

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

**Financial Statements  
and Supplementary Information**

**as of June 30, 2023 and 2022**

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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, 2023 and 2022, 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, 2023 and 2022, 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 11, 2023

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

<b>ASSETS</b>	June 30	
	2023	2022
Cash and cash equivalents	\$ 12,347,491	\$ 7,711,280
Accounts receivable (net of provision for doubtful accounts)	6,078,754	1,131,269
Investments	68,793,844	62,399,651
Loans receivable (net of provision for doubtful accounts)	5,889,917	6,441,336
Beneficial interest in trusts	3,289,710	3,309,394
Inventories	198,192	173,093
Land, buildings and equipment (net)	7,088,578	7,262,502
Prepaid expenses	8,912	20,486
Deposits	216,000	320,500
<b>TOTAL ASSETS</b>	<b>\$ 103,911,398</b>	<b>\$ 88,769,511</b>

(Continued)

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

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

<b>LIABILITIES AND NET ASSETS</b>	June 30	
	2023	2022
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 2,323,521	\$ 2,869,978
Parish deposits	70,369,243	58,750,974
Notes payable - bank	-	273,965
Collections payable	113,287	143,772
Annuities payable	7,624	7,624
Total Liabilities	72,813,675	62,046,313
<b>NET ASSETS</b>		
Without donor restrictions	24,137,803	20,273,652
With donor restrictions	6,959,920	6,449,546
Total Net Assets	31,097,723	26,723,198
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 103,911,398</b>	<b>\$ 88,769,511</b>

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

**DIOCESE OF FORT WAYNE - SOUTH BEND, INC.**  
**CENTRAL OPERATIONS**  
**Statement of Activities and Net Assets**  
**For the Year Ended June 30, 2023**  
**(With Comparative Totals for the Year Ended June 30, 2022)**

	Without Donor Restrictions	With Donor Restrictions	June 30 2023 Total	June 30 2022 Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Parish quotas	\$ 2,590,047	\$	\$ 2,590,047	\$ 2,494,074
Donations and bequests	1,884,863	743,920	2,628,783	1,582,433
Government grants			-	1,000,000
Net investment gain (loss)	12,310	( 181 )	12,129	( 575,508 )
Unrealized investment gain (loss)	7,197,241	50,185	7,247,426	( 12,897,281 )
Fund raising - Annual Bishop's Appeal	5,133,945		5,133,945	5,105,585
Insurance premiums	20,433,430		20,433,430	20,198,316
Interest - loans	315,606		315,606	416,551
Collections	250,599		250,599	215,496
Advertising	111,765		111,765	138,478
Sale of merchandise	408,715		408,715	414,958
Fees, rentals and workshops	1,057,447		1,057,447	895,744
Subscriptions	75,573		75,573	70,045
Miscellaneous	210,684		210,684	126,971
Change in value - beneficial trust interest		864	864	35
Gain (loss) on sale of assets	18,837		18,837	( 1,186 )
<b>Net Assets Released From Restrictions</b>	<u>284,414</u>	<u>( 284,414 )</u>	<u>-</u>	<u>-</u>
Total Revenue, Gains and Other Support and Net Assets Released from Restrictions	39,985,476	510,374	40,495,850	19,184,711
<b>EXPENSES</b>				
Ministry services	3,492,211		3,492,211	3,186,603
Educational services	4,797,313		4,797,313	4,850,725
Communications	654,291		654,291	723,364
Fund raising	309,224		309,224	422,007
Other services	21,567,044		21,567,044	22,204,936
Administrative	5,301,242		5,301,242	5,592,570
Total Expenses	<u>36,121,325</u>		<u>36,121,325</u>	<u>36,980,205</u>
<b>CHANGE IN NET ASSETS</b>	3,864,151	510,374	4,374,525	( 17,795,494 )
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>20,273,652</u>	<u>6,449,546</u>	<u>26,723,198</u>	<u>44,518,692</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 24,137,803</u>	<u>\$ 6,959,920</u>	<u>\$ 31,097,723</u>	<u>\$ 26,723,198</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**

