The Administrative Offices of the Catholic Diocese of Evansville (Chancery and Certain Diocean Operations)

Independent Auditor's Report, Financial Statements, and Supplementary Information

June 30, 2022 and 2021

The Administrative Offices of the Catholic Diocese of Evansville
(Chancery and Certain Diocesan Operations)
June 30, 2022 and 2021

Contents

FORV/S

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Independent Auditor's Report

Finance Council and Management
The Administrative Offices of the
Catholic Diocese of Evansville
(Chancery and Certain Diocesan Operations)
Evansville, Indiana

Qualified Opinion

We have audited the accompanying financial statements of The Administrative Offices of the Catholic Diocese of Evansville (Chancery and Certain Diocesan Operations), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of The Administrative Offices of the Catholic Diocese of Evansville (Chancery and Certain Diocesan Operations) as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As discussed in Notes 1 and 5, The Administrative Offices of the Catholic Diocese of Evansville (Chancery and Certain Diocesan Operations) expenses fixed asset additions and capital improvements. Additionally, as discussed in Note 11, The Administrative Offices of the Catholic Diocese of Evansville (Chancery and Certain Diocesan Operations) has not recorded a liability for its commitment to pay for clergy medical expenses that it provides after retirement. The practice of both of these, in our opinion, is not in accordance with accounting principles generally accepted in the United States of America. The effects on the financial statements of the aforementioned practices cannot be reasonably obtained.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 The Administrative Offices of the Catholic Diocese of Evansville (Chancery and Certain Diocesan 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 qualified audit opinion.

Emphasis of Matter

As discussed in Note 1, certain operations of The Administrative Offices of the Catholic Diocese of Evansville (Chancery and Certain Diocesan Operations) are not included in these financial statements. Our opinion is not modified with respect to this matter.

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 The Administrative Offices of the Catholic Diocese of Evansville's (Chancery and Certain Diocesan Operations) ability to continue as a going concern within one year after the date that these 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 GAAS 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 the override of internal control. Misstatements 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 GAAS, 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 The Administrative Offices of the Catholic Diocese of Evansville's (Chancery and Certain Diocesan Operations) 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 The Administrative Offices of the Catholic Diocese of Evansville's (Chancery and Certain Diocesan Operations) 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 accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

FORVIS, LLP

Evansville, Indiana
January 10, 2023

The Administrative Offices of the Catholic Diocese of Evansville
(Chancery and Certain Diocesan Operations)
Statements of Financial Position
June 30, 2022 and 2021

Assets

	2022	2021
Cash	$ 11,107,266	$ 10,420,980
Receivables		
Stewards of God's Grace contributions receivable, net	-	22,405
Catholic Parishes Campaign	403,567	490,519
Parishes and institutions, net of allowance; 2022 and 2021 – $2,060	1,095,748	790,875
Loans – parishes and institutions, net of allowance; 2022 and 2021 – $0	1,112,461	1,323,298
Interest receivable	20,061	21,066
Insurance services receivable	296,976	417,628
Other Diocesan operations	43,640	22,678
	2,972,453	3,088,469
Investments	51,784,113	58,539,085
Beneficial interests in Foundation	15,155,438	17,329,630
Prepaid expenses and other assets	1,893,252	1,649,666
Total assets	$ 82,912,522	$ 91,027,830

Liabilities and Net Assets

	2022	2021
Liabilities		
Accounts payable	$ 177,639	$ 203,194
Deposits held for parishes and other Diocesan operations	42,527,034	37,296,421
Due to related parties, net	23,220	391,974
Other accrued expenses and liabilities	1,987,997	2,171,162
Unearned service revenue	15,799	15,799
Accrued pension liability	25,992,147	31,524,852
Payables to named beneficiaries	-	5,000
Total liabilities	70,723,836	71,608,402
Net Assets		
Without donor restrictions – undesignated	(28,216,725)	(21,611,631)
Without donor restrictions – designated	32,443,992	31,956,265
Total net assets without donor restrictions	4,227,267	10,344,634
With donor restrictions	7,961,419	9,074,794
Total net assets	12,188,686	19,419,428
Total liabilities and net assets	$ 82,912,522	$ 91,027,830

The Administrative Offices of the Catholic Diocese of Evansville
(Chancery and Certain Diocesan Operations)
Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains (Losses) and Other Support			
Catholic Parishes Campaign	$ 6,285,911	$ -	$ 6,285,911
Contributions and other community support	80,924	286,209	367,133
Insurance and medical fees	14,724,957	-	14,724,957
Service fees	188,948	-	188,948
Net investment return	(8,641,327)	63,720	(8,577,607)
Change in beneficial interests in Foundation	-	(829,234)	(829,234)
Change in beneficial interests in Foundation – designated	(1,686,794)	-	(1,686,794)
Distributions from Foundation and other revenue	678,330	-	678,330
Net assets released from restrictions	634,070	(634,070)	-
Total revenues, gains (losses) and other support	12,265,019	(1,113,375)	11,151,644
Expenses			
Adult formation	196,821	-	196,821
Catholic Center and other operations	75,103	-	75,103
Chancery	696,254	-	696,254
Education	876,629	-	876,629
Insurance and medical programs	13,981,776	-	13,981,776
Spanish-speaking ministry	95,274	-	95,274
Ministry to priests and clergy assistance	372,724	-	372,724
Newspaper and communications	374,872	-	374,872
Office of Worship	109,694	-	109,694
Permanent deaconate	57,625	-	57,625
Subsidies	732,870	-	732,870
Tribunal	187,396	-	187,396
Vocation Office and House of Discernment	585,774	-	585,774
Safe Environment	39,244	-	39,244
Youth ministries, including Newman Centers	371,477	-	371,477
Lay employee retirement plan	(15,680)	-	(15,680)
Employee 403(b) benefits	1,000,926	-	1,000,926
Office of Family and Life	79,229	-	79,229
Total program services	19,818,008	-	19,818,008
Management and general	2,283,737	-	2,283,737
Fundraising	241,806	-	241,806
Total support services	2,525,543	-	2,525,543
Total expenses	22,343,551	-	22,343,551
Change in Net Assets from Operating and Investing Activities	(10,078,532)	(1,113,375)	(11,191,907)
Change in Minimum Pension Liability	3,961,165	-	3,961,165
Change in Net Assets	(6,117,367)	(1,113,375)	(7,230,742)
Net Assets, Beginning of Year	10,344,634	9,074,794	19,419,428
Net Assets, End of Year	$ 4,227,267	$ 7,961,419	$ 12,188,686

