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CENTRAL ADMINISTRATION OF THE  
ROMAN CATHOLIC DIOCESE  
OF LAFAYETTE-IN-INDIANA, INC.

FINANCIAL STATEMENTS  
Together with Independent Auditors' Report  
DECEMBER 31, 2020 AND 2019

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CENTRAL ADMINISTRATION OF THE ROMAN CATHOLIC  
DIOCESE OF LAFAYETTE-IN-INDIANA, INC.  
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DECEMBER 31, 2020 AND 2019

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## INDEPENDENT AUDITORS' REPORT

To the Diocesan Finance Council of  
Central Administration of the Roman Catholic Diocese of Lafayette-in-Indiana, Inc.:

We have audited the accompanying financial statements of Central Administration of the Roman Catholic Diocese of Lafayette-in-Indiana, Inc. (the Administration), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Administration as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Greenwalt CPAs, Inc.*

June 1, 2021

CENTRAL ADMINISTRATION OF THE ROMAN CATHOLIC  
DIOCESE OF LAFAYETTE-IN-INDIANA, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2020 AND 2019

**ASSETS**

|   | <b>2020</b>          | <b>2019</b>          |
|---|----------------------|----------------------|
| Cash  | \$ 5,695,038         | \$ 4,505,498         |
| Contributions receivable, net of allowance            | 1,986,332            | 2,178,031            |
| Amounts due from parishes                             | 94,482               | 259,939              |
| Amounts due from former seminarians, net of allowance | 98,144               | 105,364              |
| Investments   | 19,345,971           | 16,933,839           |
| Prepaid expenses                                      | 474,231              | 428,761              |
| Beneficial interests in charitable trusts             | 1,778,453            | 164,435              |
| Note receivable from St. John Vianney                 | 357,679              | 357,679              |
| Amount due from St. Alphonsus                         | 270,000              | 360,000              |
| Amount due from Our Lady of Grace                     | 1,585,116            | 1,693,987            |
| Amount due from St. Elizabeth Seton                   | 2,136,740            | 2,473,721            |
| Amount due from St. Thomas Aquinas, net of allowance  | 263,422              | 301,053              |
| Amount due from All Saints                            | 31,299               | 40,485               |
| Overfunded status of Priests' Retirement Plan         | 1,784,838            | 1,542,906            |
| Land, buildings and equipment, net                    | <u>11,027,909</u>    | <u>11,332,113</u>    |
| <i>Total assets</i>                                   | <u>\$ 46,929,654</u> | <u>\$ 42,677,811</u> |

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

|  |                   |                   |
|--|-------------------|-------------------|
| Accounts payable and accrued expenses      | \$ 686,636        | \$ 622,787        |
| Grants payable                             | 542,000           | 270,503           |
| Deferred revenue                           | 310,644           | 352,019           |
| Amounts due to parishes                    | 912,108           | 4,412,416         |
| Term note payable - St. Alphonsus          | 270,000           | 360,000           |
| Mortgage note payable - Our Lady of Grace  | 1,585,116         | 1,693,987         |
| Term note payable - St. Elizabeth Seton    | 2,136,740         | 2,473,721         |
| Accrued post-retirement benefit obligation | <u>4,950,205</u>  | <u>4,345,949</u>  |
| <i>Total liabilities</i>                   | <u>11,393,449</u> | <u>14,531,382</u> |

**COMMITMENTS AND CONTINGENCIES (NOTES 12, 14, 15)**

**NET ASSETS**

|   |                      |                      |
|---|----------------------|----------------------|
| Without donor restrictions              | 26,060,017           | 22,885,450           |
| With donor restrictions                 |                      |                      |
| Time and purpose                        | 9,312,755            | 5,097,546            |
| Perpetual                               | <u>163,433</u>       | <u>163,433</u>       |
| <i>Total net assets</i>                 | <u>35,536,205</u>    | <u>28,146,429</u>    |
| <i>Total liabilities and net assets</i> | <u>\$ 46,929,654</u> | <u>\$ 42,677,811</u> |