	Without Donor Restrictions	With Donor Restrictions	June 30 2022 Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Parish quotas	\$ 2,494,074	\$	\$ 2,494,074
Donations and bequests	1,539,074	43,359	1,582,433
Government grants	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
Insurance premiums	20,198,316		20,198,316
Interest - loans	416,551		416,551
Collections	215,496		215,496
Advertising	138,478		138,478
Sale of merchandise	414,958		414,958
Fees, rentals and workshops	895,744		895,744
Subscriptions	70,045		70,045
Miscellaneous	126,971		126,971
Change in value - beneficial trust interest		35	35
Gain (loss) on sale of assets	( 1,186 )		( 1,186 )
<b>Net Assets Released From Restrictions</b>	<u>111,614</u>	( <u>111,614</u> )	<u>-</u>
Total Revenue, Gains and Other Support and Net Assets Released from Restrictions	19,343,701	( 158,990 )	19,184,711
<b>EXPENSES</b>			
Ministry services	3,186,603		3,186,603
Educational services	4,850,725		4,850,725
Communications	723,364		723,364
Fund raising	422,007		422,007
Other services	22,204,936		22,204,936
Administrative	5,592,570		5,592,570
Total Expenses	<u>36,980,205</u>		<u>36,980,205</u>
<b>CHANGE IN NET ASSETS</b>	( 17,636,504 )	( 158,990 )	( 17,795,494 )
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>37,910,156</u>	<u>6,608,536</u>	<u>44,518,692</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 20,273,652</u>	<u>\$ 6,449,546</u>	<u>\$ 26,723,198</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, 2023**

**(With Comparative Totals for the Year Ended June 30, 2022)**

	Ministry Services	Educational Services	Communications	Fund Raising	Other Services	Administrative	June 30 2023 Total	June 30 2022 Total
Salary-religious	\$ 66,454				\$ 67,457	\$ 395,543	\$ 529,454	\$ 564,995
Salary-lay	752,785	736,815	270,773	123,709	19,516	939,444	2,843,042	2,792,359
Commissions			16,765				16,765	20,772
FICA	55,159	52,798	20,881	8,674	1,497	67,935	206,944	203,633
Unemployment claims					4,488	2,360	6,848	13,288
Health and accident insurance	145,303	236,857	43,801	21,396	228,330	165,588	841,275	923,832
Pension and benefits	82,191	48,440	22,737	15,092	34,213	117,235	319,908	313,593
Education, seminars and conferences	31,428	133,058	10,322	756	1,439	7,319	184,322	179,511
Postage	3,634	1,080	4,004	24,613		21,086	54,417	50,259
Telephone	5,880	3,235	4,448	441		53,255	67,259	65,127
Office supplies	7,434	3,446	7,986	424	4	16,448	35,742	22,591
Printing	16,452	2,459	5,527	87,691	105	11,885	124,119	146,568
Equipment and furniture	330		281			1,838	2,449	6,008
Travel	31,302	77,609	3,678	1,632	3,651	27,216	145,088	119,188
Auto	2,900					58,937	61,837	52,220
Depreciation	30,159	3,651	21,316	520		391,616	447,262	449,820
Legal and professional	73,417	8,508	35		14,175	106,000	202,135	268,056
Public relations	467	5,924	21	272		6,770	13,454	8,989
Employee search		464					464	4,473
Donations and ministry support	707,112	341,155			1,788	331	1,050,386	970,463
Miscellaneous	11,539	28,743	302		3	19,983	60,570	74,575
Repairs, maintenance and utilities	16,996					603,461	620,457	600,665
Bank charges			545		100	66,531	67,176	63,344
Property and liability-self insurance					4,390,015	51,253	4,441,268	3,709,405
Student insurance						370,613	370,613	348,994
Memberships and subscriptions	5,083	74,806	5,427		28,800	12,823	126,939	123,568
Advertising and promotion	1,866	3,902	3,244			580	9,592	10,937
Program expense	1,074,767	529,260	11,981	12,104	110,463	51,451	1,790,026	1,545,534
Paper distribution			171,950			200	172,150	163,693
Freelance and news service			28,267				28,267	62,685
Assessments	980	320			160,282	400	161,982	138,917
Interest						1,247,825	1,247,825	1,091,346
Funding-ministry and education	20,000	178,481					198,481	156,224
High school subsidy		1,132,000					1,132,000	1,132,000
Insurance claims					16,500,718		16,500,718	17,798,702
High school scholarships		150,000					150,000	150,000
Tuition and allowances	23,573	764,302		11,900			799,775	996,016
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	7,200
Provision for uncollectible accounts						453,116	453,116	1,025,655
Victims assistance						25,000	25,000	-
<b>Total Expenses</b>	<b>\$ 3,492,211</b>	<b>\$ 4,797,313</b>	<b>\$ 654,291</b>	<b>\$ 309,224</b>	<b>\$ 21,567,044</b>	<b>\$ 5,301,242</b>	<b>\$ 36,121,325</b>	<b>\$ 36,980,205</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, 2022**