The Administrative Offices of the Catholic Diocese of Evansville
(Chancery and Certain Diocesan Operations)
Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support			
Catholic Parishes Campaign	$ 6,223,674	$ -	$ 6,223,674
Contributions and other community support	937,417	83,977	1,021,394
Insurance and medical fees	14,331,089	-	14,331,089
Service fees	110,424	-	110,424
Net investment return	9,584,368	81,004	9,665,372
Change in beneficial interests in Foundation	-	1,202,164	1,202,164
Change in beneficial interests in Foundation – designated	2,904,801	-	2,904,801
Distributions from Foundation and other revenue	206,424	-	206,424
Paycheck Protection Program income	850,000	-	850,000
Net assets released from restrictions	1,247,028	(1,247,028)	-
Total revenues, gains and other support	36,395,225	120,117	36,515,342
Expenses			
Adult formation	173,158	-	173,158
Catholic Center and other operations	544,594	-	544,594
Chancery	702,255	-	702,255
Education	545,786	-	545,786
Insurance and medical programs	12,854,912	-	12,854,912
Spanish-speaking ministry	82,396	-	82,396
Ministry to priests and clergy assistance	278,756	-	278,756
Newspaper and communications	387,108	-	387,108
Office of Worship	96,876	-	96,876
Permanent deaconate	44,193	-	44,193
Subsidies	718,500	-	718,500
Tribunal	183,729	-	183,729
Vocation Office and House of Discernment	576,452	-	576,452
Safe Environment	24,897	-	24,897
Youth ministries, including Newman Centers	298,493	-	298,493
Lay employee retirement plan	1,657,050	-	1,657,050
Employee 403(b) benefits	927,503	-	927,503
Office of Family and Life	67,468	-	67,468
Bad debt recoveries	(28,169)	-	(28,169)
Total program services	20,135,957	-	20,135,957
Management and general	2,091,644	-	2,091,644
Fundraising	212,035	-	212,035
Total support services	2,303,679	-	2,303,679
Total expenses	22,439,636	-	22,439,636
Change in Net Assets from Operating and Investing Activities	13,955,589	120,117	14,075,706
Change in Minimum Pension Liability	8,453,477	-	8,453,477
Change in Net Assets	22,409,066	120,117	22,529,183
Net Assets (Deficit), Beginning of Period	(12,064,432)	8,954,677	(3,109,755)
Net Assets, End of Period	$ 10,344,634	$ 9,074,794	$ 19,419,428

The Administrative Offices of the Catholic Diocese of Evansville
(Chancery and Certain Diocesan Operations)
Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services					Support Services			
	Formation & Education	Sacramental & Ministerial Support	Social Outreach	Ecclesiastical Services to Parishes	Total Program Services	Management and General	Fundraising	Total Support Services	Total
Wages, taxes, and benefits	$ 780,866	$ 42,641	$ -	$ 1,251,787	$ 2,075,294	$ 287,379	$ 143,145	$ 430,524	$ 2,505,818
Lay pension and 403(b) Plan	-	-	-	985,249	985,249	-	-	-	985,249
Property and liability claims	-	-	-	-	-	167	-	167	167
Clergy assistance	-	366,218	-	-	366,218	7,000	-	7,000	373,218
Seminary and theology tuition	-	-	-	462,606	462,606	-	-	-	462,606
Programs	667,399	6,721	732,870	39,299	1,446,289	41,769	-	41,769	1,488,058
Insurance premiums, fees and claims	-	824,138	-	13,157,638	13,981,776	-	-	-	13,981,776
Professional fees and services	16,520	-	-	26,611	43,131	195,216	5,976	201,192	244,323
Utilities	12,986	11,267	-	20,744	44,997	92,357	546	92,903	137,900
Technology	-	-	-	-	-	93,318	-	93,318	93,318
Travel, meals, and entertainment	13,168	156	-	24,612	37,936	404	1,735	2,139	40,075
Repairs and maintenance	3,427	8,712	-	3,776	15,915	83,455	-	83,455	99,370
Other occupancy expense	9,662	12,306	-	8,425	30,393	-	-	-	30,393
Training and development	18,067	54,358	-	19,963	92,388	77,861	2,214	80,075	172,463
Print production	91	-	-	86,381	86,472	-	42,596	42,596	129,068
Postage	1,137	-	-	58,091	59,228	8,824	6,113	14,937	74,165
Supplies and other	16,878	116	-	73,122	90,116	43,615	39,481	83,096	173,212
Interest expense	-	-	-	-	-	915,094	-	915,094	915,094
Capital improvements	-	-	-	-	-	437,278	-	437,278	437,278
Total expenses included in the expense section on the statement of activities	$ 1,540,201	$ 1,326,633	$ 732,870	$ 16,218,304	$ 19,818,008	$ 2,283,737	$ 241,806	$ 2,525,543	$ 22,343,551

The Administrative Offices of the Catholic Diocese of Evansville
(Chancery and Certain Diocesan Operations)
Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services					Support Services			
	Formation & Education	Sacramental & Ministerial Support	Social Outreach	Ecclesiastical Services to Parishes	Total Program Services	Management and General	Fundraising	Total Support Services	Total
Wages, taxes, and benefits	$ 771,280	$ 47,987	$ -	$ 1,253,595	$ 2,072,862	$ 269,031	$ 140,044	$ 409,075	$ 2,481,937
Lay pension and 403(b) Plan	32,241	-	-	2,644,557	2,676,798	-	5,553	5,553	2,682,351
Property and liability claims	-	-	-	-	-	831	-	831	831
Clergy assistance	-	274,254	-	-	274,254	-	-	-	274,254
Seminary and theology tuition	-	-	-	404,440	404,440	-	-	-	404,440
Programs	241,319	4,780	1,105,329	63,596	1,415,024	80,105	-	80,105	1,495,129
Insurance premiums, fees and claims	-	728,821	-	12,126,091	12,854,912	12,324	-	12,324	12,867,236
Professional fees and services	6,330	-	-	3,967	10,297	224,387	5,495	229,882	240,179
Utilities	11,485	9,860	-	20,804	42,149	71,027	649	71,676	113,825
Technology	-	-	-	-	-	103,140	-	103,140	103,140
Travel, meals, and entertainment	4,320	197	-	6,261	10,778	372	616	988	11,766
Repairs and maintenance	1,356	7,503	-	51,498	60,357	52,122	-	52,122	112,479
Other occupancy expense	10,262	10,019	-	8,569	28,850	-	-	-	28,850
Training and development	6,514	40,875	-	11,587	58,976	67,556	-	67,556	126,532
Print production	114	-	-	88,908	89,022	-	33,732	33,732	122,754
Postage	1,051	-	-	57,735	58,786	11,743	8,614	20,357	79,143
Supplies and other	13,561	40	-	67,778	81,379	13,781	17,332	31,113	112,492
Interest expense	-	-	-	-	-	1,116,273	-	1,116,273	1,116,273
Bad debts recoveries	-	-	-	(28,169)	(28,169)	-	-	-	(28,169)
Contributions	-	-	-	25,242	25,242	-	-	-	25,242
Capital improvements	-	-	-	-	-	68,952	-	68,952	68,952
Total expenses included in the expense section on the statement of activities	$ 1,099,833	$ 1,124,336	$ 1,105,329	$ 16,806,459	$ 20,135,957	$ 2,091,644	$ 212,035	$ 2,303,679	$ 22,439,636

