

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

**Financial Statements  
and Supplementary Information**

**as of June 30, 2022 and 2021**

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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, 2022 and 2021, 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, 2022 and 2021, 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*

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

September 12, 2022

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

<b>ASSETS</b>	June 30	
	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 7,711,280	\$ 5,945,942
Accounts receivable (net of provision for doubtful accounts)	1,131,269	2,515,874
Investments	62,399,651	71,938,249
Loans receivable (net of provision for doubtful accounts)	6,441,336	12,456,537
Beneficial interest in trusts	3,309,394	3,330,190
Inventories	173,093	169,967
Land, buildings and equipment (net)	7,262,502	6,373,308
Prepaid expenses	20,486	13,288
Deposits	<u>320,500</u>	<u>320,500</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 88,769,511</u></b>	<b><u>\$ 103,063,855</u></b>

(Continued)

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

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

	June 30	
LIABILITIES AND NET ASSETS	2022	2021
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 2,869,978	\$ 1,301,533
Parish deposits	58,750,974	53,218,858
Notes payable - bank	273,965	3,874,965
Collections payable	143,772	142,183
Annuities payable	<u>7,624</u>	<u>7,624</u>
Total Liabilities	62,046,313	58,545,163
<b>NET ASSETS</b>		
Without donor restrictions	20,273,652	37,910,156
With donor restrictions	<u>6,449,546</u>	<u>6,608,536</u>
Total Net Assets	<u>26,723,198</u>	<u>44,518,692</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 88,769,511</u></u>	<u><u>\$ 103,063,855</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, 2022**

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

**REVENUES, GAINS AND OTHER SUPPORT**

	Without		With		June 30	
	Donor		Donor		2022	
	Restrictions		Restrictions		Total	
	\$		\$		\$	
Parish quotas	2,494,074		2,494,074		2,494,074	
Donations and bequests	1,539,074		1,582,433		1,582,433	
Government grants	1,000,000		1,000,000		1,000,000	
Net investment loss	( 571,421 )		( 4,087 )		( 575,508 )	
Unrealized investment gain (loss)	( 12,810,598 )		( 86,683 )		( 12,897,281 )	
Fund raising - Annual Bishop's Appeal	5,105,585		5,105,585		5,105,585	
Insurance premiums	20,198,316		20,198,316		20,198,316	
Interest - loans	416,551		416,551		416,551	
Collections	215,496		215,496		215,496	
Advertising	138,478		138,478		138,478	
Sale of merchandise	414,958		414,958		414,958	
Fees, rentals and workshops	895,744		895,744		895,744	
Subscriptions	70,045		70,045		70,045	
Miscellaneous	126,971		126,971		126,971	
Change in value - beneficial trust interest			35		35	
Gain (loss) on sale of assets	( 1,186 )		( 1,186 )		( 1,186 )	
<b>Net Assets Released From Restrictions</b>	<u>111,614</u>		<u>( 111,614 )</u>		<u>-</u>	
<b>Total Revenue, Gains and Other Support and</b>						
<b>Net Assets Released from Restrictions</b>	19,343,701	( 158,990 )	19,184,711		19,184,711	47,463,085

**EXPENSES**

Ministry services	3,186,603		3,186,603		3,186,603	2,783,425
Educational services	4,850,725		4,850,725		4,850,725	5,023,679
Communications	723,364		723,364		723,364	735,818
Fund raising	422,007		422,007		422,007	420,562
Other services	22,204,936		22,204,936		22,204,936	20,051,673
Administrative	5,592,570		5,592,570		5,592,570	5,837,571
<b>Total Expenses</b>	<u>36,980,205</u>		<u>36,980,205</u>		<u>36,980,205</u>	<u>34,852,728</u>
<b>CHANGE IN NET ASSETS</b>	( 17,636,504 )	( 158,990 )	( 17,795,494 )		( 17,795,494 )	12,610,357
<b>NET ASSETS AT BEGINNING OF YEAR</b>	37,910,156		44,518,692		44,518,692	31,908,335
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 20,273,652</u>		<u>\$ 6,449,546</u>		<u>\$ 26,723,198</u>	<u>\$ 44,518,692</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, 2021**

