



ARCHDIOCESE OF INDIANAPOLIS

2012-13 Accountability Report



Dear Brothers and Sisters in Christ:

The past year was one of historic significance for the Catholic Church as we welcomed our new Holy Father, Pope Francis, following the courageous and humble decision by Pope Benedict XVI to resign. Pope Francis is calling upon the Church to begin a new chapter of evangelization, while pointing out the path the Church should walk in the years to come.

The Archdiocese of Indianapolis shares the mission of the whole Church as we discover where God is opening new doors for us in central and southern Indiana. Good stewards are not passive beneficiaries of God's gifts. God invites each of us to continue the redemptive work of Jesus Christ. We carry out this mission by proclaiming the Gospel, celebrating the sacraments and exercising the ministry of charity.

This report, which gives an accounting of the Archdiocese of Indianapolis' finances for the fiscal year that ended June 30, 2013, is one measure of how we are using our resources to answer God's call to be disciples who joyfully proclaim the love of God in Jesus Christ. As Pope Francis has said many times during the first year of his papacy, "Faith is an encounter with Jesus, and we must do what Jesus does: encounter others."

This encounter requires that we listen to one another and step outside of ourselves to find where God is leading us. In an address on the Vigil of Pentecost on May 18, 2013 in St. Peter's Square to an estimated 200,000 people representing the different ecclesial movements, Pope Francis observed, "How often is Jesus inside and knocking at the door to be let out, to come out? And we do not let him out because of our own need for security, because so often we are locked into ephemeral structures that serve solely to make us slaves and not free children of God."

We have to be careful when we are planning in the archdiocese not to close doors by the way we plan. We need to be led by the sense of where God is actively opening doors and put the initiative and energy there in the trust that that action will generate the resources we need. I believe that as we progress in identifying the mission of the Archdiocese of Indianapolis, we will be successful in assembling the resources necessary to sustain that mission.

Since my installation, I have posed a question throughout the Catholic community in central and southern Indiana: Where is God opening a door for the archdiocese? I have asked that question in every deanery as well as in meetings with priests, young people, religious, the senior managers of the archdiocese, etc.

Six such "doors" appear to be opening and beckon the archdiocese to respond:

- 1. Campus and young adult ministry:** The Archdiocese of Indianapolis appears to be responding well to children and youth in our schools and religious education programs. We need to intensify our evangelization of young people on the college campuses as well as those who enter the work force immediately after high school.
- 2. Ministry to married couples and families:** The vocation of marriage experiences tremendous strain and couples may feel isolated in their struggle to live fully the sacrament they have received. How can the archdiocese support those who are preparing to marry as well as those who struggle to grow in married love? What sort of ministry can we offer to marriages in crisis or to those who have passed through the painful trauma of divorce? Can the ministry of the archdiocesan tribunal be financed in a way that removes the misconception that only if one has money will one receive consideration in the annulment process?

- 3. Ministry to migrants:** How can the archdiocese pastor the thousands of new immigrants to our territory? Many of these are Catholics but their faith is threatened by the secular character of American culture as well as the aggressive proselytism of other Christian churches and sects.
- 4. Prison ministry:** How can the archdiocese offer meaningful pastoral care to the thousands of inmates who are incarcerated within our territory and advocate for policies that effectively promote their rehabilitation and reinsertion into society?
- 5. Debt relief:** The archdiocese is blessed with a number of parishes which must expand their facilities in order to serve their growing communities. There are also poorer, urban parishes that stagger under the weight of maintaining their buildings and meeting their obligations to the archdiocese. Can the archdiocese be effective in relieving the debts of these parishes?
- 6. Global Catholicism:** Does the Archdiocese of Indianapolis have the responsibility of thinking beyond the borders of this country and enter into effective solidarity with the younger Churches of Africa, Asia and Latin America?

The above "doors" are neither definitive nor exhaustive and with your help I will work to continue to refine them, but they do appear to be elements of the mission of the Archdiocese of Indianapolis. I ask for your prayers and support in providing the Church in central and southern Indiana with the resources it needs to carry out its mission and, in the process, we all will be able as faithful Catholics to live more fully the vocation we received in baptism.