The Administrative Offices of the Catholic Diocese of Evansville
(Chancery and Certain Diocesan Operations)
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	$ (7,230,742)	$ 22,529,183
Items not requiring (providing) operating activities cash flows		
Net realized and unrealized (gains) losses on investments	8,744,192	(9,504,236)
Net investment return on beneficial interests in Foundation	829,234	(1,202,164)
Net investment return on beneficial interests in Foundation – designated	1,686,794	(2,904,801)
Contribution of beneficial interest to Foundation on behalf of the Diocese	-	(166,998)
Contributions restricted for long-term investment	(165,325)	-
Recoveries of bad debt	-	(28,169)
Paycheck Protection Program income	-	(850,000)
Change in minimum pension liability	(3,961,165)	(8,453,477)
Changes in		
Receivables, other than loans	(117,226)	(525,095)
Contributions receivable	22,405	877,249
Prepaid expenses and other assets	(243,586)	(204,871)
Accounts payable	(25,555)	(575,221)
Due to related parties	(368,754)	(662,942)
Payable to named beneficiary	(5,000)	-
Accrued expenses and other liabilities	(1,754,705)	377,068
Unearned service revenue – Catholic Parishes Campaign	-	146
Net cash used in operating activities	(2,589,433)	(1,294,328)
Investing Activities		
Purchases of investments	(8,352,677)	(21,488,856)
Proceeds from disposition of investments	6,363,457	21,370,200
Contributions to beneficial interests in Foundation	(341,836)	(648,542)
Repayments from loans to parishes and institutions	223,862	363,511
Issuance of loans to parishes and institutions	(13,025)	(160,000)
Net cash used in investing activities	(2,120,219)	(563,687)
Financing Activities		
Proceeds from deposits held for parishes and institutions	12,345,818	12,390,895
Payments on deposits held for parishes and institutions	(7,115,205)	(3,403,437)
Proceeds from contributions restricted for endowment	165,325	-
Net cash provided by financing activities	5,395,938	8,987,458
Increase in Cash	686,286	7,129,443
Cash, Beginning of Year	10,420,980	3,291,537
Cash, End of Year	$ 11,107,266	$ 10,420,980
Supplemental Cash Flows Information		
Interest paid to parishes and institutions	$ 915,094	$ 1,116,273

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Administrative Offices of the Catholic Diocese of Evansville (Chancery and Certain Diocesan Operations) (Diocese) is a not-for-profit organization the mission and principal activity of which is to provide administrative services to the parishes and various other institutions and operations within the Diocese of Southwestern Indiana. The primary sources of revenue for the Diocese are: (1) fees from Diocesan operations for Diocesan-wide programs sponsored and/or administered by The Administrative Offices, including property and liability insurance, clergy medical and lay medical, (2) investment income, (3) amounts received from the Catholic Parishes Campaign (Campaign) and (4) other bequests and donations.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Description of Chancery and Certain Diocesan Operations

The financial statements include the accounts of the following operations of the Diocese of Evansville, which are under the supervision of the Bishop of Evansville:

- Chancery offices' operations
- Catholic Center operations (grounds, facilities, Sarto, chapel)
- Adult formation
- Administrative support
- Youth ministry
- Education
- Office of Hispanic Ministry
- Newspaper/communications
- Office of Worship
- Vocation Office and House of Discernment
- Ministry to priests
- Development
- Finance office operations
- Office of Family and Life
- Various other operations

All significant transactions and account balances between operations included in the financial statements have been eliminated.

The financial statements do not include operations of the parishes, schools and certain other Diocesan operations, including subsidized operations and certain Diocesan-related foundations. Under canon law, these operations operate, in many ways, autonomously. Additionally, many of the operations do not have formalized accounting and record-keeping that would allow them to be combined in a cost-efficient manner.

Net Assets

The Diocese reports its financial position and activities according to the following net asset classifications, based on the existence or absence of donor or grantor restrictions:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Diocese. These net assets may be used at the discretion of the Diocese's management and the Diocesan finance council.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Diocese or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and Cash Equivalents

The Diocese considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash included in investment accounts are not considered to be cash and cash equivalents. At June 30, 2022 and 2021, the Diocese had no cash equivalents.

At June 30, 2022, the Diocese's cash accounts exceeded federally insured limits by approximately $11,239,000.

Receivables

Receivables are stated at the amount of consideration from others (primarily related parties), of which the Diocese has an unconditional right to receive, plus any accrued or unpaid interest. The Diocese provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Delinquent receivables expected to be uncollected have been written off. Catholic Parishes Campaign receivables are unrestricted and due within one year.

Contributions Receivable and Amounts Due to Related Parties

The Diocese received certain contributions as a part of the Stewards of God's Grace: *Providing for the Needs of the Church in Southwest Indiana* (SOGG) campaign, which concluded in 2022. These contribution receivables were recorded as revenues with donor restrictions based on the intent of the donor. The amounts were recorded at fair value, which represents the gross contribution, less allowances for an estimate of amounts that may be uncollectible and a discount based on a risk-adjusted interest rate applicable to the year in which the contribution was made.

In conjunction with administering the SOGG campaign, the Diocese received campaign payments directly from donors. Unless otherwise specified by the donor, the original pledge agreements provided that 50% of contributions, up to the respective organization's goal, were due directly to the parishes and other institutions named in the campaign pledge agreements. Donations between 101% and 125% of the organization's goal were to be allocated 80/20 to the respective organization/Diocese. Donations exceeding 125% of the organization's goal were to be allocated entirely to the respective organization. The amounts due directly to the parishes and other institutions do not represent revenue to the Diocese; therefore, the Diocese recorded amounts due to related parties for cash received on behalf of the parishes and other institutions not yet distributed.

Investments and Net Investment Return

Investments in equity securities having readily determinable fair values and all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Diocese maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investments accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Property and Equipment

Fixed asset additions and capital improvements are expensed when purchased rather than capitalized and depreciated over their estimated useful lives. Accordingly, no depreciation expense is recognized by the Diocese. This practice is not in accordance with accounting principles generally accepted in the United States of America.