**REVENUES, GAINS AND OTHER SUPPORT**

	Without Donor Restrictions	With Donor Restrictions	June 30 2021 Total
Parish quotas	\$ 2,509,546		\$ 2,509,546
Donations and bequests	1,856,928	109,861	1,966,789
Net investment loss	( 14,411 )	301 )	( 14,712 )
Unrealized investment gain	15,519,780	155,640	15,675,420
Fund raising - Annual Bishop's Appeal	5,104,726		5,104,726
Insurance premiums	20,030,405		20,030,405
Interest - loans	470,429		470,429
Collections	244,522		244,522
Advertising	128,711		128,711
Sale of merchandise	393,028		393,028
Fees, rentals and workshops	793,191		793,191
Subscriptions	77,480		77,480
Miscellaneous	94,854		94,854
Change in value - beneficial trust interest		( 11,904 )	( 11,904 )
Gain on sale of assets	600		600
<b>Net Assets Released From Restrictions</b>	<b>195,616</b>	<b>( 195,616 )</b>	<b>-</b>
<b>Total Revenue, Gains and Other Support and</b>			
<b>Net Assets Released from Restrictions</b>	<b>47,405,405</b>	<b>57,680</b>	<b>47,463,085</b>

**EXPENSES**

Ministry services	2,783,425		2,783,425
Educational services	5,023,679		5,023,679
Communications	735,818		735,818
Fund raising	420,562		420,562
Other services	20,051,673		20,051,673
Administrative	5,837,571		5,837,571
<b>Total Expenses</b>	<b>34,852,728</b>		<b>34,852,728</b>

**CHANGE IN NET ASSETS**

	12,552,677	57,680	12,610,357
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**NET ASSETS AT BEGINNING OF YEAR**

	25,357,479	6,550,856	31,908,335
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**NET ASSETS AT END OF YEAR**

	<b>\$ 37,910,156</b>	<b>\$ 6,608,536</b>	<b>\$ 44,518,692</b>
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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, 2022**

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

	Ministry Services	Educational Services	Communications	Fund Raising	Other Services	Administrative	June 30 2022 Total	June 30 2021 Total
	\$	\$	\$	\$	\$	\$	\$	\$
Salary-religious	63,294	605,569	305,671	188,755	70,640	431,061	564,995	548,118
Salary-lay	835,357		20,772		21,869	835,138	2,792,359	2,835,893
Commissions			24,891				20,772	19,307
FICA	59,346	44,634		13,392	1,690	59,680	203,633	202,139
Unemployment claims					13,288		13,288	91,267
Health and accident insurance	168,102	254,801	43,026	39,226	268,155	150,522	923,832	1,001,951
Pension and benefits	85,185	45,095	26,702	20,013	24,368	112,230	313,593	320,742
Education, seminars and conferences	12,281	154,662	1,120		1,250	10,198	179,511	79,787
Postage	6,097	1,030	2,568	20,130		20,434	50,259	46,298
Telephone	6,055	3,346	1,096	542	964	53,124	65,127	65,412
Office supplies	2,580	3,999	3,873	652		11,487	22,591	23,344
Printing	24,264	4,595	18,241	82,350		17,118	146,568	136,803
Equipment and furniture	537		1,250		280	3,941	6,008	7,013
Travel	28,362	52,998	6,331	965	3,968	26,564	119,188	77,718
Auto	2,500					49,720	52,220	44,788
Depreciation	29,092	3,931	24,220	910	3,134	391,667	449,820	425,466
Legal and professional	128,288	7,201				129,433	268,056	256,441
Public relations	802	2,383	101			5,703	8,989	2,829
Employee search		303	75			4,095	4,473	7
Donations and ministry support	754,742	215,571	49			150	970,463	648,228
Miscellaneous	12,732	44,926				16,868	74,575	94,793
Repairs, maintenance and utilities	17,068	86				583,511	600,665	511,103
Bank charges			460			62,884	63,344	73,873
Property and liability-self insurance					3,658,152	51,253	3,709,405	3,292,485
Student insurance						348,994	348,994	364,600
Memberships and subscriptions	3,767	77,190	2,296			40,315	123,568	111,817
Advertising and promotion	5,000	1,917	3,379			641	10,937	15,573
Program expense	565,922	672,896	10,865	44,497	201,089	50,265	1,545,534	990,973
Paper distribution			163,693				163,693	150,751
Freelance and news service			62,685				62,685	48,098
Assessments	300				137,387	1,230	138,917	148,615
Interest								
Funding-ministry and education	20,000	136,224				1,091,346	1,091,346	1,014,642
High school subsidy		1,132,000					156,224	478,885
Insurance claims					17,798,702		1,132,000	1,132,000
High school scholarships		150,000					17,798,702	16,204,250
Tuition and allowances	29,930	955,368		10,575		143	150,000	150,000
Catholic Charities subsidy	325,000						996,016	1,117,517
High school endowment fund distribution		280,000					325,000	325,000
Rent						7,200	280,000	280,000
Provision for uncollectible accounts						1,025,655	1,025,655	1,485,402
Victim's assistance							7,200	7,200
<b>Total Expenses</b>	<b>\$ 3,186,603</b>	<b>\$ 4,850,725</b>	<b>\$ 723,364</b>	<b>\$ 422,007</b>	<b>\$ 22,204,936</b>	<b>\$ 5,592,570</b>	<b>\$ 36,980,205</b>	<b>\$ 34,852,728</b>

The Notes to Financial Statements

are an integral part of the statements.

