

Roman Catholic Diocese of Lafayette-in-Indiana 2018 Accountability Report

This report highlights the financial status of the Roman Catholic Diocese of Lafayette-in-Indiana for the 2018 fiscal year (January 2018 through December 2018) and serves as the notice to our metropolitan archbishop as required by the United States Conference of Catholic Bishops' (USCCB) Resolution on Diocesan Financial Reporting.

Financial Highlights

The economic situation of the Diocese of Lafayette-in-Indiana is good. The ordinary resources including current assets are sufficient to meet the needs of the Diocese, the parishes within the Diocese and our Diocesan Foundation which handles many of the contributions to the Diocese. The current resources in the Diocese are sufficient to cover 11 months of operations and parish current resources are sufficient to cover 15 months of parish operations.

The financial resources available to the Diocese come primarily from our biennial Fruitful Harvest Campaign (the Bishop's appeal) that each parish in the Diocese conducts with guidance from the Chancery. Net contributions to the Diocese from Fruitful Harvest were \$8,572,880 in 2018 (campaign 2016). To support part of the cost of our seminarians, we also conduct an annual Seminarian Appeal. Contributions for our seminary appeal were \$497,143 in 2018. A majority of the contributions to the Diocese outside of Fruitful Harvest and the Seminarian Campaign arrive as restricted endowments into the Diocesan Foundation (Lafayette Diocesan Foundation, Inc), a separate Indiana charitable organization.

In 2018 the Diocese, not counting our parishes, schools or other entities, had assets of \$49,131,265; down \$9,052,804 versus 2017. In 2018 the liabilities were \$14,723,603; up \$83,470 versus 2017. In 2018 the Diocese, not counting our parishes, schools or other entities, had revenue of \$19,576,254 and expenses of \$29,014,874. Ten million of the expenses in 2019 were related to a \$5 million transfer into the lay pension plan and a \$5 million write down of the value of our Saint Joseph Retreat & Conference Center. In 2018 the Diocese, not counting our parishes, schools or other entities used \$7,292,774 in cash to fund our operations while in 2017 the Diocese used \$1,605,127 to fund operations. Much of the cash used in 2018 is related to a \$5 million transfer to the lay employee pension plan.

2018 was financially challenging for the Diocese largely due to three events. These three events increased our loss to \$9.2 million. First, like most entities in 2018, we had a drop in our return on investments due to negative market activity. 2017 was a very positive year for returns while 2018 was a very negative year. Second, we recorded an impairment loss of \$5,029,147 for the St. Joseph Retreat & Conference Center to reflect the market value of the center which is less than the acquisition costs and renovations made over three years. Recording this large decrease in value increased expenses and decreased assets. More detail on the Saint Joseph Retreat & Conference Center is presented near the end of this report. And third, as recommended over three years ago by our finance council, we transferred \$5 million to our lay employee pension plan to make significant improvements to its funded status. The Office of Administration views this as a very positive transfer although it impacted our loss in 2018.

No accountability report today would be complete without transparency concerning misconduct and the crisis in the church. Like other dioceses, the Diocese of Lafayette-in-Indiana has had incidents of misconduct and abuse with adults and children. Unlike some dioceses, the incidents

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the Diocese of Lafayette-in-Indiana has had have not resulted in the extremely large and at times bankruptcy inducing expenses. In 2018 the Diocese of Lafayette-in-Indiana spent \$311,988 in victim care and abuse resolution for supporting and assisting adult and minor victims, healing pain, and preventing misconduct. This includes counseling, settlements, legal representation, incident reporting, and payroll/insurance for credibly accused staff/clergy. The table below shows what the diocese has spent in victim care and abuse resolution costs for the last six years:

| | |
|------|-----------|
| 2013 | \$60,614 |
| 2014 | \$179,074 |
| 2015 | \$212,714 |
| 2016 | \$164,320 |
| 2017 | \$134,383 |
| 2018 | \$311,988 |

The annual average over the last six years is \$177,184. We expect the increase to continue in 2019 and then to return closer to the annual average. Additionally the Bishop has directed that from 2019 forward no donor dollars should be spent on misconduct and the crisis in the church.

Links to the audited financial statements of the Diocese of Lafayette-in-Indiana for the last three years can be found online at <https://dol-in.org/administration-1>. The 2018 audited financial statement is at the link entitled [2018 Letter from Diocesan Leadership and Audited Financial Statements of the Central Administration](#).