Paycheck Protection Program (PPP) Loan

The Diocese received $850,000 of PPP loans established by the *Coronavirus, Aid, Relief, and Economic Security Act* (CARES Act), and elected to account for the funding as a loan in accordance with Accounting Standards Codification (ASC) Topic 470, *Debt*. Interest was accrued in accordance with the loan agreement. Any forgiveness of the loan was recognized as a gain in the financial statements in the period the debt was legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration or lender; as a result of such audit, adjustments could be required to the recognition of revenue. During the year ended June 30, 2021, the loan forgiveness criteria was met, and the loan was recorded into income.

Contributions

Contributions are provided to the Diocese either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts—with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Diocese overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.,* the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

In-Kind Contributions

In addition to receiving cash contributions, the Diocese receives in-kind contributions from various donors, which may consist of supplies or long-lived assets, such as equipment. It is the policy of the Diocese to record the estimated fair value of certain in-kind donations as an expense in its financial statements and similarly increase contribution revenue by a like amount, unless explicit donor stipulations specify how such assets are to be used, in which case, they are reported as with donor restrictions revenue. For the years ended June 30, 2022 and 2021, these contributions were minimal and, therefore, no amounts have been reflected in the financial statements for in-kind contributions.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair values only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contributions of services also include services received from personnel of an affiliate. The Diocese pays for most services requiring specific expertise; therefore, no amounts have been reflected in the financial statements for donated services.

Unearned Service Revenue

The Catholic Parishes Campaign is the method used to fund the annual assessment on each parish, which occurs in the fall. The funds are used for the operations of the Chancery, Diocesan programs and other Diocesan operations for the succeeding fiscal year. No campaign funds are included within unearned service revenue in the financial statements at June 30, 2022 and 2021. Additionally, the Diocese recognizes other revenues as unearned relating to other religious education programs.

Income Taxes

The Diocese is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Diocese is subject to federal income tax on any unrelated business taxable income.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general, and fundraising categories based on actual direct expenditures.

Note 2: Revenue Recognition

Catholic Parishes Campaign

Catholic Parishes Campaign represents the annual assessment allocated to respective parishes in exchange for Diocesan operational services, support and ministries provided. Revenue for these performance obligations is satisfied over time and recognized ratably over the period based on time elapsed. Performance obligations are determined based on the nature of services provided by the Diocese. The Diocese believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Insurance, Medical and Service Fees

The Diocese provides property and liability insurance, medical, dental, vision and pharmacy benefits programs for parishes, clergy and lay employees who provide services across the Diocese. Premiums are charged monthly to the participants and/or parishes in exchange for coverage and services provided. Revenue for these performance obligations is satisfied over time and recognized ratably over the period based on time elapsed. The Diocese believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Significant Judgments

The Diocese determines the transaction prices based on standard and budgeted charges for services provided.

Note 3: Contributions Receivable

Contributions receivable at June 30, 2021, consisted of the following:

		2021
Due within one year	$	22,405
Due in one to five years		-
	$	22,405

There was no discount calculated for 2021 as the entire amount was due within one year, and no allowance for uncollectible contributions was recorded as of June 30, 2021.

As of June 30, 2021, all contributions receivable were designated for the Stewards of God's Grace campaign, intended to support seminarians and priests, Catholic education and faith formation, social outreach, facility improvements, campaign costs and parishes.

Note 4: Beneficial Interests in the Catholic Foundation of Southwest Indiana (Foundation)

The Diocese has transferred assets to the Foundation and retained a beneficial interest in those assets. The Diocese is to receive earnings as determined by the Foundation board annually, but none of the principal. The Diocese named itself as beneficiary of all future earnings. The cumulative amount of retained beneficial interests included in the statements of financial position was $15,155,438 and $17,329,630 at June 30, 2022 and 2021, respectively. Amounts within these beneficial interests with donor restrictions were $4,935,015 and $5,560,971 at June 30, 2022 and 2021, respectively.

Note 5: Property and Equipment

The Diocese owns properties that were purchased, constructed or donated. As is a common practice with religious organizations, these properties are not recorded in the financial statements. The Diocese believes many of these properties are single use, religious facilities with limited value, except to the Catholic community, and the cost related to these facilities is more a measure of contributions and general architectural styles at the time of construction, which may be significantly different from current styles or trends.

The replacement value of the buildings and equipment of all Diocesan operations for insurance purposes at June 30, 2022 and 2021, was approximately $827,400,000 and $725,200,000, respectively, of which approximately $13,160,000 and $12,169,000 as of June 30, 2022 and 2021, respectively, was attributable to properties of operations included in these financial statements.

Financial Accounting Standards Board (FASB) guidance requires capitalization of land, buildings and equipment and recognition of depreciation expense thereon. The Diocese currently does not intend to adopt this particular FASB guidance in its financial reporting and no attempt has been made by management to determine the impact of not adopting this standard.

Note 6: Note Payable

During 2020, the Diocese received an $850,000 PPP note payable from Old National Bank. The note was due in April 2022 with monthly payments of $47,835 beginning in November 2020, including a 1% interest rate. The note was unsecured.

In October 2020, the *Paycheck Protection Program Flexibility Act* was issued which extended the deferral period for borrower payments of principal and interest to the date that the Small Business Administration (SBA) remits the borrower’s loan forgiveness amount to the lender, or 10 months after the end of the borrower’s loan forgiveness period.

During the year ended June 30, 2021, the Diocese received loan forgiveness from the SBA and lender, and the loan was recorded into income.

Note 7: Loans and Deposits – Related Parties

The Administrative Offices operate a centralized financing program. Diocesan operations remit funds in excess of immediate operating needs to the Diocese throughout the year. Other Diocesan operations may borrow from the fund at rates below the prevailing commercial rates (5.00% and 6.00% for fiscal periods 2022 and 2021, respectively), for operational needs or construction projects. This program gives operations with excess funds the opportunity to assist other operations. Interest is paid on funds on deposit between 1.75% and 3.50% for fiscal year 2022 and at 3.50% for fiscal year 2021, respectively. The interest rate differential covers administrative costs. The deposits are payable on demand. The loans are payable based upon the terms of the note agreements, which typically range from on demand to seven years from substantial completion of the financed project. One loan has been extended beyond its original due date to be amortized on a straight-line method over 15 years.