**CENTRAL ADMINISTRATION OF THE ROMAN CATHOLIC  
DIOCESE OF LAFAYETTE-IN-INDIANA, INC.**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019

|   | WITHOUT DONOR<br>RESTRICTIONS | WITH DONOR RESTRICTIONS |                   | 2020<br>TOTAL        | 2019<br>TOTAL        |
|---|-------------------------------|-------------------------|-------------------|----------------------|----------------------|
|   |                               | TIME AND<br>PURPOSE     | PERPETUAL         |                      |                      |
| <b>REVENUES, GAINS AND OTHER SUPPORT</b>                        |                               |                         |                   |                      |                      |
| Contributions   | \$ 1,370,676                  | \$ 7,472,817            | \$ -              | \$ 8,843,493         | \$ 1,859,127         |
| Investment return, net  | 1,795,540                     | 558,799                 | -                 | 2,354,339            | 2,457,315            |
| Rent revenue  | 242,643                       | -                       | -                 | 242,643              | 231,671              |
| Subscription revenue  | 519,866                       | -                       | -                 | 519,866              | 575,533              |
| Program service revenue   | 196,619                       | -                       | -                 | 196,619              | 414,917              |
| Insurance program assessments                                   | 11,086,875                    | -                       | -                 | 11,086,875           | 10,818,770           |
| Gain on sale of property and equipment                          | 1,404,033                     | -                       | -                 | 1,404,033            | 443,225              |
| Other income  | 1,059,170                     | -                       | -                 | 1,059,170            | 42,107               |
| Saint Joseph retreat and conference center                      | 178,440                       | 1,074,079               | -                 | 1,252,519            | 374,788              |
| Change in value of charitable trusts                            | 20,483                        | -                       | -                 | 20,483               | 19,976               |
| Net assets released from restrictions                           | 3,773,385                     | (3,773,385)             | -                 | -                    | -                    |
| <i>Total revenues, gains and other support</i>                  | <u>21,647,730</u>             | <u>5,332,310</u>        | <u>-</u>          | <u>26,980,040</u>    | <u>17,237,429</u>    |
| <b>EXPENSES</b>   |                               |                         |                   |                      |                      |
| Program services  |                               |                         |                   |                      |                      |
| Office for divine worship and liturgical formation              | 125,835                       | -                       | -                 | 125,835              | 133,161              |
| Tribunal  | 363,032                       | -                       | -                 | 363,032              | 448,645              |
| Office for communication  | 550,629                       | -                       | -                 | 550,629              | 627,891              |
| Vocations office  | 673,475                       | -                       | -                 | 673,475              | 590,467              |
| Office of catechesis  | 21,214                        | -                       | -                 | 21,214               | 403,286              |
| Office for family life  | 298,684                       | -                       | -                 | 298,684              | 362,138              |
| Office of Catholic schools                                      | 287,086                       | -                       | -                 | 287,086              | 317,630              |
| Permanent Diaconate   | 21,534                        | -                       | -                 | 21,534               | 46,433               |
| Vicar for the clergy  | 355,435                       | -                       | -                 | 355,435              | 400,360              |
| Bishop's office organization                                    | 801,031                       | -                       | -                 | 801,031              | 5,287,400            |
| Office of pastoral ministries                                   | 273,400                       | -                       | -                 | 273,400              | 136,897              |
| Saint Joseph retreat and conference center                      | 611,881                       | -                       | -                 | 611,881              | 698,651              |
| Property and health insurance program                           | 10,193,321                    | -                       | -                 | 10,193,321           | 10,563,252           |
| Parish revenue sharing  | -                             | -                       | -                 | -                    | 103,774              |
| Other program expenses  | 782,246                       | -                       | -                 | 782,246              | 1,339,310            |
| <i>Total program services</i>                                   | <u>15,358,803</u>             | <u>-</u>                | <u>-</u>          | <u>15,358,803</u>    | <u>21,459,295</u>    |
| Supporting services   |                               |                         |                   |                      |                      |
| Fundraising   | 510,537                       | -                       | -                 | 510,537              | 407,240              |
| General and administrative                                      | 2,161,538                     | -                       | -                 | 2,161,538            | 1,734,989            |
| <i>Total expenses</i>   | <u>18,030,878</u>             | <u>-</u>                | <u>-</u>          | <u>18,030,878</u>    | <u>23,601,524</u>    |
| <b>CHANGE IN NET ASSETS FROM<br/>OPERATING ACTIVITES</b>        | <u>3,616,852</u>              | <u>5,332,310</u>        | <u>-</u>          | <u>8,949,162</u>     | <u>(6,364,095)</u>   |
| <b>NONOPERATING</b>   |                               |                         |                   |                      |                      |
| Pension-related changes other than<br>net periodic pension cost | (442,285)                     | -                       | -                 | (442,285)            | 102,862              |
| <b>CHANGE IN NET ASSETS</b>                                     | <u>3,174,567</u>              | <u>5,332,310</u>        | <u>-</u>          | <u>8,506,877</u>     | <u>(6,261,233)</u>   |
| <b>TRANSFER OF NET ASSETS</b>                                   | <u>-</u>                      | <u>(1,117,101)</u>      | <u>-</u>          | <u>(1,117,101)</u>   | <u>-</u>             |
| <b>NET ASSETS, BEGINNING OF YEAR</b>                            | <u>22,885,450</u>             | <u>5,097,546</u>        | <u>163,433</u>    | <u>28,146,429</u>    | <u>34,407,662</u>    |
| <b>NET ASSETS, END OF YEAR</b>                                  | <u>\$ 26,060,017</u>          | <u>\$ 9,312,755</u>     | <u>\$ 163,433</u> | <u>\$ 35,536,205</u> | <u>\$ 28,146,429</u> |