Our planning in the archdiocese also includes the continuation of the *Connected in the Spirit* planning process, which began in 2010. After Easter I intend to announce the final decisions concerning the parishes in the four Indianapolis deaneries.

Pastoral and lay representatives from the parishes have dedicated a tremendous amount of work to studying parish strengths, weaknesses and resources so we can align the parishes to most effectively carry out the mission God has given us. All parishes will be asked to share resources and programs, some will share pastors and a few parishes will be merged.

The Terre Haute and Batesville deaneries have completed *Connected in the Spirit*. Eventually, all of the parishes of the archdiocese will take part in *Connected in the Spirit*.

I hope you will take some time to study this report. In the following three pages you will find detailed information about our annual stewardship appeal and other stewardship efforts. You also will find a financial statement and charts that highlight the archdiocese's financial position.

I am honored to serve as your Archbishop. We have much to be thankful for in the Archdiocese of Indianapolis. Let us look with hope and confidence to the future, trusting that Lord will always guide us.

Thank you for your support and God bless you!

Sincerely yours in Christ,

Most Reverend Joseph W. Tobin, C.Ss.R.
Archbishop of Indianapolis





Summary of Financial Status

This summary of the financial status of the Archdiocese of Indianapolis reflects activities of the chancery of the archdiocese and certain affiliated agencies with direct accountability to The Most Reverend Joseph

W. Tobin, Archbishop of the Archdiocese of Indianapolis. The information presented has been derived from the audited financial statements and does not include the activities of parishes, missions and schools of the archdiocese. All

significant transactions among entities detailed in this summary have been eliminated. The complete audited financial statements are available for public inspection at www.archindy.org/finance/archdiocese.html.

Chancery and Certain Entities of the Archdiocese of Indianapolis Combined Statements of Financial Position as of June 30, 2013 and 2012

ASSETS	2013	2012
Cash and cash equivalents	\$ 53,883,925	\$ 62,517,426
Investments	142,985,945	119,725,135
Receivables:		
Contributions, net	6,756,225	10,074,044
Deposit and loan fund, net	36,707,207	35,312,155
Amounts due from parishes and other archdiocesan entities, net	3,307,972	5,321,488
Accrued interest income	6,224	7,722
Other, net	3,846,977	3,021,335
Total receivables, net	\$ 50,624,605	\$ 53,736,744
Other assets	707,432	676,448
Burial spaces and other inventories	3,779,934	3,373,190
Land, buildings and equipment, net	22,212,496	21,675,937
TOTAL ASSETS	\$274,194,337	\$261,704,880
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 6,753,571	\$ 4,351,279
Capital campaign due to parishes	3,942,335	7,098,103
Bonds payable, net	43,689,743	45,065,696
Reserves for self-insurance	2,234,000	1,188,000
Other liabilities	8,138,643	5,130,934
Deposit and loan fund payable	35,344,293	31,790,054
Total liabilities	\$100,102,585	\$ 94,624,066
Net assets:		
Unrestricted	\$133,862,926	\$128,996,317
Temporarily restricted	18,349,865	16,431,485
Permanently restricted	21,878,961	21,653,012
Total net assets	\$174,091,752	\$167,080,814
TOTAL LIABILITIES AND NET ASSETS	\$274,194,337	\$261,704,880

Chancery and Certain Entities of the Archdiocese of Indianapolis Combined Statements of Activities for the years ended June 30, 2013 and 2012