The loans outstanding and deposits on hand from operations at June 30, 2022 and 2021, are summarized below:

	2022		2021	
	Loans	Deposits	Loans	Deposits
Parishes	$ 1,112,461	$ 34,076,854	$ 1,323,298	$ 28,556,699
Institutions	-	8,450,180	-	8,739,722
	1,112,461	42,527,034	1,323,298	37,296,421
Less allowance	-	-	-	-
	$ 1,112,461	$ 42,527,034	$ 1,323,298	$ 37,296,421

Interest expense relative to the deposits on hand for the years ended June 30, 2022 and 2021, was $915,094 and $1,116,273, respectively.

As of June 30, 2022 and 2021, no loans were past due under the Diocese's loan program.

Note 8: Net Assets

Without Donor Restrictions – Designated

Net assets without donor restrictions at June 30, 2022 and 2021, are restricted for the following purposes:

	2022	2021
Disaster relief	$ 3,584	$ 3,584
Plant funds	50,000	50,000
Office machine operations	63,603	63,603
Evansville Catholic schools	108,510	108,510
Religious education	272,550	272,550
Property acquisition	158,058	158,058
Insurance reserve	21,779,658	19,800,508
Stewards of God's Grace campaign held in beneficial interest in Foundation various endowments	10,008,029	11,499,452
	$ 32,443,992	$ 31,956,265

Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2022 and 2021, are restricted for the following purposes:

	2022	2021
Subject expenditure for specified purpose		
Human development	$ 54,873	$ 52,749
Evansville Catholic high schools	166,300	166,300
Religious education and pooled income funds	718,960	681,593
Communications	118,905	115,775
Discernment	80,564	-
Stewards of God's Grace campaign (1)	306,276	841,777
Total subject to expenditure for specified purpose	1,445,878	1,858,194
Subject to passage of time		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	-	22,405
Endowments		
Investment in perpetuity, the income of which is expendable to support		
Diocesan general operations (life income)	61,936	61,936
Religious education	946,775	942,660
Religious education of Diocesan seminarians	192,196	192,196
Stewards of God's Grace campaign (1)	167,225	167,225
Stewards of God's Grace campaign held in beneficial interest in Foundation various endowments	212,394	269,207
Beneficial interests in Foundation various endowments, primarily religious education	4,935,015	5,560,971
Total endowments	6,515,541	7,194,195
Total net assets with donor restrictions	$ 7,961,419	$ 9,074,794

(1) The SOGG campaign is intended to support seminarians and priests, Catholic education and faith formation, social outreach, facility improvements, campaign costs and parishes.

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2022	2021
Purpose restrictions accomplished		
Communications	$ 2,909	$ 1,188
Other	11,737	4,500
Religious education	37,239	184,593
Stewards of God's Grace campaign	582,185	1,056,747
	$ 634,070	$ 1,247,028

Note 9: Endowment

The Diocese's endowment consists of 22 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Diocese's governing body is subject to the *State of Indiana Prudent Management of Institutional Funds Act* (SPMIFA) as requiring the preservation of the fair value of original gifts as of the gift date of donor restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of the interpretation, the Diocese classifies as net assets with donor restriction (a) the original value of gifts donated to the endowment and (b) any accumulations to the fund that are required to be maintained in the perpetuity in accordance with the direction of the applicable donor gift instrument. In accordance with SPMIFA, the Diocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Diocese and the fund
3. General economic conditions
4. Possible effect of inflation and deflation

5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Diocese
7. Investment policies of the Diocese

The composition of net assets by type of endowment fund at June 30, 2022 and 2021, was:

	2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor-restricted endowment funds	$ -	$ 2,345,357	$ 2,345,357
Designated endowment funds	272,550	-	272,550
Total endowment funds	$ 272,550	$ 2,345,357	$ 2,617,907

	2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor-restricted endowment funds	$ -	$ 2,353,116	$ 2,353,116
Designated endowment funds	272,550	-	272,550
Total endowment funds	$ 272,550	$ 2,353,116	$ 2,625,666

The Administrative Offices of the Catholic Diocese of Evansville
(Chancery and Certain Diocesan Operations)
Notes to Financial Statements
June 30, 2022 and 2021

Changes in endowment net assets for the years ended June 30, 2022 and 2021, were:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 272,550	$ 2,353,116	$ 2,625,666
Investment return, net	-	61,542	61,542
Transfers	-	7,036	7,036
Change in beneficial interest in trust	-	(37,948)	(37,948)
Appropriation of endowment assets for expenditure	-	(16,602)	(16,602)
Other changes	-	(21,787)	(21,787)
Endowment net assets, end of year	$ 272,550	$ 2,345,357	$ 2,617,907

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 272,550	$ 2,236,859	$ 2,509,409
Investment return, net	-	55,165	55,165
Contributions	-	28,678	28,678
Change in beneficial interest in trust	-	62,276	62,276
Appropriation of endowment assets for expenditure	-	(29,862)	(29,862)
Endowment net assets, end of year	$ 272,550	$ 2,353,116	$ 2,625,666

Investment and Spending Policies

The Diocese has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment, while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Diocese must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Diocese's policies, endowment assets are invested in a manner that is intended to produce favorable results while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Diocese relies on a total return strategy in which investment returns are achieved through both current yield (investment income, such as dividends and interest) and capital appreciation (both realized and unrealized). The Diocese targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Annually, the Diocese evaluates designated endowments and determines any changes and appropriations.

Underwater Endowment

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Diocese is required to retain as a fund of perpetual duration pursuant to donor stipulation of SPMIFA. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature, if any, are reported in net assets with donor restrictions and such amounts were $0 for 2022 and 2021. Deficiencies, if any, may result from unfavorable market fluctuations that occur after investment of new contributions with donor restrictions and continued appropriation for certain purposes deemed prudent by the governing body.

The practice of the Diocese does not permit distributions from endowments to invade the corpus of the endowment. If earnings are not sufficient to fully fund the calculated annual distribution from the endowment, only the amount of available earnings is distributed for spending. This practice does not preclude the Diocese from permitting spending from underwater endowments in accordance with SPMIFA if deemed prudent by the governing body, if necessary. The Diocese has interpreted SPMIFA to permit spending from underwater endowment funds in accordance with the prudent measures required by law.

Note 10: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2022 and 2021, comprise the following:

	2022	2021
Cash	$ 11,107,266	$ 10,420,980
Other receivables	2,972,453	3,066,064
Investments	51,784,113	58,539,085
Contributions receivable, net	-	22,405
Total financial assets	65,863,832	72,048,534
Less		
Donor-imposed restrictions		
Restricted funds	1,445,878	1,858,194
Endowments	6,515,541	7,194,195
Deposits held for parishes and other Diocesan operations	42,527,034	37,296,421
Loans receivable due in one to five years	919,097	1,215,107
	51,407,550	47,563,917
Financial assets available to meet cash needs for general expenditures within one year	$ 14,456,282	$ 24,484,617

The Diocese's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment is subject to an annual spending policy of appropriating for expenditure as the board deems prudent each year. Although the Diocese does not intend to spend from this board-designated endowment, these amounts could be made available if necessary.