Below is a table showing the 10 year trend on key values from the audited financial reports of the Diocese of Lafayette-in-Indiana:

| | <u>2008</u> | <u>2018</u> |
|------------------------------|--------------|--------------|
| Total Assets | \$34,185,832 | \$49,131,265 |
| Total Liabilities | \$6,984,475 | \$14,723,603 |
| Revenue | \$10,202,872 | \$19,576,254 |
| Expenses | \$11,288,867 | \$29,014,874 |
| Cash Used to Fund Operations | \$962,653 | \$7,292,774 |

By far the largest area of expenses for the Diocese is the \$2.92 million in rebates and dovetail payments that are returned to the parishes through Fruitful Harvest for parish projects and parish ministries. The second largest area of spending for the Diocese, representing 30% of the Fruitful Harvest funds the Diocese retains, is ministries including schools, colleges, family life, Hispanic ministries, the permanent diaconate and others. A more complete and graphical picture of 2018 Diocesan expenditures, which was published in the December 22, 2019 Catholic Moment newspaper, can be viewed online at <https://dol-in.org/administration-1> on the link entitled [2018 Diocesan Expenditures](#).

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Below is a table showing the 10 year trend on key self-reported values for the parishes of the Diocese of Lafayette-in-Indiana:

| | <u>2008</u> | <u>2018</u> |
|-------------------|---------------------------|---------------------------|
| | <u>63 Parishes</u> | <u>61 Parishes</u> |
| Total Assets | \$165,863,495 | \$199,468,024 |
| Total Liabilities | \$22,410,555 | \$14,767,010 |
| Revenue | \$53,245,380 | \$62,979,243 |
| Expenses | \$51,449,258 | \$60,308,255 |

Catholic Directory Highlights as of January 1, 2008 and January 1, 2018

Below is a table showing demographic changes in the Diocese of Lafayette-in-Indiana over the last 10 years:

| | <u>2008</u> | <u>2018</u> |
|---|--------------------|--------------------|
| Total Diocesan Catholic Population | 100,533 | 112,075 |
| Number of Parishes | 63 | 61 |
| With Resident Pastor | 51 | 51 |
| Without Resident Pastor | 12 | 10 |
| High Schools, Diocesan and Parochial | 2 | 2 |
| Total Students | 719 | 1,199 |
| Elementary Schools, Diocesan & Parochial | 20 | 15 |
| Total Students | 4,359 | 3,718 |
| Catechesis & Religious Education: | | |
| High School Students | 3,110 | 931 |
| Elementary Students | 10,288 | 2,784 |
| Total Students under Catholic Instruction | 18,476 | 8,632 |

Source: The Official Catholic Directory

According to the Indiana Business Research Center, the number of school age children in the diocese has declined and will continue to decline in all but two of the counties nearest to Indianapolis. Depending on the county, the declines in the diocese ranges from negative .1% to as much as negative 34.1% from 2005 to 2025.

Lafayette Diocese Foundation Inc.

A majority of the contributions to the Diocese outside of Fruitful Harvest and the Seminarian Campaign arrive as restricted endowments into the Diocesan Foundation (Lafayette Diocesan Foundation, Inc.), a separate Indiana charitable organization. Links to the audited financial statements of the Lafayette Diocese Foundation Inc. for the last two years can be found online at

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<https://dol-in.org/lafayette-diocesan-foundation-endowment-list> and the 2018 statement is at the link entitled [LDFI 2018 Financial Statements](#).

Diocesan Finance Council Members

Members of the Diocesan Finance Council of the Roman Catholic Diocese of Lafayette-in-Indiana include:

- Most Rev. Timothy L. Doherty, Bishop, Diocese of Lafayette-in-Indiana
- Very Rev. Theodore C. Dudzinski, Vicar General, Chancellor and Moderator of the Curia; Diocese of Lafayette-in-Indiana and Pastor Church of the Blessed Sacrament, West Lafayette, Indiana
- Mr. Leo Dierckman, Managing Director; Oppenheimer Investment Management LLC; Our Lady of Mount Carmel Parish, Carmel, Indiana.
- Ms. Lynn Layden, Attorney at law; Layden & Layden
- Mr. Matthew McKillip, Chief Financial Officer; Diocese of Lafayette-in-Indiana; Saint Patrick Parish, Kokomo, Indiana (as CFO from 3/1/2018 and as a Finance Council Member prior to 3/1/2018)
- Ms. Marianne McLean, Director of Human Resources; FORCE Communications; Sacred Heart of Jesus; Cicero, Indiana
- Mr. Tom Parent, Diocesan Attorney, Managing Partner; Stuart & Branigin, LLP; Saint Thomas Aquinas, West Lafayette, Indiana
- Ms. Mary Piantek, Consultant; Saint Thomas Aquinas, West Lafayette, Indiana
- Mr. Gordon Slack, Chief Financial Officer; Diocese of Lafayette-in-Indiana; Saint Alphonsus Liguori Parish, Zionsville, Indiana (as CFO from 12/3/2014 through 3/1/2018)
- Ms. Karla Schlichte, Director of Compliance and Financial Reporting; LINC Systems; Saint Maria Goretti; Westfield, Indiana