**DIOCESE OF FORT WAYNE-SOUTH BEND, INC.**  
**CENTRAL OPERATIONS**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2021**

	Ministry Services	Educational Services	Communications	Fund Raising	Other Services	Administrative	June 30 2021 Total
	\$	\$	\$	\$	\$	\$	\$
Salary-religious	67,361				41,902	438,855	548,118
Salary-lay	807,667	630,865	326,453	208,073	20,003	842,832	2,835,893
Commissions			19,307				19,307
FICA	56,622	46,043	25,477	14,230	1,496	58,271	202,139
Unemployment claims					91,267		91,267
Health and accident insurance	190,348	294,543	51,069	42,792	258,420	164,779	1,001,951
Pension and benefits	87,870	52,282	29,752	18,266	18,604	113,968	320,742
Education, seminars and conferences	14,382	62,358	165	299		2,583	79,787
Postage	4,088	2,191	1,266	23,074		15,679	46,298
Telephone	5,956	2,727	1,046	466	240	54,977	65,412
Office supplies	3,129	2,386	249	1,520		16,060	23,344
Printing	12,031	3,836	14,677	93,709		12,550	136,803
Equipment and furniture	903	1,760		213	1,543	2,594	7,013
Travel	11,384	47,572	4,452	333	1,523	12,454	77,718
Auto	2,500					42,288	44,788
Depreciation	27,719	2,965	27,281	988		366,513	425,466
Legal and professional	116,671	14,831				124,939	256,441
Public relations	275	1,448	396			710	2,829
Employee search						7	7
Donations and ministry support	437,059	201,066	223			10,103	648,228
Miscellaneous	7,351	68,326		84		18,809	94,793
Repairs, maintenance and utilities	20,500					490,603	511,103
Bank charges	63		820			72,990	73,873
Property and liability-self insurance					3,241,232	51,253	3,292,485
Student insurance						364,600	364,600
Memberships and subscriptions	5,326	68,581	3,251	1,080	20,400	13,179	111,817
Advertising and promotion	2,334	9,322	3,224			693	15,573
Program expense	303,128	636,433	27,861	5,235	2,178	16,138	990,973
Paper distribution			150,751				150,751
Freelance and news service			48,098				48,098
Assessments					148,615		148,615
Interest							
Funding-ministry and education		227,127				1,014,642	1,014,642
High school subsidy	251,758	1,132,000				478,885	1,132,000
Insurance claims							
High school scholarships		150,000					150,000
Tuition and allowances		1,085,017		10,200		300	1,117,517
Catholic Charities subsidy	22,000						22,000
High school endowment fund distribution	325,000	280,000					325,000
Rent						7,200	7,200
Provision for uncollectible accounts						1,485,402	1,485,402
Victim's assistance						21,600	21,600
Total Expenses	<u>\$ 2,783,425</u>	<u>\$ 5,023,679</u>	<u>\$ 735,818</u>	<u>\$ 420,562</u>	<u>\$ 20,051,673</u>	<u>\$ 5,837,571</u>	<u>\$ 34,852,728</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	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash received from</b>		
Parish quotas	\$ 2,547,456	\$ 2,664,520
Donations and bequests	2,582,433	1,966,789
Net investment loss	( 575,508 )	( 14,712 )
Fund raising	5,174,421	5,306,445
Insurance premiums	20,312,687	20,196,150
Interest - loans	778,299	319,800
Other income and fees	3,611,263	1,755,409
<b>Cash paid for</b>		
Program and administrative services	( 32,832,845 )	( 36,418,793 )
Interest - parish deposits	( 1,091,346 )	( 1,014,642 )
Net Cash Provided By (Used For) Operating Activities	506,860	( 5,239,034 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	( 1,340,298 )	( 197,115 )
Increase in investments	( 3,358,683 )	( 7,160,203 )
Proceeds from sale of assets	100	600
Decrease in parish loans receivable	4,026,243	2,108,548
Decrease (increase) in accounts receivable-other	-	4,000,000
Net Cash Used For Investing Activities	( 672,638 )	( 1,248,170 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in parish deposits	5,532,116	2,288,523
Payments on notes payable - bank	( 3,601,000 )	( 1,955,628 )
Net Cash Provided By Financing Activities	1,931,116	332,895
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,765,338	( 6,154,309 )
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	5,945,942	12,100,251
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 7,711,280</u>	<u>\$ 5,945,942</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 Cash Flows (Continued)**