	Ministry Services	Educational Services	Communications	Fund Raising	Other Services	Administrative	June 30 2022 Total
Salary-religious	\$ 63,294				\$ 70,640	\$ 431,061	\$ 564,995
Salary-lay	835,357	605,569	305,671	188,755	21,869	835,138	2,792,359
Commissions			20,772				20,772
FICA	59,346	44,634	24,891	13,392	1,690	59,680	203,633
Unemployment claims					13,288		13,288
Health and accident insurance	168,102	254,801	43,026	39,226	268,155	150,522	923,832
Pension and benefits	85,185	45,095	26,702	20,013	24,368	112,230	313,593
Education, seminars and conferences	12,281	154,662	1,120		1,250	10,198	179,511
Postage	6,097	1,030	2,568	20,130		20,434	50,259
Telephone	6,055	3,346	1,096	542	964	53,124	65,127
Office supplies	2,580	3,999	3,873	652		11,487	22,591
Printing	24,264	4,595	18,241	82,350		17,118	146,568
Equipment and furniture	537		1,250		280	3,941	6,008
Travel	28,362	52,998	6,331	965	3,968	26,564	119,188
Auto	2,500					49,720	52,220
Depreciation	29,092	3,931	24,220	910		391,667	449,820
Legal and professional	128,288	7,201			3,134	129,433	268,056
Public relations	802	2,383	101			5,703	8,989
Employee search		303	75			4,095	4,473
Donations and ministry support	754,742	215,571				150	970,463
Miscellaneous	12,732	44,926	49			16,868	74,575
Repairs, maintenance and utilities	17,068	86				583,511	600,665
Bank charges			460			62,884	63,344
Property and liability-self insurance					3,658,152	51,253	3,709,405
Student insurance						348,994	348,994
Memberships and subscriptions	3,767	77,190	2,296			40,315	123,568
Advertising and promotion	5,000	1,917	3,379			641	10,937
Program expense	565,922	672,896	10,865	44,497	201,089	50,265	1,545,534
Paper distribution			163,693				163,693
Freelance and news service			62,685				62,685
Assessments	300				137,387	1,230	138,917
Interest						1,091,346	1,091,346
Funding-ministry and education	20,000	136,224					156,224
High school subsidy		1,132,000					1,132,000
Insurance claims					17,798,702		17,798,702
High school scholarships		150,000					150,000
Tuition and allowances	29,930	955,368		10,575		143	996,016
Catholic Charities subsidy	325,000						325,000
High school endowment fund distribution		280,000					280,000
Rent						7,200	7,200
Provision for uncollectible accounts						1,025,655	1,025,655
Total Expenses	<u>\$ 3,186,603</u>	<u>\$ 4,850,725</u>	<u>\$ 723,364</u>	<u>\$ 422,007</u>	<u>\$ 22,204,936</u>	<u>\$ 5,592,570</u>	<u>\$ 36,980,205</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	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash received from</b>		
Parish quotas	\$ 2,590,047	\$ 2,547,456
Donations and bequests	2,628,783	2,582,433
Net investment income (loss)	12,993	( 575,508 )
Fund raising	5,268,021	5,174,421
Insurance premiums	20,387,030	20,312,687
Interest - loans	636,803	778,299
Other income and fees	2,557,542	3,611,263
<b>Cash paid for</b>		
Program and administrative services	( 34,416,070 )	( 32,832,845 )
Interest - parish deposits	( 1,247,825 )	( 1,091,346 )
Net Cash Provided By (Used For) Operating Activities	( 1,582,676 )	506,860
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	( 277,362 )	( 1,340,298 )
Decrease (increase) in investments	853,233	( 3,358,683 )
Proceeds from sale of assets	22,861	100
Decrease (increase) in parish loans receivable	( 682,354 )	4,026,243
Decrease in deposits	104,500	-
Increase in accounts receivable - other	( 5,146,295 )	-
Net Cash Used For Investing Activities	( 5,125,417 )	( 672,638 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in parish deposits	11,618,269	5,532,116
Payments on notes payable - bank	( 273,965 )	( 3,601,000 )
Net Cash Provided By Financing Activities	11,344,304	1,931,116
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	4,636,211	1,765,338
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	7,711,280	5,945,942
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 12,347,491	\$ 7,711,280