The Diocese manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Note 11: Medical Plans

Lay Employees

The medical plan for benefits for lay employees at the various parishes and schools throughout the entire Diocese of Evansville, including the lay employees at The Administrative Offices, is partially self-funded and is administered by a third-party administrator. The plan is funded by direct billings to the operations of the various parishes and schools based upon the number of employees participating in the program at rates determined by The Administrative Offices on an annual basis. Coverage for The Administrative Offices' employees is provided at no charge to the employee for single-covered employees. An employee can elect to pay an additional amount for family coverage. Losses in excess of $150,000 per participant are insured with a general insurance carrier for the years ended June 30, 2022 and 2021. Lay medical and healthcare expense (including actual claims paid, insurance premiums paid for the stop loss coverage and accruals for the estimate of claims incurred but not paid) for the years ended June 30, 2022 and 2021, was approximately $10,900,000 and $10,100,000, respectively. The Chancery, through action of the Bishop, funds any shortfall in this Diocesan-wide plan.

Clergy

The medical plan for clergy (Clergy Medical Plan) is administered by a third-party administrator. The plan is partially self-funded with losses in excess of $150,000 per participant insured with a general insurance carrier. The Clergy Medical Plan provides medical and health benefits to all current and retired clergy in the entire Diocese of Evansville (approximately 79), including priests assigned to The Administrative Offices.

The plan is funded by direct billings to each parish, school or other entity within the entire Diocese. Each operation pays a predetermined amount to the plan for clergy assigned to it at rates determined by The Administrative Offices on an annual basis. Clergy medical and healthcare expense (including actual claims paid, insurance premiums paid for the stop loss coverage and an accrual for the estimate of claims incurred but not paid) for the years ended June 30, 2022 and 2021, was approximately $996,000 and $825,000, respectively. The Chancery, through action of the Bishop, funds any shortfall in this Diocesan-wide plan.

The Diocese has an unwritten commitment to provide and pay for clergy's medical expenses after retirement. As of June 30, 2022, there are approximately 33 retired clergy covered under this commitment. Accounting principles generally accepted in the United States of America require that a liability be recorded for the present value of that commitment. The Diocese has elected not to determine the extent of that liability or record it with the understanding that, through action of the Bishop, the Chancery will fund any future shortfalls in this plan. For the years ended June 30, 2022 and 2021, there were overages of approximately $576,000 and $700,000, respectively, relating to premiums collected in excess of claims paid.

Note 12: Pension Plan

The Diocese has a noncontributory defined benefit pension plan, which covered substantially all full-time lay employees throughout the Diocese, including those at the administrative offices, through July 1, 2013. During 2013, the Diocese amended its pension plan to remove all plan participants under the age of 40 and freeze the plan to new participants as of July 1, 2013.

Although this plan covers employees from related Diocesan operations, which operations are not included in these financial statements, the Diocese would fund any shortfall or retain any overfunding of this plan in the event the plan is terminated. The Catholic Diocese of Evansville Retirement Income Plan provides benefits based on years of credited service multiplied by 1.125% of the participant's average compensation, as defined, over the preceding five years. The Diocese makes annual contributions to fund the plan. The most recent actuarial valuation report, which was prepared as of June 30, 2022, indicates the Diocese is expected to contribute $3,240,000 to the plan in fiscal year 2023.

The Diocese uses a June 30 measurement date for the plan. Information about the plan's funded status follows:

	2022	2021
Benefit obligation	$ (68,115,012)	$ (80,140,335)
Fair value of plan assets	42,122,865	48,615,483
Funded status	$ (25,992,147)	$ (31,524,852)

Amounts recognized in the statements of financial position as of June 30, 2022 and 2021, are as follows:

	2022	2021
Accrued pension liability	$ (25,992,147)	$ (31,524,852)

Amounts recognized in net assets without donor restrictions not yet recognized as components of net periodic benefit position costs as of June 30, 2022 and 2021, consist of:

	2022	2021
Net loss	$ 12,151,586	$ 16,000,353
Prior service cost	399,021	511,419
	$ 12,550,607	$ 16,511,772

The accumulated benefit obligation for the defined benefit pension plan was $63,134,050 and $73,658,939 at June 30, 2022 and 2021, respectively.

Components of net periodic benefit costs for the years ended June 30, 2022 and 2021, are as follows:

	2022	2021
Service cost	$ 1,461,987	$ 1,608,511
Interest cost	2,355,750	2,338,761
Expected return on assets	(3,402,578)	(2,747,080)
Amortization of prior service costs	112,398	112,398
Recognition of net loss	1,140,903	2,048,359
Net periodic benefit costs	$ 1,668,460	$ 3,360,949

Other significant balances and costs are:

	2022	2021
Net benefit costs	$ 1,668,460	$ 3,360,949
Employer contributions	$ 3,240,000	$ 3,422,000
Benefits paid	$ 3,109,152	$ 3,184,119

The following amounts have been recognized in the statements of activities for the years ended June 30, 2022 and 2021:

	2022	2021
Amounts arising during the period		
Net loss	$ (2,707,864)	$ (6,292,720)
Net prior service cost	$ 798,042	$ (1,022,838)
Amounts reclassified as components of net periodic benefit costs during the period		
Net loss	$ 1,140,903	$ 2,048,359
Prior service cost	$ 112,398	$ 112,398

The estimated net loss and prior service cost for the defined benefit pension plan that will be amortized from unrestricted net assets into net periodic benefit costs over the next fiscal year is $762,869 and $112,398, respectively.

Significant assumptions include:

	2022	2021
Weighted-average assumptions used to determine benefit obligations		
Discount rate	4.50%	3.00%
Rate of compensation increase	3.00%	3.00%
Weighted-average assumptions used to determine benefit costs		
Discount rate	3.00%	3.00%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	3.00%	3.00%

The Diocese has estimated the long-term return on plan assets based primarily on review of target asset allocation, an underlying inflation rate assumption and the effects of asset diversification and periodic fund rebalancing.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of June 30, 2022:

2023	$ 3,319,430
2024	3,880,045
2025	3,449,657
2026	4,337,659
2027	4,181,306
2028–2032	22,620,034
	$ 41,788,131

Plan assets are administered by Prudential Retirement, which invests the plan assets in accordance with the provisions of the plan agreement. The plan's asset allocation is designed using modern portfolio theory, which quantifies the impact of diversification among various asset classes. Current target allocation percentages are 40%–60% invested in equities and 40%–60% invested in fixed income assets and 5% invested in other. No additional asset categories are included beyond equity securities, debt securities and other.