	For the Year Ended June 30	
	2022	2021
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>		
Change in net assets	( \$ 17,795,494 )	\$ 12,610,357
<b>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</b>		
Depreciation	449,818	425,466
Change in value - beneficial interest in trusts	20,796	33,044
Loss (gain) on disposition of assets	1,186	( 600 )
Unrealized investment loss (gain)	12,897,281	( 15,675,420 )
Uncollectible accounts	1,812,036	1,174,895
<b>Changes in operating assets and liabilities</b>		
<b>Decrease (increase) in</b>		
Accounts receivable	1,561,527	( 368,561 )
Inventories	( 3,126 )	34,789
Prepaid expenses	( 7,198 )	( 13,288 )
<b>Increase (decrease) in</b>		
Accounts payable and accrued expenses	1,568,445	( 3,498,434 )
Collections payable	1,589	38,718
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>\$ 506,860</u>	<u>( \$ 5,239,034 )</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

**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.

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.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

**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, 2022. 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, 2022, 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.

**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 \$1,091,346 and \$1,014,642 for the years ended June 30, 2022 and 2021, respectively.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

**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 \$449,818 and \$425,466 for the years ending June 30, 2022 and 2021, 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, 2022 and 2021, the original cost, accumulated depreciation and net book value of the components of land, buildings and equipment are as follows:

	Original Cost	Accumulated Depreciation	Net Book Value
<b>June 30, 2022</b>			
Furniture and equipment	\$ 2,530,469	\$ 1,827,919	\$ 702,550
Buildings and improvements	8,017,624	4,043,613	3,974,011
Land	2,463,040	-	2,463,040
Automobiles	387,382	264,481	122,901
	<u>\$ 13,398,515</u>	<u>\$ 6,136,013</u>	<u>\$ 7,262,502</u>
	Original Cost	Accumulated Depreciation	Net Book Value
<b>June 30, 2021</b>			
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
	<u>\$ 12,062,504</u>	<u>\$ 5,689,196</u>	<u>\$ 6,373,308</u>

**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.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

**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, 2022 and 2021 in the amount of \$70,254 and \$110,895, 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 \$10,937 and \$15,573 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, the gross accounts and loans receivable balance relating to amounts due from parishes and schools amounted to \$9,307,377 and \$11,006,047, 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)

**Revenue Recognition** – The Organization recognizes revenue from the following sources:

**Parish Quotas:** The Diocese receives revenue through parish assessments to help fund operations. The Diocesan assessments are determined annually based on the parish's offertory and are billed monthly on a prorated basis to the parishes. Receivables for the assessments are reported as accounts receivable on the statements of financial position.

**Donations and Bequests:** Contributions are recognized when the donor makes an unconditional promise to transfer assets. The Diocese reports gifts of cash, in-kind contributions, and other assets as with or without donor restrictions, depending on the existence and/or nature of any donor stipulations. Amounts received that are designated for future periods or restricted by the donor for a specific purpose are reported as support with donor restrictions and as an increase to the related net asset class. If a restriction is fulfilled in the same period in which the contribution is received, the Diocese reports the support as unrestricted. In the event that monies both with and without donor restrictions are available for use for activities that comply with donor restrictions, the Diocese will use funds having donor restrictions first.

Promises to give that are expected to be collected within one year are recorded at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Diocese reviews pledge and other receivables for collectability on a recurring basis and, based on assessment of creditworthiness, estimates the portion, if any, of the balance that will not be collected. Such amounts are recorded as an allowance, if necessary.

The Diocese is named as a beneficiary in numerous wills and last testaments. However, because these gifts may be changed during the lifetime of the donors, they are considered conditional contributions and are not recorded as revenue in the financial statements. The amounts of these intentions to give are indeterminable.

**Fundraising – Bishops Appeal:** The annual Bishop's Appeal is a yearly fundraising campaign that supports ministries and programs throughout the Diocese. A parish goal is based on an algorithm considering offertory income from the past year as well as gifts from the last three years of appeal donations. Parish goals are billed monthly on a prorated basis to the parishes. Receivables are reported as accounts receivable on the statements of financial position.

**Insurance Premiums:** The Diocese operates an insurance department on behalf of the parishes and schools within the Diocese. Through this department, the Diocese negotiates insurance rates and enters into annual policies for health insurance, property, general liability, and other coverages. The policies have high deductibles, a portion of which the Diocese funds on behalf of the parishes and schools (See Note 12). The Diocese pays the premiums on behalf of the parishes and schools and records a receivable on a monthly basis as billed. Receivables related to the insurance department are reported as accounts receivable on the statements of financial position.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

**Interest – loans:** The Diocese loans funds to parishes and schools to temporarily help fund parish construction projects, school renovations and repairs and to temporarily support cash flow. The loan funds bear interest at a rate of 4% and interest is calculated and billed on a monthly basis. Receivables are reported as accounts receivable on the statements of financial position.