SUPPORT AND REVENUES	2013	2012
Assessments	\$ 10,387,806	\$ 9,898,230
Service fees	23,425,777	23,561,541
Capital campaigns and contributions	10,394,658	8,408,231
Christ Our Hope Appeal	4,957,975	4,867,747
Sales of goods and services	4,684,260	4,483,509
Program service fees and other	6,565,901	6,087,834
Other public support	5,362,517	4,914,609
Interest income and investment return	18,600,898	(2,058)
Total support and revenues	\$ 84,379,792	\$ 62,219,643
EXPENSES		
Salaries and wages	\$ 13,789,328	\$ 13,015,609
Employee benefits and taxes	6,810,494	4,443,732
Health care costs	15,909,925	13,563,180
Retirement plan contributions	3,890,741	7,611,304
Cost of equipment and supplies sold	2,406,430	1,804,903
Administrative and supplies	2,394,113	2,175,315
Property insurance	4,643,057	1,676,526
Depreciation	1,495,680	1,456,396
Repairs and maintenance	965,765	935,708
Occupancy costs	1,461,948	1,335,381
Interest	2,474,976	2,759,949
Bad debts	4,093,482	3,524,713
Professional services	5,705,129	5,448,377
Specific assistance	1,753,829	1,481,062
Contributions	4,860,060	5,758,429
Capital campaign funds donated to parishes and others	69,510	64,540
Other	4,644,387	2,597,853
Total expenses	\$ 77,368,854	\$ 69,652,977
CHANGE IN NET ASSETS	7,010,938	(7,433,334)
NET ASSETS: Beginning of year	167,080,814	174,514,148
NET ASSETS: End of year	\$174,091,752	\$167,080,814

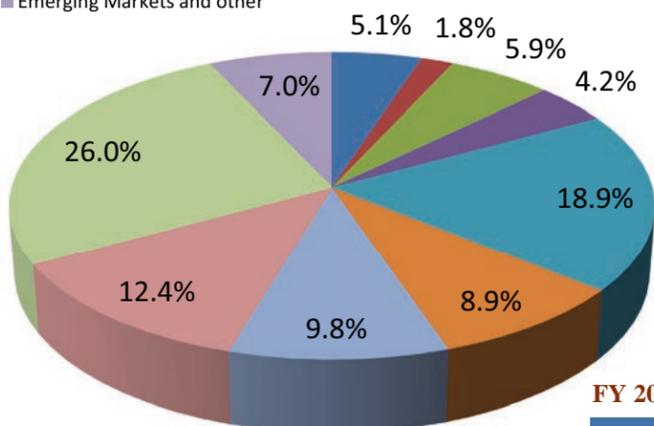


Catholic Community Foundation, Inc.

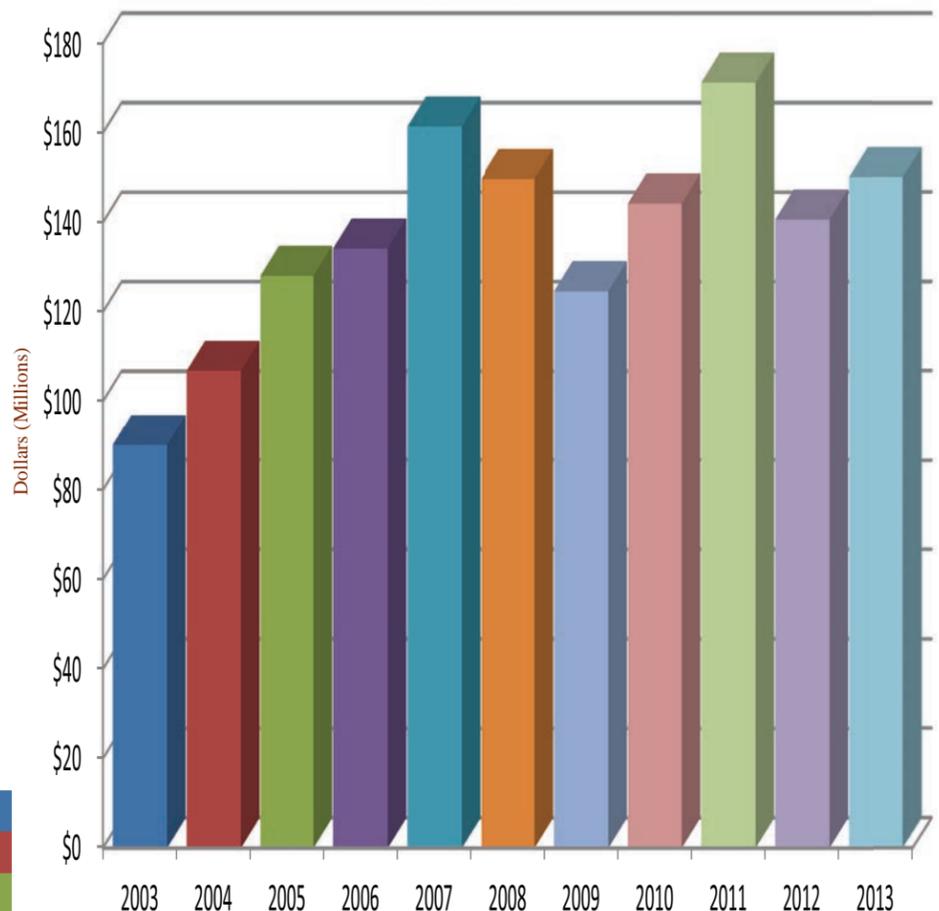
The Catholic Community Foundation is a separate, not-for-profit corporation established by the Archdiocese of Indianapolis to professionally invest and administer numerous individual endowment funds for the benefit of parishes, schools, agencies, and other institutions affiliated with the archdiocese. As of June 30, 2013, the Catholic Community Foundation comprised 437 separate endowment accounts and 106 charitable gift annuities worth \$150.1 million.