2018 Diocesan Finance Council Meeting Dates

The Diocesan Finance Council of the Roman Catholic Diocese of Lafayette-in-Indiana meets four or five times a year. In 2018 the Diocesan Finance Council met on:

- March 19 (2018 Budget was adopted although later than desired so the Saint Joseph Retreat Center budget could be more thoroughly reviewed)
- May 30
- September 5 (2017 audited financial statements were reviewed)
- November 28

Diocesan Finance Council Review of Audited Financial Statements

Each year at one of its normal meetings, the Diocesan Finance Council of the Roman Catholic Diocese of Lafayette-in-Indiana meets to review and accept the audited financial reports from the prior year. Greenwalt performed the audits of the Diocese for 2017 and 2018. As in the past, unqualified opinions were received. On September 5, 2018, the Diocesan Finance Council met to review the Audited 2017 Financial Statements of the Diocese. At the June 25, 2019 Diocesan Finance Council meeting, the audited 2018 financial statements were reviewed. The Diocesan

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Audit Committee (Lynn Layden, Patricia Radlick, Julie Shewmaker, and Karla Schlichte), joined the Diocesan Finance Council for that review.

In the June 25, 2019 meeting, much of the discussion centered on the large outlays of funds in 2018. These large uses of funds were due mostly to spending at the Saint Joseph Retreat & Conference Center and a \$5 million transfer done to improve the funded status of the diocesan lay employee retirement plan. There was also concern and discussion about cash flows in the coming years and the need to reduce the losses especially the annual operational losses at the Saint Joseph Retreat & Conference Center.

Diocesan Finance Council Consultations

In accord with the prescriptions of canon law, the Diocesan Finance Council of the Roman Catholic Diocese of Lafayette-in-Indiana was properly consulted and asked to give/withhold consent on all matters in the Diocese from March of 2018 through December of 2018. When the new finance officer started in early 2018, he consulted with the Finance Council and Audit Committee concerning significant resources that were expended in 2017 and early 2018 to renovate and remediate the Saint Joseph Retreat & Conference Center. It was then that the Diocesan Finance Council learned that, in 2017 and early 2018, there was a failure to properly consult with the Finance Council on the magnitude of expenditures concerning the Saint Joseph Retreat & Conference Center.

Just prior to alerting the Finance Council, the finance officer brought the expenditure concerns and a recommendation to halt all capital spending to the Vicar General and to the Bishop. The Bishop immediately concurred with the recommendation and asked that an audit of the Saint Joseph Retreat & Conference Center and a project review be conducted. The Bishop soon thereafter informed the metropolitan archbishop and later the Vatican via his Ad Limina report. The spending at the Saint Joseph Retreat & Conference Center had the potential to negatively impact the financial condition of the Diocese, resulted in the Saint Joseph Retreat & Conference Center asset being reduced in value in 2018 to its fair market value and the recording of a \$5,029,147 impairment loss on the 2018 audited financial reports.

Since learning of the overspending at the Saint Joseph Retreat & Conference Center, the Finance Officer, Bishop and Diocesan Finance Council have taken steps to ensure proper process and consultation on matters. This includes a complete review and rewrite of Chancery and Parish internal control and procedure manuals which are underway and discussions of the roles and responsibilities of the Diocesan Finance Council and Audit Committee. The plan is to use this experience, the USCCB's Guide to Best Practices and the Catholic Standards for Excellence to draft new Council and Committee charters.

With the improved controls, new systems and new charters we expect much better transparency, performance and compliance in coming years.

All current members of the Diocesan Finance Council have reviewed this report and approved of its dissemination to the Most Reverend Charles C. Thompson, Archbishop of Indianapolis.