**Other Income:** The Diocese derives a portion of their revenue from registration fees for conferences and retreats, and from the sales of advertisements in Today's Catholic. Advertising revenues are generally invoiced and recognized in the same month the advertisement appears in Today's Catholic. Registration fees for conferences and retreats are either billed at the time of registration or after the performance of services, with revenue recorded once it is earned. No financing components are incorporated in the Diocese's contracts or fee arrangements. The transaction prices are defined in the terms of the contracts or fee arrangements. Revenues are recognized as the services are rendered or the events occur and are included with the departmental and project fees on the statement of activities.

**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 12, 2022, the date the financial statements were available to be issued.

### NOTE 3 – Accounts Receivable – Net

Accounts receivable amounted to \$2,231,033 and \$3,792,560 as of June 30, 2022 and 2021, respectively. A summary of these receivables and related provision for uncollectible accounts is presented as follows:

	June 30 2022	June 30 2021
General receivables	\$ 39,160	\$ 50,291
Payroll	931,521	885,727
Quota	-	53,382
Insurance	40,190	73,259
Health and accident insurance	114,985	196,287
Retirement	48,367	18,518
Interest	585,871	947,619
Bishop's Appeal (net)	271,971	340,807
Affiliated organizations	104,102	1,112,090
Other receivables	94,866	114,580
Gross accounts receivable	2,231,033	3,792,560
Less: provision for uncollectible accounts	( 1,099,764 )	( 1,276,686 )
Total Accounts Receivable - Net	\$ 1,131,269	\$ 2,515,874

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 4 – Loans Receivable – Net

Loans receivable amounted to \$6,616,243 and \$13,240,903 as of June 30, 2022 and 2021, respectively. A summary of loans receivable and related provision for uncollectible accounts is presented as follows:

	June 30 2022	June 30 2021
Loans to Diocesan Organizations	\$ 5,379,860	\$ 10,498,629
Noninterest bearing loans	1,236,383	2,742,274
	6,616,243	13,240,903
Less: provision for uncollectible loans	( 174,907 )	( 784,366 )
Total Accounts Receivable - Net	<u>\$ 6,441,336</u>	<u>\$ 12,456,537</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:

	June 30 2022	June 30 2021
Beginning balance	\$ 2,061,052	\$ 886,157
Accounts written off	( 1,812,036 )	( 310,507 )
Bad debt provision	1,025,655	1,485,402
Ending balance	<u>\$ 1,274,671</u>	<u>\$ 2,061,052</u>

At June 30, 2022 and 2021, the following accounts were past due:

	6 Months Past Due	12 Months Past Due	18 Months Past Due	Total Past Due
2022	\$ 105,486	\$ 2,658	\$ 991,620	\$ 1,099,764
2021	1,076	380,291	895,319	1,276,686

### NOTE 6 – Investments

Investments as of June 30, 2022 and 2021 consisted of the following:

	Fair Market Value June 30, 2022	June 30, 2021
Cash equivalents	\$ 3,025,255	\$ 6,138,263
Non U.S. equity	32,161,131	37,410,864
Long/short equity	11,132,699	14,284,148
U.S. large cap	9,277,249	10,202,963
U.S. small - mid cap	1,236,967	-
Fixed income	3,710,900	3,400,988
Diversified strategies	1,855,450	-
Private equity	-	501,023
Total Investments at Fair Value	<u>\$ 62,399,651</u>	<u>\$ 71,938,249</u>
Total Investments at Historical Cost	<u>\$ 55,335,124</u>	<u>\$ 51,976,441</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 6 – Investments (Continued)

Net investment income (loss) consists of the following:

	June 30 2022	June 30 2021
Dividends and interest	\$ 150,516	\$ 162,478
Realized gains (losses)	( 548,760 )	32
Unrealized gains (losses)	( 12,897,281 )	15,675,420
Investment management fees	( 177,264 )	( 177,222 )
Net Investment Income (Loss)	<u>( \$ 13,472,789 )</u>	<u>\$ 15,660,708</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 \$7,357,051 and \$5,514,982 in excess of the federally insured limits as of June 30, 2022 and 2021, 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 \$108,570 and \$167,416 for the years ending June 30, 2022 and 2021, 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 \$87,630 and \$49,182 for the years ended June 30, 2022 and 2021, 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 \$30,826 and \$27,436 for the years ended June 30, 2022 and 2021, respectively.

The following sets forth the funded status of the plan as of January 1, 2022 and 2021.

