTIONS		
Fund for the aging	13,429	55,045
Nellie Fowerbaugh estate	44,000	125,000
Bathe/Avilla fund	-	1,914
Youth ministries	-	13,700
Lowe charitable fund	5,000	-
Ross - St. Bernard's	9,124	9,124
	71,553	204,783
Total With Donor Restrictions		
TOTAL MINISTRY SERVICES	\$ 2,783,425	\$ 3,072,018

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	
	2021	2020
WITHOUT DONOR RESTRICTIONS		
School administration	\$ 352,157	\$ 375,360
Secretariat of Catholic education	143,979	149,165
Religious education	571,954	527,096
Seminarian education	1,329,128	1,240,702
Continuing education - Priests	63,348	82,818
Large Catholic family fund	184,661	51,573
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	1,092,000
Bishop Noll scholarships	25,000	25,000
School marketing	34,860	25,416
Music education endowment income	1,100	4,785
Catholic Schools Office funded projects	42,803	40,850
Twinning	193,980	191,380
School fund	30,000	30,996
Principal training	31,835	-
St. Joseph Regional Medical Center	-	4,137
South Bend technology	85,347	84,256
High school endowment	280,000	280,000
Other	5,094	9,220
Franciscan seminary education	-	106,631
Our Sunday Visitor - master arts	-	58,575
Hispanic diaconate formation	-	825
Our Sunday Visitor stipend	246,616	223,804
	4,913,862	4,804,589
WITHOUT DONOR RESTRICTIONS		
Our Sunday Visitor - master arts	62,923	-
Josephine A. Sommerer Scholarship Fund	40,000	38,750
	102,923	38,750
TOTAL EDUCATIONAL SERVICES	\$ 5,016,785	\$ 4,843,339

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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	
	2021	2020
WITHOUT DONOR RESTRICTIONS		
Today's Catholic	\$ 424,195	\$ 438,014
Communications office	171,898	197,120
TV Mass	44,143	108,613
Diocesan Directory	10,273	12,145
7th Floor Studios	85,309	74,594
TOTAL COMMUNICATIONS	\$ 735,818	\$ 830,486

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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	
	2021	2020
WITHOUT DONOR RESTRICTIONS		
Bishop's Appeal	\$ 272,384	\$ 264,322
Development office	148,095	122,893
Planned giving	83	18
TOTAL FUND RAISING	\$ 420,562	\$ 387,233

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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	
	2021	2020
WITHOUT DONOR RESTRICTIONS		
Personnel	\$ 320,077	\$ 308,089
Assessments	148,615	140,777
Parish assistance	25,755	39,768
Group insurance expense	17,337,938	17,163,339
Property/liability insurance expense	2,128,021	1,993,323
Unemployment claims	91,267	57,689
TOTAL OTHER SERVICES	\$ 20,051,673	\$ 19,702,985

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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	
	2021	2020
WITHOUT DONOR RESTRICTIONS		
Bishop	\$ 81,622	\$ 74,772
Administration	767,893	797,751
Archive department	55,058	55,258
Central purchasing	64,676	56,880
Data processing	82,302	99,373
Accounting	247,092	245,211
Property management	871,093	896,285
Property manager	142,187	146,654
Interest expense	1,014,642	908,842
Foreign clergy	37,914	35,200
Provision for uncollectible accounts	1,485,402	250,000
Separation benefits - lay	72,839	62,826
Priests' retirement	430,951	375,218
Safe environment	100,928	117,329
Andrews Center	-	15,164
Victim's assistance	20,000	160,000
Old Chancery	8	326
Other	5,258	7,314
Student insurance	364,600	379,203
	\$ 5,844,465	\$ 4,683,606
TOTAL ADMINISTRATIVE		

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