Asset Allocations as of June 30, 2013 Cash and Investments = \$150,054,109

- Real Estate
- Private Equity
- Cash
- Commodities
- International Equity Securities
- Small Cap Equity
- Mid Cap Equity Securities
- Large Cap Equity Securities
- Fixed Income
- Emerging Markets and other



Cash and Investments in Million of Dollars





Chief Financial Officer's Report

Archbishop Joseph W. Tobin has defined stewardship as "What you do, with what you have, when you believe in God." The following accountability report reflects that the Archdiocese of Indianapolis operates by the Archbishop's definition and continues to be good stewards of the Church's resources. For fiscal year 2013, the chancery and agencies of the archdiocese continue to operate at a balance or surplus as compared to budget. Our Catholic Community Foundation's (CCF) net assets increased to \$151 million. Since CCF's inception it has distributed \$83.4 million for various ministries. The clergy and lay retirement plans continue to show significant improvement from the decline caused by volatile investment returns during the 2008-2010 time periods. In 2013, the archdiocese refinanced the

2003 Series bonds at a lower rate, which will position the Archdiocese Deposit and Loan Fund (ADLF) to minimize rate increases for parish loans and assist in continuing to provide parishes with an above market rate of return on their deposits. For FY13, parishes, schools and agencies increased their deposits in ADLF by 11 percent, these funds help provide loans to parishes. The CCF, ADLF and several of our benefit plans have been favorably impacted by positive investment results during the year and the Federal Reserve policies, which kept interest rates low.

Similar to all organizations, the archdiocese faces many challenges associated with various government laws and regulations enacted over the last several years. We are committed to providing our employees with the solid

benefits, which are in-line with Catholic teaching, balanced with controlling costs to the employee and parishes, schools, and agencies. In addition, we continue efforts to provide the best options for employee and priest retirement in a volatile and challenging investment market, while maintaining reasonable fees and costs to the employee and parishes, schools and agencies.

This accountability report provides detailed information on the financial activities of the archdiocese for the fiscal year ended June 30, 2013 including operating results, parish stewardship, shared services plan activity, grant awards available to entities in the archdiocese and more.

Chancery Fiscal Year 2013 Operating Results

The chancery offices and agencies of the Archdiocese of Indianapolis completed its ninth consecutive year with a break even or surplus operating budget. For fiscal year 2012-2013 we ended the fiscal year \$1.9 million or 6 percent ahead of budget on \$33 million of operational expenses. The operations surpluses were generated mostly from unexpected bequests and contributions.