	January 1 2022	January 1 2021
Actuarial present value of benefit obligations:		
Vested benefits	\$ 120,017,000	\$ 120,406,000
Nonvested benefits	<u>723,000</u>	<u>860,000</u>
Accumulated and projected benefit obligations:	<u>\$ 120,740,000</u>	<u>\$ 121,266,000</u>
Fair value of assets held in the plan	<u>\$ 89,158,802</u>	<u>\$ 89,036,048</u>
Funding ratio	73.8%	73.4%

## 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, 2022.

The following is an analysis of plan assets by category:

	January 1 2022	January 1 2021
Securities - Northern Trust	\$ 85,894,364	\$ 83,547,874
Annuity contract	619,858	1,140,668
Employer receivable	2,644,580	4,347,506
<b>Total</b>	<b><u>\$ 89,158,802</u></b>	<b><u>\$ 89,036,048</u></b>

The following is a reconciliation of plan assets for the plan year ending January 1, 2022 and 2021:

	Plan Year Ended January 1 2022	2021
Plan assets - beginning of year	\$ 89,036,048	\$ 77,748,146
Employer contribution	2,756,633	4,468,655
Benefits paid	( 6,971,901 )	( 6,627,924 )
Plan income	4,338,022	13,447,171
<b>Plan Assets - end of year</b>	<b><u>\$ 89,158,802</u></b>	<b><u>\$ 89,036,048</u></b>

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 2022	2021
Charitable remainder trust	\$ 261,346	\$ 261,310
Perpetual trust	3,048,048	3,068,880
	<b><u>\$ 3,309,394</u></b>	<b><u>\$ 3,330,190</u></b>

## 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, 2022 and 2021 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, 2022 and 2021.

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, 2022 and 2021.

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 \$20,004 and \$23,338 for the years ended June 30, 2022 and 2021, 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 \$91,950 and \$143,555 for the years ended June 30, 2022 and 2021, 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
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	-	-
2027	-	87,475	-	-

### NOTE 11 – Notes Payable – Bank

On December 18, 2019, the Diocese secured a promissory term note with 1<sup>st</sup> Source Bank in the amount of \$1,904,000. The note bore interest at a rate of 1.39% per annum in excess of the one month LIBOR rate and was due December 19, 2024. The note was paid in full during the fiscal year ended June 30, 2022. The note had a balance due of \$1,746,000 as of June 30, 2021.

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **NOTE 11 – Notes Payable – Bank (Continued)**

On April 26, 2019, the Diocese secured a second promissory term note with 1<sup>st</sup> Source Bank in the amount of \$4,000,000. The note bears interest at a rate of 1.45% per annum below the prime rate (3.3% at June 30, 2022). The note had a balance due of \$273,965 and \$1,003,965 as of June 30, 2022 and 2021, respectively.

On September 13, 2019, the Diocese secured a third promissory term note with 1<sup>st</sup> Source Bank in the amount of \$1,000,000. The note bore interest at a rate of 1.5% per annum above the prime rate. The note was paid in full during the fiscal year ended June 30, 2021.

On October 9, 2019 the Diocese secured a fourth promissory note with 1<sup>st</sup> Source Bank in the amount of \$250,000. The note bore interest at a rate of 1.5% per annum above the prime rate. The note was paid in full during the fiscal year ended June 30, 2022. The note had a balance due of \$125,000 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. 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.

On April 23, 2020 the Diocese secured a note with 1<sup>st</sup> 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.

### **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 \$16,861,764 and \$15,483,980 for the years ended June 30, 2022 and 2021, respectively.

The Diocese is self-insured with respect to unemployment compensation. Claims and benefits paid amounted to \$13,288 and \$91,267 for the years ended June 30, 2022, and 2021.

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 12 – Insurance Funds (Continued)

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 \$638,258 and \$427,027 for the years ended June 30, 2022 and 2021, respectively.

### 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 2022	June 30 2021
Assets and Liabilities:		
Accounts receivable, gross	\$ 2,691,934	\$ 3,137,949
Loans receivable, gross	6,615,443	7,868,098
Accounts payable and accrued expenses	120,288	177,976
Revenues:		
Parish quotas	2,494,074	2,509,546
Premiums and insurance billings	20,198,316	20,030,405
Interest income - notes receivable	416,551	470,429
Expenses:		
Education services	1,793,216	1,820,980
Ministry services	725,149	624,155

### 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.



## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

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.

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.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Fair value of financial instruments as of June 30, 2022 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	\$ 551,324	\$	\$	\$ 2,473,931	\$ 3,025,255
Non U.S. equity				32,161,131	32,161,131
Long/short equity				11,132,699	11,132,699
U.S. large cap				9,277,249	9,277,249
U.S. small - mid cap				1,236,967	1,236,967
Fixed income				3,710,900	3,710,900
Diversified strategies				1,855,450	1,855,450
Total investments	551,324	-	-	61,848,327	62,399,651
Beneficial interest in trusts	261,347		3,048,047		3,309,394
Total Financial Instruments	<u>\$ 812,671</u>	<u>\$ -</u>	<u>\$ 3,048,047</u>	<u>\$ 61,848,327</u>	<u>\$ 65,709,045</u>

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	3,417,473	-	501,023	68,019,753	71,938,249
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>

Investments valued at NAV or its equivalent as of June 30, 2022, consisted of the following:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Catholic Endowment Fund	\$ 61,848,327	\$ N/A	Unlimited	95 days

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Catholic Endowment Fund	\$ 68,019,753	\$ 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, 2022 for Level 3 assets.