At June 30, 2022 and 2021, plan assets by category are as follows:

	2022	2021
Weighted-average asset allocation		
Equity securities	52%	57%
Debt securities	47	41
Other	1	2
	100%	100%

Pension Plan Assets

Following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets include cash and mutual funds invested in U.S. stocks, international stocks, U.S. bonds and stable value funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy. The plan did not have any Level 2 or Level 3 assets.

The fair values of the Diocese's pension plan assets at June 30, 2022 and 2021, by asset class, are as follows:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2022				
Plan assets				
Mutual funds				
Large cap	$ 9,655,029	$ 9,655,029	$ -	$ -
Mid cap	1,181,515	1,181,515	-	-
Small cap	3,372,327	3,372,327	-	-
T. Rowe Price	3,310,205	3,310,205	-	-
International stocks	4,212,174	4,212,174	-	-
U.S. bonds	14,789,736	14,789,736	-	-
Stable value	4,844,832	4,844,832	-	-
Cash	757,047	757,047	-	-
	$ 42,122,865	$ 42,122,865	$ -	$ -
June 30, 2021				
Plan assets				
Mutual funds				
Large cap	$ 11,053,231	$ 11,053,231	$ -	$ -
Mid cap	1,591,293	1,591,293	-	-
Small cap	4,506,279	4,506,279	-	-
T. Rowe Price	5,416,492	5,416,492	-	-
International stocks	5,282,440	5,282,440	-	-
U.S. bonds	15,310,910	15,310,910	-	-
Stable value	4,741,575	4,741,575	-	-
Cash	713,263	713,263	-	-
	$ 48,615,483	$ 48,615,483	$ -	$ -

403(b) Plan

The Diocese has a 403(b) plan, which covers substantially all eligible full-time employees throughout the Diocese, including those at The Administrative Offices. Effective July 1, 2013, the Diocese amended its defined contribution 403(b) plan to allow the Diocese to make matching contributions of 50% of employee deferral amounts up to 5% of employees' eligible compensation. During 2022 and 2021, the Diocese has also elected a 2.5% discretionary contribution for eligible participants. The Diocese's 2022 employer contribution to the plan consisted of approximately $450,000 of matching contribution and approximately $553,000 of discretionary contributions. The Diocese's 2021 employer contribution to the plan consisted of approximately $400,000 of matching contribution and approximately $525,000 of discretionary contributions.

Note 13: Property and Liability Insurance

A partially self-insured property and liability insurance program is administered by the Chancery for all Diocesan facilities. For property coverage, the Diocese's initial deductible is $225,000 with total coverage of $70,000,000. The additional liability program is funded by assessments billed to all Diocesan operations and it pays the initial $695,000 of certain claims with insurance coverage of $750,000 in excess of these claims. Claims in excess of these limits are insured with various general insurance carriers through an overall risk manager who charges a fee for providing insurance management services. Property and liability insurance expense for the years ended June 30, 2022 and 2021, was approximately $2,545,000 and $2,350,000, respectively, comprised of $1,892,000 and $1,630,000, respectively, for premiums to general insurance carriers; $102,000 and $95,000, respectively, for fees to an overall risk manager; $551,000 and $628,000, respectively, for claims incurred; and $0, respectively, for rebates of excess reserves.

Provisions for losses expected under these programs are recorded based upon the Diocese's estimates of the aggregate liability for claims incurred and totaled approximately $200,000 and $530,000 for the years ended June 30, 2022 and 2021, respectively. The amount of actual losses incurred could differ materially from the estimates reflected in these financial statements. The Diocese has provided letters of credit totaling $750,000 in connection with these insurance programs, which renews automatically on an annual basis. These letters of credit are collateralized by certificates of deposit totaling $750,000.

Note 14: Disclosures About Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 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 for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2022 and 2021.

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2022				
Investments				
Money market mutual funds	$ 2,388,449	$ 2,388,449	$ -	$ -
Certificates of deposit (1)	908,804	-	-	-
U.S. Government securities	13,851	-	13,851	-
Corporate debt securities	883,483	-	883,483	-
U.S. Treasury securities	2,596,599	-	2,596,599	-
Common stocks	179,894	179,894	-	-
Mutual funds				
International	21,600,171	21,600,171	-	-
Small cap	3,893,714	3,893,714	-	-
Short term	6,954,192	6,954,192	-	-
Intermediate term	4,684,673	4,684,673	-	-
Large growth	7,680,283	7,680,283	-	-
	$ 51,784,113	$ 47,381,376	$ 3,493,933	$ -
Beneficial interests in Foundation	$ 15,155,438	$ -	$ -	$ 15,155,438

	Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2021				
Investments				
Money market mutual funds	$ 2,496,196	$ 2,496,196	$ -	$ -
Certificates of deposit (1)	907,440	-	-	-
U.S. Government securities	20,158	-	20,158	-
Corporate debt securities	1,109,364	-	1,109,364	-
U.S. Treasury securities	2,934,771	-	2,934,771	-
Common stocks	349,497	349,497	-	-
Mutual funds				
International	24,470,151	24,470,151	-	-
Small cap	4,251,784	4,251,784	-	-
Short term	7,971,778	7,971,778	-	-
Intermediate term	5,335,935	5,335,935	-	-
Large growth	8,692,011	8,692,011	-	-
	$ 58,539,085	$ 53,567,352	$ 4,064,293	$ -
Beneficial interests in Foundation	$ 17,329,630	$ -	$ -	$ 17,329,630

(1) Nonbrokered certificates – no leveling

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2022. For assets classified within Level 1, 2 and 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 securities.

Beneficial Interests in Foundation

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the statements of financial position using significant observable (Level 3) inputs:

	Beneficial Interests in Foundation	
	2022	**2021**
Balance, July 1	$ 17,329,630	$ 12,407,125
Total realized and unrealized gains (losses) included in change in beneficial interests in Foundation	(2,122,410)	4,291,398
Purchases	341,836	815,725
Distributions	(393,618)	(184,618)
Balance, June 30	$ 15,155,438	$ 17,329,630

Realized and unrealized gains and losses included in net investment return on beneficial interests in Foundation for the years ended June 30, 2022 and 2021, are reported in the statements of activities as follows:

	Beneficial Interests in Foundation	
	2022	**2021**
Total gains (losses)	$ (2,122,410)	$ 4,291,398
Change in unrealized gains and losses relating to assets still held at the statements of financial position date	$ (2,122,410)	$ 4,291,398

	Unobservable (Level 3) Inputs			
	Fair Value	**Valuation Technique**	**Unobservable Inputs**	**Range (Weighted Average)**
June 30, 2022				
Beneficial interests in Foundation	$ 15,155,438	Discounted cash flows	Discount rates market return rates	N/A
June 30, 2021				
Beneficial interests in Foundation	$ 17,329,630	Discounted cash flows	Discount rates market return rates	N/A

The following schedule summarizes investment return for the years ended June 30:

	2022	**2021**
Interest income	$ 102,865	$ 80,132
Net realized gains and reinvestments	2,197,002	4,527,473
Net unrealized gains (losses) on investments	(10,941,194)	4,976,763
Other changes	63,720	81,004
	$ (8,577,607)	$ 9,665,372

Note 15: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Litigation

The Diocese is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the Diocese. However, events could occur that would change this estimate materially in the near term.