(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	
	2023	2022
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>		
Change in net assets	\$ 4,374,525	( \$ 17,795,494 )
<b>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</b>		
Depreciation	447,262	449,818
Change in value - beneficial interest in trusts	19,684	20,796
Loss (gain) on disposition of assets	( 18,837 )	1,186
Unrealized investment loss (gain)	( 7,247,426 )	12,897,281
Uncollectible accounts	580,951	1,812,036
<b>Changes in operating assets and liabilities</b>		
<b>Decrease (increase) in</b>		
Accounts receivable	851,632	1,561,527
Inventories	( 25,099 )	( 3,126 )
Prepaid expenses	11,574	( 7,198 )
<b>Increase (decrease) in</b>		
Accounts payable and accrued expenses	( 546,457 )	1,568,445
Collections payable	( 30,485 )	1,589
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>( \$ 1,582,676 )</b>	<b>\$ 506,860</b>

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, 2023. 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, 2023, 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 \$1,247,825 and \$1,091,346 for the years ended June 30, 2023 and 2022, 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 \$447,262 and \$449,818 for the years ending June 30, 2023 and 2022, 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, 2023 and 2022, 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, 2023</b>			
Furniture and equipment	\$ 2,537,582	\$ 1,967,532	\$ 570,050
Buildings and improvements	8,054,324	4,295,673	3,758,651
Land	2,463,040	-	2,463,040
Automobiles	393,260	266,390	126,870
Construction in process	169,967	-	169,967
	\$ 13,618,173	\$ 6,529,595	\$ 7,088,578
<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
	\$ 13,398,515	\$ 6,136,013	\$ 7,262,502

**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, 2023 and 2022 in the amount of \$53,324 and \$70,254, 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 \$9,592 and \$10,937 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, the gross accounts and loans receivable balance relating to amounts due from parishes and schools amounted to \$7,445,105 and \$9,307,377, 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 Diocese 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.

**Subsequent Events** – In preparing these financial statements, the Diocese has evaluated events and transactions for potential recognition or disclosure through September 11, 2023, the date the financial statements were available to be issued.

### NOTE 3 – Accounts Receivable – Net

Accounts receivable amounted to \$6,525,696 and \$2,231,033 as of June 30, 2023 and 2022, respectively. A summary of these receivables and related provision for uncollectible accounts is presented as follows:

	June 30 2023	June 30 2022
General receivables	\$ 35,322	\$ 39,160
Payroll	370,251	931,521
Insurance	90,083	40,190
Health and accident insurance	111,492	114,985
Retirement	16,934	48,367
Interest	264,674	585,871
Bishop's Appeal (net)	137,895	271,971
Affiliated organizations	231,797	104,102
Other receivables	120,953	94,866
Due from lay retirement plan	5,146,295	-
Gross accounts receivable	<u>6,525,696</u>	<u>2,231,033</u>
Less: provision for uncollectible accounts	( 446,942 )	( 1,099,764 )
Total Accounts Receivable - Net	<u><u>\$ 6,078,754</u></u>	<u><u>\$ 1,131,269</u></u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 4 – Loans Receivable – Net

Loans receivable amounted to \$6,589,811 and \$6,616,243 as of June 30, 2023 and 2022, respectively. A summary of loans receivable and related provision for uncollectible accounts is presented as follows:

	June 30 2023	June 30 2022
Loans to Diocesan Organizations	\$ 5,387,700	\$ 5,379,860
Noninterest bearing loans	1,202,111	1,236,383
	6,589,811	6,616,243
Less: provision for uncollectible loans	( 699,894 )	( 174,907 )
Total Accounts Receivable - Net	\$ 5,889,917	\$ 6,441,336

### 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 2023	June 30 2022
Beginning balance	\$ 1,274,671	\$ 2,061,052
Accounts written off	( 580,951 )	( 1,812,036 )
Bad debt provision	453,116	1,025,655
Ending balance	\$ 1,146,836	\$ 1,274,671

At June 30, 2023 and 2022, the following accounts were past due:

	6 Months Past Due	12 Months Past Due	18 Months Past Due	Total Past Due
2023	\$ 115,006	\$ 4,207	\$ 361,082	\$ 480,295
2022	105,486	2,658	991,620	1,099,764

### NOTE 6 – Investments

Investments as of June 30, 2023 and 2022 consisted of the following:

	Fair Market Value	
	June 30, 2023	June 30, 2022
Cash equivalents	\$ 3,631,232	\$ 3,025,255
Non U.S. equity	33,260,083	32,161,131
Long/short equity	12,896,767	11,132,699
U.S. large cap	9,502,880	9,277,249
U.S. small - mid cap	2,036,332	1,236,967
Fixed income	5,430,218	3,710,900
Diversified strategies	2,036,332	1,855,450
Total Investments at Fair Value	\$ 68,793,844	\$ 62,399,651
Total Investments at Historical Cost	\$ 54,481,890	\$ 55,335,124

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 6 – Investments (Continued)

Net investment income (loss) consists of the following:

	June 30 2023	June 30 2022
Dividends and interest	\$ 174,656	\$ 150,516
Realized gains (losses)	93	( 548,760 )
Unrealized gains (losses)	7,247,426	( 12,897,281 )
Investment management fees	( 162,620 )	( 177,264 )
Net Investment Income (Loss)	<u>\$ 7,259,555</u>	<u>( \$ 13,472,789 )</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 \$12,011,799 and \$7,357,051 in excess of the federally insured limits as of June 30, 2023 and 2022, respectively.

### NOTE 8 – Retirement Plans

#### Multiemployer Plan for Lay Persons

Central Operations participates in the Retirement Plan (the Retirement Plan) of The Diocese of Fort Wayne-South Bend, Inc., a multiemployer defined-benefit pension plan, which was frozen effective December 31, 2020. No further benefits will be accrued. The Plan covers substantially all full-time lay employees of the Diocese and other affiliated organizations, prior to its being frozen. Information as to vested and nonvested benefits, as well as plan assets and unfunded liabilities, related solely to Central Operations is not readily determinable. In accordance with ASC Paragraph 715-30-55-63, Central Operations accounts for its participation in the Retirement Plan as a multiemployer plan. Pension expense amounted to \$104,269 and \$108,570 for the years ended June 30, 2023 and 2022, respectively.

#### Defined-Contribution Plan

Effective July 1, 2020, Central Operations also participates in a 403(b) plan, The Diocese of Fort Wayne-South Bend Retirement Savings Plan (the Plan). The Plan is a defined-contribution plan covering all employees immediately upon date of hire who regularly work 30 hours or more per week. Participants are eligible to make contributions as salary deductions from 1% to 100% of pay up to a maximum per year. For the first 3% of salary an employee contributes to the Plan, the Diocese provides a 1% match. Central Operations also provides an annual contribution of 2%, regardless of employee participation in the Plan. Contributions to the 403(b) plan amounted to \$33,691 and \$30,826 for the years ended June 30, 2023 and 2022, respectively.

#### Priest's Retirement Plan

The Diocese has adopted a non-contributory define benefit plan covering all of its eligible priests (The Priest Retirement Plan). The Diocese acts as the receiving agent for parish and institutional contributions which are forwarded to the trustee.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 8 – Retirement Plans (Continued)**

The following sets forth the funded status of the Plan as of January 1, 2023 and 2022:

	January 1, 2023	January 1, 2022
Present Value of Future Benefits:		
Retired participants	\$ 2,237,290	\$ 2,553,859
Present active participants	3,844,889	3,410,229
	6,082,179	5,964,088
Market Value of Assets	1,890,186	2,639,659
Present Value of Future Normal Costs	4,191,993	3,324,429
Funded ratio	31.08%	44.29%
Normal contribution	356,200	278,523
Interest on normal contribution	21,372	16,711
Contribution for the Plan Year	\$ 377,572	\$ 295,234

Investment return of 6% has been used for each of the plan years ended January 1, 2023 and 2022. A 2% annual cost of living adjustment was used in the calculation of future benefits for pre-commencement.