See accompanying notes to financial statements.

CENTRAL ADMINISTRATION OF THE ROMAN CATHOLIC  
DIOCESE OF LAFAYETTE-IN-INDIANA, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019

|   | WITHOUT DONOR<br>RESTRICTIONS | WITH DONOR RESTRICTIONS |                   | TOTAL                |
|---|-------------------------------|-------------------------|-------------------|----------------------|
|   |                               | TIME AND<br>PURPOSE     | PERPETUAL         |                      |
| <b>REVENUES, GAINS AND OTHER SUPPORT</b>                        |                               |                         |                   |                      |
| Contributions   | \$ 16,497                     | \$ 1,842,630            | \$ -              | \$ 1,859,127         |
| Investment return, net  | 2,023,701                     | 433,614                 | -                 | 2,457,315            |
| Rent revenue  | 231,671                       | -                       | -                 | 231,671              |
| Subscription revenue  | 575,533                       | -                       | -                 | 575,533              |
| Program service revenue   | 414,917                       | -                       | -                 | 414,917              |
| Insurance program assessments                                   | 10,818,770                    | -                       | -                 | 10,818,770           |
| Gain on sale of property and equipment                          | 443,225                       | -                       | -                 | 443,225              |
| Other income  | 42,107                        | -                       | -                 | 42,107               |
| Saint Joseph retreat and conference center                      | 291,838                       | 82,950                  | -                 | 374,788              |
| Change in value of charitable trusts                            | 19,976                        | -                       | -                 | 19,976               |
| Net assets released from restrictions                           | 5,103,576                     | (5,103,576)             | -                 | -                    |
| <i>Total revenues, gains and other support</i>                  | <u>19,981,811</u>             | <u>(2,744,382)</u>      | <u>-</u>          | <u>17,237,429</u>    |
| <b>EXPENSES</b>   |                               |                         |                   |                      |
| Program services  |                               |                         |                   |                      |
| Office for divine worship and liturgical formation              | 133,161                       | -                       | -                 | 133,161              |
| Tribunal  | 448,645                       | -                       | -                 | 448,645              |
| Office for communication  | 627,891                       | -                       | -                 | 627,891              |
| Vocations office  | 590,467                       | -                       | -                 | 590,467              |
| Office for adult catechesis                                     | 403,286                       | -                       | -                 | 403,286              |
| Office for family life  | 362,138                       | -                       | -                 | 362,138              |
| Office of Catholic schools                                      | 317,630                       | -                       | -                 | 317,630              |
| Permanent Diaconate   | 46,433                        | -                       | -                 | 46,433               |
| Vicar for the clergy  | 400,360                       | -                       | -                 | 400,360              |
| Bishop's office organization                                    | 5,287,400                     | -                       | -                 | 5,287,400            |
| Office of pastoral ministries                                   | 136,897                       | -                       | -                 | 136,897              |
| Saint Joseph retreat and conference center                      | 698,651                       | -                       | -                 | 698,651              |
| Property and health insurance program                           | 10,563,252                    | -                       | -                 | 10,563,252           |
| Parish revenue sharing  | 103,774                       | -                       | -                 | 103,774              |
| Other program expenses  | 1,339,310                     | -                       | -                 | 1,339,310            |
| <i>Total program services</i>                                   | <u>21,459,295</u>             | <u>-</u>                | <u>-</u>          | <u>21,459,295</u>    |
| Supporting services   |                               |                         |                   |                      |
| Fundraising   | 407,240                       | -                       | -                 | 407,240              |
| General and administrative                                      | 1,734,989                     | -                       | -                 | 1,734,989            |
| <i>Total expenses</i>   | <u>23,601,524</u>             | <u>-</u>                | <u>-</u>          | <u>23,601,524</u>    |
| <b>CHANGE IN NET ASSETS FROM<br/>OPERATING ACTIVITIES</b>       | (3,619,713)                   | (2,744,382)             | -                 | (6,364,095)          |
| <b>NONOPERATING</b>   |                               |                         |                   |                      |
| Pension-related changes other than<br>net periodic pension cost | 102,862                       | -                       | -                 | 102,862              |
| <b>CHANGE IN NET ASSETS</b>                                     | (3,516,851)                   | (2,744,382)             | -                 | (6,261,233)          |
| <b>NET ASSETS, BEGINNING OF YEAR</b>                            | <u>26,402,301</u>             | <u>7,841,928</u>        | <u>163,433</u>    | <u>34,407,662</u>    |
| <b>NET ASSETS, END OF YEAR</b>                                  | <u>\$ 22,885,450</u>          | <u>\$ 5,097,546</u>     | <u>\$ 163,433</u> | <u>\$ 28,146,429</u> |