The archdiocese continues to be challenged by parish

operating deficits. The financial impact of these parish deficits shows up in the deposit and loan fund operated by the archdiocese for its parishes (ADLF). The ADLF has an approximately \$12.8 million deficit net asset position as a result of parish loans and interest forgiven over the last 15 years. The ADLF currently operates at a small surplus (inclusive of the current level of annual parish operating deficits) designed to slowly recover this negative net asset position over a period

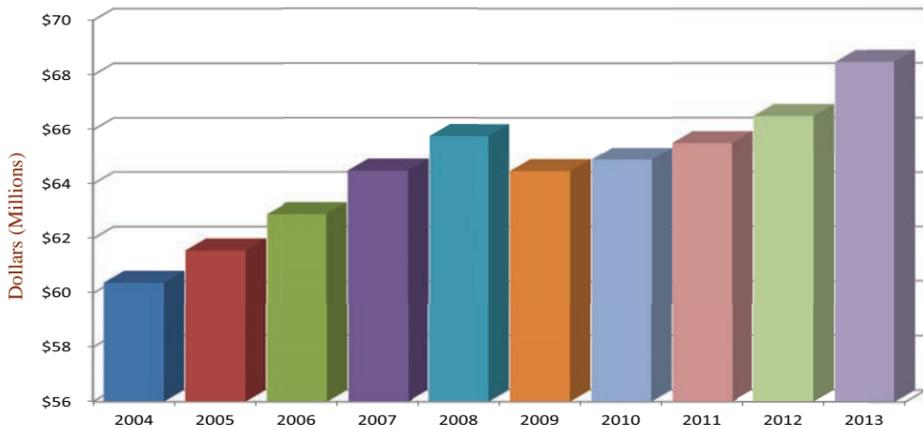
of years. Over the past several years, we've implemented a plan that is designed to help the struggling parishes navigate their financial troubles by identifying areas for improvement, improve the transparency to the parishioners, and reduce or eliminate operating deficits and accumulated debt to the archdiocese. These efforts are paying off for many parishes as we have fewer parishes with operating debt on their balance sheet and more parishes with a balanced budget.

Parish and Archdiocesan Stewardship

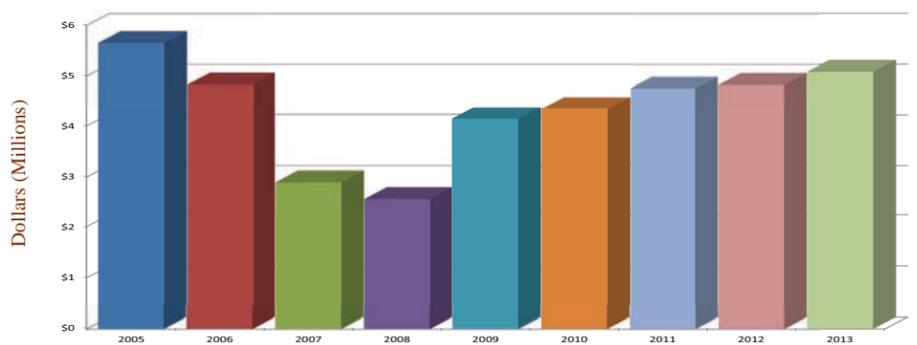
For the fiscal year ended June 30, 2013, parish stewardship, through Sunday and holy day collections, experienced a slight increase over the previous fiscal year. This 2.9 percent increase of over fiscal year 2012 continues the positive trend of increased giving at the parish and proves the strong and steady member commitment in our current economic environment.

The FY 2013 annual parish and archdiocesan community United Catholic Appeal: Christ Our Hope experienced a modest increase in recorded revenues. The FY 2013 appeal also enabled parishes to direct resources into those ministries closest to their community. The appeal received pledges totaling \$5.0 million in fiscal year 2013, compared to the pledges of \$4.8 million in FY 2012. While the annual appeal continues to trend upward, we are still below our historic highs by nearly \$1 million.

Parish Sunday and Holy Day Collections (2004 through 2013)



United Catholic Appeal: Christ Our Hope (2005 through 2013)



Parish Services: Insurance and Benefit Plans

The Archdiocese of Indianapolis operates several insurance plans, employee and priest benefit plans, and other services on behalf of parishes, schools, agencies and employees. Two of the larger plans are the lay employee health insurance plan and the property and liability insurance plan. Despite the challenging economic environment, both of these plans continue to experience positive results.