	<u>Investments</u>	<u>Beneficial Interest in Trusts</u>	<u>Total</u>
Balance - July 1, 2021	\$ 501,023	\$ 3,068,880	\$ 3,569,903
Transfers in			-
Transfers out	( 501,023 )		( 501,023 )
Dividends and interest income, realized and unrealized gains, and changes in value		( 20,833 )	( 20,833 )
Balance - June 30, 2022	<u>\$ -</u>	<u>\$ 3,048,047</u>	<u>\$ 3,048,047</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, 2021 for Level 3 assets.

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 15 – Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2022 and 2021 consisted of the following:

	2022	2021
Music education scholarship	\$ 144,251	\$ 144,251
Burses	608,444	608,444
Perpetual trust interest	3,048,047	3,068,880
Total Endowment Funds	3,800,742	3,821,575
Gilmartin fund	781,544	781,544
Josephine A. Sommerer fund	317,997	442,520
Nellie Fowerbaugh estate	382,022	382,022
Future trust interest	270,518	270,483
Fund for the aging	26,992	26,120
Other funds	869,731	884,272
Total Donor Restricted Funds	<u>\$ 6,449,546</u>	<u>\$ 6,608,536</u>

Net assets with donor restrictions released from restriction during the years ended June 30, 2022 and 2021 are as follows:

	2022	2021
Josephine A. Sommerer fund	\$ 45,000	\$ 40,000
Fund for the aging	( 872 )	13,429
Perpetual trust interest	20,833	21,140
Other funds	46,653	121,047
	<u>\$ 111,614</u>	<u>\$ 195,616</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).

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 16 – Endowments (Continued)

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

Endowment net asset composition by type of fund as of June 30, 2022, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds	\$	\$ 3,800,777	\$ 3,800,777
Designated funds	4,181,724		4,181,724
	<u>\$ 4,181,724</u>	<u>\$ 3,800,777</u>	<u>\$ 7,982,501</u>

Endowment net asset composition by type of fund as of June 30, 2021, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds	\$	\$ 3,821,575	\$ 3,821,575
Designated funds	5,436,809		5,436,809
	<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, 2022, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ 5,436,809	\$ 3,821,575	\$ 9,258,384
Investment return:			
Dividends, interest and realized investment losses (net)	( 44,800 )	35	( 44,765 )
Unrealized losses	( 923,833 )		( 923,833 )
Change in value - beneficial trust interest	( 20,833 )	( 20,833 )	( 20,833 )
Total investment return	( 968,633 )	( 20,798 )	( 989,431 )
Appropriation of endowment assets for expenditures	( 286,452 )		( 286,452 )
Endowment net assets - end of year	<u>\$ 4,181,724</u>	<u>\$ 3,800,777</u>	<u>\$ 7,982,501</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 gains (net)	( 2,942 )		( 2,942 )
Unrealized gains	1,510,133		1,510,133
Change in value - beneficial trust interest	( 21,140 )	( 21,140 )	( 21,140 )
Total investment return	1,507,191	( 21,140 )	1,486,051
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)

**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.

### NOTE 17 – Availability and Liquidity

The following reflects the Diocese's financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position date.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 17 – Availability and Liquidity (Continued)

	2022	2021
Financial asset at year-end:		
Cash and cash equivalents	\$ 7,711,280	\$ 5,945,942
Receivables	1,131,269	2,515,874
Investments	62,399,651	71,938,249
 Total financial assets	 71,242,200	 80,400,065
 Less amounts not available for general expenditures within one year:		
Funds held as parish deposits	58,750,974	53,218,858
Donor imposed restriction	6,449,546	6,608,536
Collections payable	143,772	142,183
 Total	 65,344,292	 59,969,577
 Financial assets available to meet cash needs for general expenditures within one year	 \$ 5,897,908	 \$ 20,430,488

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, 2022 or 2021.