See accompanying notes to financial statements.

CENTRAL ADMINISTRATION OF THE ROMAN CATHOLIC  
DIOCESE OF LAFAYETTE-IN-INDIANA, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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CHANGE IN CASH

|   | <u>2020</u>         | <u>2019</u>         |
|---|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |                     |                     |
| Cash received from parishes, contributors, and program services | \$ 21,984,944       | \$ 18,476,917       |
| Cash paid to vendors and employees                              | (20,818,771)        | (22,639,222)        |
| Investment income   | (275,085)           | 159,324             |
|   | <u>891,088</u>      | <u>(4,002,981)</u>  |
| <i>Net cash provided by (used in) operating activities</i>      |                     |                     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |                     |                     |
| Purchases of investments  | (2,889,864)         | (5,784,460)         |
| Proceeds from sale of investments                               | 2,792,193           | 7,878,735           |
| Payments received on note receivable                            | 65,555              | 14,732              |
| Proceeds from sale of property and equipment                    | 1,581,190           | 2,486,541           |
| Purchases of property and equipment                             | (133,521)           | (49,280)            |
|   | <u>1,415,553</u>    | <u>4,546,268</u>    |
| <i>Net cash provided by investing activities</i>                |                     |                     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                     |                     |                     |
| Transfer of net assets to the Foundation                        | (1,117,101)         | -                   |
|   | <u>1,189,540</u>    | <u>543,287</u>      |
| <b>CHANGE IN CASH</b>   |                     |                     |
|   | 1,189,540           | 543,287             |
| <b>CASH, BEGINNING OF YEAR</b>                                  | <u>4,505,498</u>    | <u>3,962,211</u>    |
| <b>CASH, END OF YEAR</b>  | <u>\$ 5,695,038</u> | <u>\$ 4,505,498</u> |
| <b>SCHEDULE OF NON-CASH INVESTING ACTIVITIES</b>                |                     |                     |
| Donated investments   | \$ 275,427          | \$ 421,613          |
| <b>SCHEDULE OF NON-CASH FINANCING ACTIVITIES</b>                |                     |                     |
| St. Alphonsus principal payments on term note payable           | \$ 90,000           | \$ 120,000          |
| Our Lady of Grace principal payments on mortgage note payable   | \$ 108,871          | \$ 242,174          |
| St. Elizabeth Seton principal payments on term note payable     | \$ 336,981          | \$ 570,672          |

CENTRAL ADMINISTRATION OF THE ROMAN CATHOLIC  
DIOCESE OF LAFAYETTE-IN-INDIANA, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