**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	
	2023	2022
Charitable remainder trust	\$ 262,210	\$ 261,346
Perpetual trust	3,027,500	3,048,048
	\$ 3,289,710	\$ 3,309,394

The estimated present value of the beneficial interest in the perpetual trust was calculated as of June 30, 2023 and 2022 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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 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 August 2024. Rental income received under the terms of this lease amounted to \$33,600 for each of the years ended June 30, 2023 and 2022.

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 \$96,475 and \$87,475 for the years ended June 30, 2023 and 2022, respectively.

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 for each of the years ended June 30, 2023 and 2022.

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 \$139,202 and \$91,950 for the years ended June 30, 2023 and 2022, respectively.

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

Year Ending June 30	Charities - South Bend	Charities - Fort Wayne	Entity - Mishawaka	Parking Spaces
2024	\$ 33,600	\$ 96,475	\$ 20,000	\$ 141,950
2025	5,600	96,475	20,000	70,975
2026	-	96,475	10,000	-
2027	-	96,475	-	-
2028	-	96,475	-	-

### NOTE 11 – Notes Payable – Bank

On April 26, 2019, the Diocese secured a promissory term note with 1<sup>st</sup> Source Bank in the amount of \$4,000,000. The note bore 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 \$0 and \$273,965 as of June 30, 2023 and 2022, respectively. The note was paid in full during the fiscal year ended June 30, 2023.

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.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 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 \$15,799,168 and \$16,861,764 for the years ended June 30, 2023 and 2022, respectively.

The Diocese is self-insured with respect to unemployment compensation. Claims and benefits paid amounted to \$4,488 and \$13,287 for the years ended June 30, 2023, and 2022.

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 \$408,970 and \$638,258 for the years ended June 30, 2023 and 2022, 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 2023	June 30 2022
Assets and Liabilities:		
Accounts receivable, gross	\$ 1,344,079	\$ 2,691,934
Loans receivable, gross	6,101,026	6,615,443
Accounts payable and accrued expenses	13,037	120,288
Revenues:		
Parish quotas	2,590,047	2,494,074
Premiums and insurance billings	20,433,430	20,198,316
Interest income - notes receivable	315,060	416,551
Expenses:		
Education services	1,762,003	1,793,216
Ministry services	705,838	725,149

### 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, 2023 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	\$ 916,124	\$	\$	\$ 2,715,108	\$ 3,631,232
Non U.S. equity				33,260,083	33,260,083
Long/short equity				12,896,767	12,896,767
U.S. large cap				9,502,880	9,502,880
U.S. small-mid cap				2,036,332	2,036,332
Fixed income				5,430,218	5,430,218
Diversified strategies				2,036,332	2,036,332
Total investments	916,124	-	-	67,877,720	68,793,844
Beneficial interest in trusts	262,210		3,027,500		3,289,710
Total Financial Instruments	<u>\$ 1,178,334</u>	<u>\$ -</u>	<u>\$ 3,027,500</u>	<u>\$ 67,877,720</u>	<u>\$ 72,083,554</u>

**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	<u>551,324</u>	<u>-</u>	<u>-</u>	<u>61,848,327</u>	<u>62,399,651</u>
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>

Investments valued at NAV or its equivalent as of June 30, 2023, 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	\$ 67,877,720	\$ N/A	Unlimited	95 days

Investments valued at NAV or its equivalent as of June 30, 2022, 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	\$ 61,848,327	\$ N/A	Unlimited	95 days

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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, 2023 for Level 3 assets.

	<u>Investments</u>	Beneficial Interest in <u>Trusts</u>	<u>Total</u>
Balance - July 1, 2022	\$ -	\$ 3,048,047	\$ 3,048,047
Transfers in			-
Transfers out			-
Dividends and interest income, realized and unrealized gains, and changes in value		( 20,547 )	( 20,547 )
Balance - June 30, 2023	<u>\$ -</u>	<u>\$ 3,027,500</u>	<u>\$ 3,027,500</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, 2022 for Level 3 assets.