**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	
	2022	2021
<b>WITHOUT DONOR RESTRICTIONS</b>		
Special ministries	\$ 177,421	\$ 175,516
Liturgy department	115,278	106,304
Cathedral museum	81,017	63,925
Vocation department	49,313	53,445
Family life	592,073	563,251
Tribunal	495,463	460,174
Hospital ministry	262,249	92,673
Youth ministry	185,758	93,481
Catholic Charities	425,112	425,386
Fund for the poor	90,500	90,500
St. Mary's Heritage fund	192,700	196,400
Parish in need	209,649	192,272
Other	17,870	27,238
Missions	20,416	20,016
Permanent diaconate	71,297	69,024
World Youth Day	12,030	-
CCHD Intern	3,286	6,221
Bishop's OSV funds	30,356	61,774
Pueri Cantores	327	-
Eucharistic revival	143,427	-
Catechesis	-	12,150
Education for ministry	-	1,636
Heavenly lights	2,809	186
Catholic missions	-	300
Total Without Donor Restrictions	3,178,351	2,711,872
<b>WITH DONOR RESTRICTIONS</b>		
Fund for the aging	( 872 )	13,429
Nellie Fowerbaugh estate	-	44,000
Lowe charitable fund	-	5,000
Ross - St. Bernard's	9,124	9,124
Total With Donor Restrictions	8,252	71,553
<b>TOTAL MINISTRY SERVICES</b>	<b>\$ 3,186,603</b>	<b>\$ 2,783,425</b>

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

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

	For the Year Ended June 30	
	2022	2021
<b>WITHOUT DONOR RESTRICTIONS</b>		
School administration	\$ 513,023	\$ 355,728
Secretariat of Catholic education	-	143,979
Religious education	589,564	574,677
Seminarian education	1,181,628	1,329,128
Continuing education - Priests	161,502	63,948
Large Catholic family fund	56,224	184,661
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	36,221	34,860
Music education endowment income	6,452	1,100
Catholic Schools Office funded projects	65,437	42,803
Twinning	196,216	193,980
School fund	-	30,000
Principal training	( 368 )	31,835
South Bend technology	44,089	85,347
High school endowment	280,000	280,000
Other	13,640	5,094
Our Sunday Visitor - master arts	28,861	-
Our Sunday Visitor stipend	278,706	246,616
Total Without Donor Restrictions	4,768,195	4,920,756
<b>WITH DONOR RESTRICTIONS</b>		
Our Sunday Visitor - master arts	37,530	62,923
Josephine A. Sommerer Scholarship Fund	45,000	40,000
Total With Donor Restrictions	82,530	102,923
<b>TOTAL EDUCATIONAL SERVICES</b>	<b>\$ 4,850,725</b>	<b>\$ 5,023,679</b>

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

	For the Year Ended June 30	
	2022	2021
<b>WITHOUT DONOR RESTRICTIONS</b>		
Today's Catholic	\$ 416,170	\$ 424,195
Communications office	212,789	171,898
TV Mass	8,907	44,143
Diocesan Directory	10,927	10,273
7th Floor Studios	74,571	85,309
<b>TOTAL COMMUNICATIONS</b>	<b>\$ 723,364</b>	<b>\$ 735,818</b>

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

	For the Year Ended June 30	
	2022	2021
<b>WITHOUT DONOR RESTRICTIONS</b>		
Bishop's Appeal	\$ 297,966	\$ 272,384
Development office	123,924	148,095
Planned giving	<u>117</u>	<u>83</u>
<b>TOTAL FUND RAISING</b>	<u><u>\$ 422,007</u></u>	<u><u>\$ 420,562</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 -**  
**Other Services**

	For the Year Ended June 30	
	2022	2021
<b>WITHOUT DONOR RESTRICTIONS</b>		
Personnel	\$ 372,985	\$ 320,077
Assessments	137,386	148,615
Parish assistance	224,333	25,755
Group insurance expense	18,762,257	17,337,938
Property/liability insurance expense	2,694,688	2,128,021
Unemployment claims	<u>13,287</u>	<u>91,267</u>
<b>TOTAL OTHER SERVICES</b>	<u><u>\$ 22,204,936</u></u>	<u><u>\$ 20,051,673</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	
	2022	2021
<b>WITHOUT DONOR RESTRICTIONS</b>		
Bishop	\$ 81,068	\$ 81,622
Administration	706,114	672,449
Archive department	56,709	55,058
Central purchasing	62,297	64,676
Data processing	94,268	82,302
Accounting	215,554	247,092
Human resources	156,200	88,550
Property management	928,297	871,093
Property manager	165,852	142,187
Interest expense	1,091,346	1,014,642
Foreign clergy	65,505	37,914
Provision for uncollectible accounts	1,025,655	1,485,402
Separation benefits - lay	53,867	72,839
Priests' retirement	417,602	430,951
Safe environment	112,316	100,928
Andrews Center	6,632	-
Victim's assistance	-	20,000
Old Chancery	-	8
Other	4,294	5,258
Student insurance	348,994	364,600
<b>TOTAL ADMINISTRATIVE</b>	<b>\$ 5,592,570</b>	<b>\$ 5,837,571</b>

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