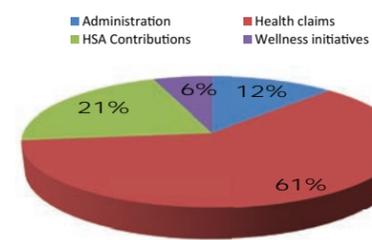
Lay Employee Health Insurance Plan

Since 2007 the archdiocese has been operating a high deductible health insurance plan, complete with Health Savings Accounts (HSA) for our lay employees. While medical and dental expenses trend upward on a national basis, our claims experience has trended much lower and has contributed to generating a surplus in this plan. Each year since inception of our high deductible plan, we have been able to give back to both the employees participating via bonus contributions to their personal HSA and back to parishes, schools and agencies via premium reductions. We have also funded an endowment with some of the surplus that is designed to be used to offset significant expense increases in the future. In fiscal years 2012 and 2011, we spent a portion of the surplus from the Lay Health plan to close the funding gap for our Lay Retirement plan (see section Parish Services: Priest and Lay Employee Retirement Plans).

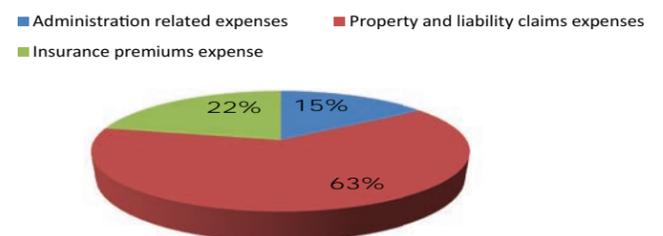
Property and Liability Insurance Plan

The property insurance plan also experienced positive results for the 2012-2013 fiscal year. The continued positive results have enabled us to fund a property insurance reserve fund in the Catholic Community Foundation of \$7.8 million. The reserve fund was established to protect parishes, schools and agencies against catastrophic losses and will help to mitigate annual insurance cost increases. The archdiocese was also able to maintain our self-insurance level at \$1 million for the 2013-2014 fiscal year which translates into lower premiums paid by our parishes, schools, and agencies for property and liability insurance.

FY 2013 Healthcare Expenses



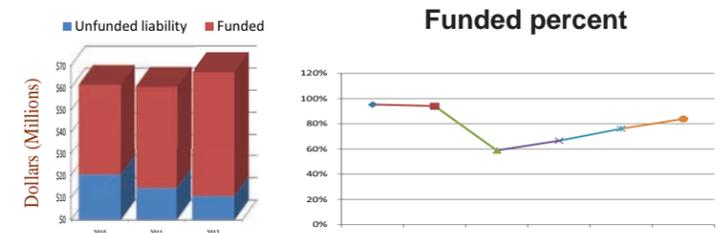
FY 2013 Property and Liability Expenses



Parish Services: Priest and Lay Employee Retirement Plans

The archdiocese administers defined benefit plans for the priests and eligible lay employees employed at the various parishes, schools, and agencies throughout the archdiocese. Over the past several years we've communicated the funding challenges the archdiocese and individual parishes face to fully fund these two benefit plans. While positive investment results will assist in closing the gap, the archdiocese has also contributed additional funding to assist in alleviating the funding deficit. In fiscal years 2011 and 2012 additional contributions to the Lay Plan of \$6.3 million were made. Our most recent report from our plan actuaries as of January 1, 2013 indicates that the Lay Plan was underfunded by \$10.9 million or a funding level of 84 percent, an improvement from a 76 percent funding level in 2011. In September 2011 the Chancery announced changes to the Lay Plan. Effective January 1, 2012, no newly hired employees are eligible to participate in the Lay Pension Plan. Existing employees as of that date will continue to accrue benefits in the Lay Plan. In addition to the Lay Plan the archdiocese provides a retirement savings plan or 403b Plan whereby both employees and employer can contribute. The archdiocese matches 50 percent of up to a maximum of 8 percent employee eligible compensation. This match is an increase from 50 percent of 6 percent of eligible wages prior to January 2012. The archdiocese intends to continue to make contributions to these benefit plans for employees indefinitely. However, as we continue to focus on funding levels of our existing benefit plans we may need to reassess these decisions at a future date.