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 15 – Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2023 and 2022 consisted of the following:

	2023	2022
Music education scholarship	\$ 144,251	\$ 144,251
Burses	608,444	608,444
Perpetual trust interest	3,027,500	3,048,047
OLV cemetery fund	501,373	-
Total Endowment Funds	4,281,568	3,800,742
Gilmartin fund	781,544	781,544
Josephine A. Sommerer fund	320,647	317,997
Nellie Fowerbaugh estate	288,608	382,022
Future trust interest	271,382	270,518
Other funds	1,016,171	896,723
Total Donor Restricted Funds	\$ 6,959,920	\$ 6,449,546

Net assets with donor restrictions released from restriction during the years ended June 30, 2023 and 2022 are as follows:

	2023	2022
Josephine A. Sommerer fund	\$ 40,000	\$ 45,000
Fund for the aging	44,000	( 872 )
Perpetual trust interest	20,548	20,833
OSV master of arts	34,750	37,530
Bueter fund	34,500	-
Fowerbaugh estate	93,414	-
Other funds	17,202	9,123
	\$ 284,414	\$ 111,614

### 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, 2023, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted funds	\$	\$ 4,281,568	\$ 4,281,568
Designated funds	4,390,756		4,390,756
	<u>\$ 4,390,756</u>	<u>\$ 4,281,568</u>	<u>\$ 8,672,324</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted funds	\$	\$ 3,800,742	\$ 3,800,742
Designated funds	4,181,724		4,181,724
	<u>\$ 4,181,724</u>	<u>\$ 3,800,742</u>	<u>\$ 7,982,466</u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 16 – Endowments (Continued)**

Changes in endowment net assets for the year ended June 30, 2023, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ 4,181,724	\$ 3,800,742	\$ 7,982,466
Contributions		500,000	500,000
Investment return:			
Dividends, interest and realized investment gains (losses) (net)	( 1,783 )	860	( 923 )
Unrealized gains	493,447	1377	494,824
Change in value - beneficial trust interest		( 21,411 )	( 21,411 )
Total investment return	491,664	( 19,174 )	472,490
Appropriation of endowment assets for expenditures	( 282,632 )		( 282,632 )
Endowment net assets - end of year	<u>\$ 4,390,756</u>	<u>\$ 4,281,568</u>	<u>\$ 8,672,324</u>

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	\$ 3,821,540	\$ 9,258,349
Investment return:			
Dividends, interest and realized investment gains (losses) (net)	( 44,800 )	35	( 44,765 )
Unrealized losses	( 923,833 )		( 923,833 )
Change in value - beneficial trust interest		( 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>\$ 3,800,742</u>	<u>\$ 7,982,466</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, 2023 and 2022, 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)**

	2023	2022
Financial asset at year-end:		
Cash and cash equivalents	\$ 12,347,491	\$ 7,711,280
Receivables	6,078,754	1,131,269
Investments	68,793,844	62,399,651
Total financial assets	87,220,089	71,242,200
Less amounts not available for general expenditures within one year:		
Funds held as parish deposits	70,369,243	58,750,974
Donor imposed restriction	6,959,920	6,449,546
Collections payable	113,287	143,772
Total	77,442,450	65,344,292
Financial assets available to meet cash needs for general expenditures within one year	\$ 9,777,639	\$ 5,897,908

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, 2023 or 2022.