Pension Plan

The Diocese has recorded certain liabilities as more fully described in Note 12. Certain assumptions and estimates made by the Diocese in calculating these liabilities may be different in the future.

Note 16: Commitments and Contingent Liabilities

Diocesan operations, separate from The Administrative Offices, have entered into various agreements and activities that could, by action of the Bishop, become liabilities of The Administrative Offices.

The Diocese of Evansville clergy are provided with a defined benefit retirement plan. Donations were received to fund the initial cost of the plan. The most recent actuarial valuation report, which was prepared as of July 1, 2022, indicates that the fair value of plan assets exceeds the present value of the accumulated benefits by approximately $979,000 for 80 participants. This is not a receivable of The Administrative Offices. However, The Administrative Offices could, by action of the Bishop, incur expenses in subsequent years in connection with the funding of this plan. The Bishop has not determined how a plan deficiency will be funded.

Note 17: Risks and Uncertainties

Investments

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

Loans – Parishes and Institutions

The Diocese has unsecured loans to its various parishes and institutions, which are exposed to the risks that the cash flows of these entities may not be adequate to provide for full payment of principal and interest due to the level of risk associated with these loans. It is at least reasonably possible that changes in values may occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Management's Future Plans

There are several economic factors and uncertainties that affect the financial health of the Diocese. The ongoing deficit within its unrestricted, undesignated net assets, is primarily the result of the impact of its noncontributory defined benefit pension plan, which covers a significant number of the full-time employees throughout the Diocese. The Diocese contributes annually to the plan through assessments to its parishes and various other institutions. The liability associated with this plan is largely computed based on discount rates, which fluctuate with market conditions, expected mortalities of the participants and the investments held by the plan to fund this liability.

Note 18: Subsequent Events

Subsequent events have been evaluated through January 10, 2023, which is the date the financial statements were available to be issued.

Supplementary Information

The Administrative Offices of the Catholic Diocese of Evansville
(Chancery and Certain Diocesan Operations)
Statement of Activities for Net Assets Without Donor Restrictions
Year Ended June 30, 2022

	Operating Fund	Insurance Fund	Interfund Eliminations Debit	Interfund Eliminations Credit	Total
Revenues, Gains (Losses) and Other Support					
Catholic community support					
Catholic Parishes Campaign	$ 6,285,911	$ -	$ -	$ -	$ 6,285,911
Bequests and donations	80,924	-	-	-	80,924
	6,366,835	-	-	-	6,366,835
Insurance and medical fees					
Property and liability insurance	-	3,285,114	104,535	-	3,180,579
Clergy medical plan	-	1,571,690	678,125	-	893,565
Lay medical plan	-	11,116,474	465,661	-	10,650,813
	-	15,973,278	1,248,321	-	14,724,957
Service fees					
Newspaper and communications	95,782	-	-	-	95,782
Catholic Center	93,166	-	-	-	93,166
	188,948	-	-	-	188,948
Interest income					
Investments	31,487	-	-	-	31,487
Parishes	71,378	-	-	-	71,378
	102,865	-	-	-	102,865
Net realized and unrealized investment gains	(8,744,192)	-	-	-	(8,744,192)
Change in beneficial interests in Foundation – designated	(1,686,794)	-	-	-	(1,686,794)
Distributions from Foundation and other	678,330	-	-	-	678,330
Net assets released from restrictions	634,070	-	-	-	634,070
Total revenues, gains (losses) and other support	(2,459,938)	15,973,278	1,248,321	-	12,265,019

The Administrative Offices of the Catholic Diocese of Evansville
(Chancery and Certain Diocesan Operations)
Statement of Activities for Net Assets Without Donor Restrictions (Continued)
Year Ended June 30, 2022

	Operating Fund	Insurance Fund	Interfund Eliminations Debit	Interfund Eliminations Credit	Total
Expenses					
Adult formation	$ 240,501	$ -	$ -	$ 43,680	$ 196,821
Catholic Center and other operations	257,397	-	-	182,294	75,103
Chancery	824,187	-	-	127,933	696,254
Education	943,205	-	-	66,576	876,629
Lay employee retirement plan	(121,237)	-	-	(105,557)	(15,680)
Employee 403(b) benefits	1,000,926	-	-	-	1,000,926
Fundraising	260,298	-	-	18,492	241,806
General and administrative					
Interest expense					
Parishes	745,801	-	-	-	745,801
Institutions	169,293	-	-	-	169,293
	915,094	-	-	-	915,094
Miscellaneous	1,944,537	-	-	575,894	1,368,643
	2,859,631	-	-	575,894	2,283,737
Insurance and medical programs					
Property and liability insurance	-	2,544,866	-	-	2,544,866
Clergy medical plan	-	824,138	-	-	824,138
Lay medical plan	-	10,625,124	-	12,352	10,612,772
	-	13,994,128	-	12,352	13,981,776
Spanish speaking ministry	110,178	-	-	14,904	95,274
Ministry to priests	422,949	-	-	50,225	372,724
Newspaper and communications	425,817	-	-	50,945	374,872
Office of Worship	125,758	-	-	16,064	109,694
Permanent deaconate	57,625	-	-	-	57,625
Subsidies					
Catholic Charities	624,240	-	-	-	624,240
Christian sharing	108,630	-	-	-	108,630
	732,870	-	-	-	732,870
Tribunal	218,341	-	-	30,945	187,396
Vocation Office and House of Discernment	683,087	-	-	97,313	585,774
Safe Environment	39,244	-	-	-	39,244
Youth ministries, including Newman Centers	422,836	-	-	51,359	371,477
Office of Family and Life	94,131	-	-	14,902	79,229
Total expenses	9,597,744	13,994,128	-	1,248,321	22,343,551
Change in Net Assets from Operating and Investing Activities	$ (12,057,682)	$ 1,979,150	$ 1,248,321	$ 1,248,321	$ (10,078,532)