Lay Employee Retirement Plan Funded Status



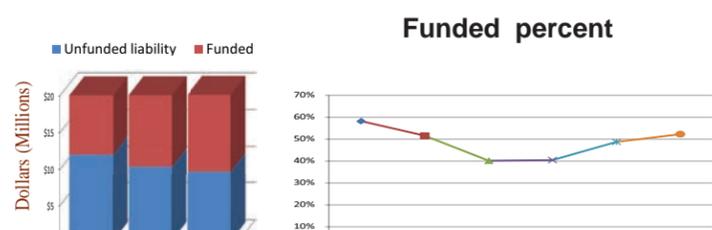


Chief Financial Officer's Report

Parish Services: Priest and Lay Employee Retirement Plans (cont.)

Similar to the lay defined benefit plan, the most recent actuarial valuation report as of January 1, 2013 indicate that the priest retirement plan is underfunded by \$9.5 million, which represents a funding level of only 52 percent. This is also an improvement over the 2011 actuarial funding analysis that reported a funding level of 49 percent. We look to invest new dollars and continue to recover investment losses in the plans, as the funding level of each of these benefit plans is a priority for the archdiocese. For financial reporting purposes these pension plans are considered to be multiemployer plans since the financial activity of parishes and other entities of the archdiocese, which contribute to these plans, is not included in the audited combined financial statements. There are neither separate valuations of plan benefits nor segregation of plan assets specifically for the Chancery.

Priest Retirement Plan Funded Status



Expenses Related to Sexual Misconduct Lawsuits

In fiscal year 2013, approximately \$47,000 was spent to provide counseling for victims of sexual misconduct perpetrated or alleged to have been perpetrated by priests or lay employees of the archdiocese. Approximately \$76,000 was spent for these purposes in fiscal year 2012. Through January 2014, we have settled a total of 10 sexual abuse lawsuits through mediation with an average settlement per case of \$157,000. Additionally, approximately \$60,000 was spent for legal fees to defend the archdiocese from sexual misconduct lawsuits in 2013 compared to \$121,000 in 2012. There are currently four additional cases in litigation.

Archdiocesan Grants Awarded

Thanks to the generosity of the parishes in the archdiocese and a special bequest, we have three endowments in the Catholic Community Foundation that have been established such that the annual distributions are used to award grants in the archdiocese to parishes, schools and agencies. These grant opportunities are awarded through an application process and target home missions opportunities; growth and expansion initiatives in the archdiocese; and matching grants for capital needs in our parishes, schools and agencies. Historically, the archdiocese has awarded home mission grants and growth and expansion grants using separate allocation committees on an annual basis. With the addition of the James P. Scott gift in 2011, we've combined these efforts and issue all three grants on a bi-annual basis through a combined application and allocation committee process.

St. Francis Xavier Home Missions Fund

The St. Francis Xavier Home Mission Endowment Fund was established to provide grants to home mission parishes in the archdiocese. The annual distribution from the endowment is combined with the funds the parishes direct that are collected over and above the parish United Catholic Appeal goal awarded to home mission parishes and schools. These grants began in 2002 and since inception we have disbursed over \$3.5 million to support our parishes and schools with the greatest needs. The endowment that is established to support these grants had a June 30, 2013 balance of \$4 million which allows us to distribute approximately \$200,000 in grants each year.

Growth and Expansion Endowment Fund

The growth and expansion endowment fund was established to provide grants to parishes, schools and agencies in the archdiocese that are growing their existing ministries consistent with the overall strategic plan of the archdiocese. Since the inception of this granting fund we have disbursed approximately \$780,000 to support various growth opportunities in ministry and capital throughout the archdiocese. The endowment that is established to support these grants had a June 30, 2013 balance of \$3.1 million which allows for approximately \$150,000 in annual grant funding.