**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	
	2023	2022
<b>WITHOUT DONOR RESTRICTIONS</b>		
Special ministries	\$ 181,313	\$ 177,421
Liturgy department	121,139	115,278
Cathedral museum	77,998	81,017
Vocation department	54,408	49,313
Family life	318,701	592,073
Tribunal	399,420	495,463
Bishop's donations	198,335	262,249
Youth ministry	227,689	185,758
Catholic Charities	424,370	425,112
Fund for the poor	90,500	90,500
St. Mary's Heritage fund	215,000	192,700
Parish in need	190,338	209,649
Other	19,243	17,870
Missions	21,437	20,416
Permanent diaconate	73,083	71,297
World Youth Day	318,043	12,030
CCHD Intern	2,997	3,286
Bishop's OSV funds	37,754	30,356
Pueri Cantores	10,435	327
Eucharistic revival	209,584	143,427
Hispanic ministry	72,145	-
Principal's association	15,941	-
Heavenly lights	-	2,809
St. Joseph school nurse	63,500	-
	3,343,373	3,178,351
<b>WITH DONOR RESTRICTIONS</b>		
Fund for the aging	44,000	( 872 )
Nellie Fowerbaugh estate	93,414	-
Ross - St. Bernard's	11,424	9,124
	148,838	8,252
<b>TOTAL MINISTRY SERVICES</b>	<b>\$ 3,492,211</b>	<b>\$ 3,186,603</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	
	2023	2022
<b>WITHOUT DONOR RESTRICTIONS</b>		
School administration	\$ 539,886	\$ 513,023
Secretariat of Catholic education	146,061	-
Religious education	654,066	589,564
Seminarian education	949,098	1,181,628
Continuing education - Priests	136,129	161,502
Large Catholic family fund	103,481	56,224
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	24,028	36,221
Music education endowment income	2,633	6,452
Catholic Schools Office funded projects	61,012	65,437
Twinning	190,003	196,216
Principal training	7,013	( 368 )
South Bend technology	-	44,089
High school endowment	280,000	280,000
Other	8,350	13,640
Our Sunday Visitor - master arts	48,650	28,861
Our Sunday Visitor stipend	214,875	278,706
	4,682,285	4,768,195
<b>WITH DONOR RESTRICTIONS</b>		
Our Sunday Visitor - master arts	34,750	37,530
Josephine A. Sommerer Scholarship Fund	40,000	45,000
Bueter Fund	34,500	-
Deacon Community Fund	5,778	-
	115,028	82,530
<b>TOTAL EDUCATIONAL SERVICES</b>	\$ 4,797,313	\$ 4,850,725

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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	
	2023	2022
<b>WITHOUT DONOR RESTRICTIONS</b>		
Today's Catholic	\$ 327,235	\$ 416,170
Communications office	238,394	212,789
TV Mass	10,695	8,907
Diocesan Directory	87	10,927
7th Floor Studios	77,880	74,571
<b>TOTAL COMMUNICATIONS</b>	<b>\$ 654,291</b>	<b>\$ 723,364</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	
	2023	2022
<b>WITHOUT DONOR RESTRICTIONS</b>		
Bishop's Appeal	\$ 222,579	\$ 297,966
Development office	86,645	123,924
Planned giving	-	117
<b>TOTAL FUND RAISING</b>	<b>\$ 309,224</b>	<b>\$ 422,007</b>

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

	For the Year Ended June 30	
	2023	2022
<b>WITHOUT DONOR RESTRICTIONS</b>		
Personnel	\$ 332,885	\$ 372,985
Assessments	160,282	137,386
Parish assistance	149,856	224,333
Group insurance expense	18,438,204	18,762,257
Property/liability insurance expense	2,481,329	2,694,688
Unemployment claims	4,488	13,287
<b>TOTAL OTHER SERVICES</b>	<b>\$ 21,567,044</b>	<b>\$ 22,204,936</b>

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

	For the Year Ended June 30	
	2023	2022
<b>WITHOUT DONOR RESTRICTIONS</b>		
Bishop	\$ 82,733	\$ 81,068
Administration	727,927	706,114
Archive department	58,073	56,709
Central purchasing	69,394	62,297
Data processing	111,481	94,268
Accounting	245,685	215,554
Human resources	240,927	156,200
Property management	925,289	928,297
Property manager	149,404	165,852
Interest expense	1,247,825	1,091,346
Foreign clergy	42,894	65,505
Provision for uncollectible accounts	453,116	1,025,655
Separation benefits - lay	30,069	53,867
Priests' retirement	375,842	417,602
Safe environment	124,300	112,316
Andrews Center	20,423	6,632
Victims assistance	25,000	-
Other	247	4,294
Student insurance	370,613	348,994
	370,613	348,994
<b>TOTAL ADMINISTRATIVE</b>	<b>\$ 5,301,242</b>	<b>\$ 5,592,570</b>

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