James P. Scott Capital Improvement Endowment Fund

This endowment fund was made possible by an undesignated estate gift to the archdiocese from James P. Scott. The annual distributions will be provided in the form of a matching grant or award to support parish, school and agency capital projects that demonstrate the greatest potential impact on an archdiocesan program, parish or the larger Catholic community. The endowment had a June 30, 2013 balance of \$5.2 million which generates annual grants of about \$265,000.

2013 Grant Awards

In the fall of 2012, 15 grants were awarded across the three grant types with an average value of \$19,000. These grants were awarded to parishes in six different deaneries and to three Archdiocesan agencies. In the spring of 2013, 12 grants were awarded across the three grant types with an average value of \$22,000. These grants were awarded to parishes in seven different deaneries and to two archdiocesan agencies.

For more information on the grant process please visit the Finance Office webpage at www.archindy.org/finance/grant or contact Stacy Harris in the Finance Office at sharris@archindy.org.

Catholic Community Foundation, Inc.

The Catholic Community Foundation's total cash and investments were \$150.1 million at June 30, 2013. The composite investment returns for the year were 10.8 percent driven by the equity returns which were quite volatile over the course of the year. The Foundation investments have returned a very respectable 7.4 percent (annualized) since the inception of the current investment structure in January 1995 despite facing one of the worst 10-year periods in history of the U.S. equity markets. Parishes, schools and agencies of the archdiocese added 31 new endowments during the year, bringing the total number of endowments held in the foundation to 437. The endowments distributed over \$6.7 million in both fiscal years 2013 and 2012, to support parish, school and agency ministries, demonstrating the ability of endowments to provide long-term funding for ministries.

Operating Budget for 2013-2014

For the 2013-2014 fiscal year we anticipate a break-even operating budget on approximately \$34 million of total operating expenses. We anticipate the most significant challenges to include:

- Managing and assisting the parishes that continue to be challenged by operating deficits.
- Continuing efforts to bring the status of the lay and clergy benefit plans to fully funded
- Strengthening the support within our parishes for the United Catholic Appeal
- Managing our public charter schools to be self sustaining and our city center schools to balance their supported budgets
- Providing parishes, schools and agencies with sound employee benefit and service plans while minimizing cost increases and meeting the guidelines within the Affordable Care Act

On the other hand, we have several positive opportunities:

- Utilizing the benefit of state vouchers in our school system while providing quality Catholic-based education
- Structuring our assets to better match liabilities enabling us to manage our risks and opportunities
- Continuing strong growth in the Catholic Community Foundation with an increase in endowments and charitable gift annuities.

Accountability

Accountability is an important part of our stewardship responsibilities. Each year, the archdiocese subjects itself to the scrutiny of an independent audit. The firm of Deloitte & Touche LLP performed the audit for the last fiscal year. The audited financial statements are available for inspection through the Office of Accounting Services or at www.archindy.org/finance/archdiocese. Archdiocesan leadership has established and regularly confers with the Archdiocesan Finance Council. The council, whose existence is required by canon law, focuses on financial policies, procedures and activities of the Church in central and southern Indiana. Current members of the Archdiocesan Finance Council are:

Most Rev. Joseph W. Tobin Archbishop, Chairman
 Most Rev. Christopher J. Coyne Auxiliary Bishop, Vicar General

Jerry Williams President, St. Simon Parish, Indianapolis
 Greg Monte Vice President, St. Patrick Parish, Terre Haute

Members

Daniel L. DeBard St. Patrick Parish, Terre Haute
 Kenneth J. Hedlund St. Matthew Parish, Indianapolis
 Scott Nickerson St. Pius X Parish, Indianapolis
 Dan Riley St. Luke Parish, Indianapolis
 Timothy Robinson St. Joan of Arc Parish, Indianapolis

Brian Burkert Chief Financial Officer, Staff

This past fiscal year marked continuing financial advancement for the parishes, schools and agencies of the Archdiocese of Indianapolis as we worked to build a sound financial footing. Revenues continued to grow, expenses generally fell in line with or below budget expectations and we've seen a recovery in the investment markets. We continue to place great emphasis on improving the financial stability of those parishes experiencing deficit operations. May God lead us toward continued success in our ministries.

Respectfully submitted,

Brian Burkert, CPA
 Chief Financial Officer