|   | <u>2020</u>        | <u>2019</u>           |
|---|--------------------|-----------------------|
| CHANGE IN NET ASSETS  | \$ 8,506,877       | \$ (6,261,233)        |
| <b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET<br/>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b> |                    |                       |
| Depreciation  | 260,568            | 258,880               |
| Gain on sale of property and equipment  | (1,404,033)        | (443,225)             |
| Realized and unrealized gains on investments, net   | (2,039,034)        | (2,227,005)           |
| Change in allowance for doubtful accounts   | (817,370)          | 128,514               |
| Contribution of beneficial interest in charitable trust   | (1,605,468)        | -                     |
| Change in value of charitable trusts  | (20,483)           | (19,976)              |
| Donated investments   | (275,427)          | (421,613)             |
| <i>(Increase) decrease in operating assets</i>  |                    |                       |
| Contributions receivable, net of allowance  | 1,009,069          | 5,143,855             |
| Amounts due from parishes   | 158,652            | 303,529               |
| Accounts receivable   | -                  | 844                   |
| Amounts due from former seminarians, net of allowance   | 7,220              | 10,435                |
| Prepaid expenses  | (45,470)           | (48,587)              |
| Overfunded status of Priests' Retirement Plan   | (241,932)          | (1,168,024)           |
| <i>Increase (decrease) in operating liabilities</i>   |                    |                       |
| Accounts payable and accrued expenses   | 63,849             | 123,416               |
| Grants payable  | 271,497            | (271,497)             |
| Deferred revenue  | (41,375)           | 91,478                |
| Amounts due to parishes   | (3,500,308)        | 95,910                |
| Accrued post-retirement benefit obligation  | 604,256            | 701,318               |
| <i>Total adjustments</i>  | <u>(7,615,789)</u> | <u>2,258,252</u>      |
| <b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>  | <u>\$ 891,088</u>  | <u>\$ (4,002,981)</u> |



CENTRAL ADMINISTRATION OF THE ROMAN CATHOLIC  
DIOCESE OF LAFAYETTE-IN-INDIANA, INC.

NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2020 AND 2019

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1. NATURE OF ACTIVITIES

Central Administration of the Roman Catholic Diocese of Lafayette-in-Indiana, Inc. (the Administration) was formed in coordination with the establishment of the Roman Catholic Diocese of Lafayette-in-Indiana in 1945, and subsequently incorporated in 1958. The Administration is a nonprofit organization located in Lafayette, Indiana, which provides services at the Diocesan level of administration of the Roman Catholic Church.

The accompanying financial statements include the assets, liabilities, net assets and operations of the Central Administration Office only. The activities of the parishes, religious orders, lay societies, and religious organizations which operate within the Administration and their related assets and liabilities have not been included in the accompanying financial statements but are assets and liabilities which would ultimately come under the umbrella of the Administration. The accompanying financial statements also do not include the activities of the Lafayette Diocesan Foundation, Inc. (the Foundation).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING AND USE OF ESTIMATES

The accompanying financial statements were prepared on the accrual basis of accounting. Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support, revenues and expenses. Actual results could vary from the estimates that were used.

CASH AND CASH EQUIVALENTS

The Administration considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2020 and 2019. The Administration maintains cash balances at commercial banks. Accounts at the banks are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2020 and 2019, the Administration maintained cash and cash equivalents in excess of the FDIC coverage limits of approximately \$5.4 million and \$4.1 million, respectively.

CONTRIBUTIONS RECEIVABLE

Before September 2020, a primary source of support for the Administration was the receipt of contributions under the *Fruitful Harvest Campaign*, which was a biennial parish level campaign. The previous *Fruitful Harvest Campaign*, which began in August 2018, came to a close in August 2020.

For each *Fruitful Harvest Campaign*, every parish was assessed a campaign goal. The goal was the amount that each parish must raise and was retained by the Administration. Amounts collected in excess of the respective goals were returned to the parish. The amount returned was based on several factors including whether or not a parish adds a dovetail campaign (100% returned), if the parish operates a school (92% returned), or if neither, 50% of the collected amounts in excess of the goal was returned to the parish. Additionally, once the parish met its goal amount, the Administration issued a 10% rebate for parishes not participating in the dovetail campaign program.

CENTRAL ADMINISTRATION OF THE ROMAN CATHOLIC  
DIOCESE OF LAFAYETTE-IN-INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

CONTRIBUTIONS RECEIVABLE, CONTINUED

The total amount pledged under the *Fruitful Harvest Campaign* was reported as contributions receivable. Amounts pledged in excess of the respective parish's goal, plus any rebates, less the amounts expected to be retained by the Administration, were recorded as amounts due to parishes and were not recorded as support of the Administration.

Beginning in September 2020, the Administration began an annual campaign entitled *Catholic Ministries Appeal* that replaced the *Fruitful Harvest Campaign*. The initial campaign period will run through December 31, 2021 and will be an annual campaign going forward. The support raised from this annual campaign will be utilized to support the words of Christ directly through the diocese, as well as through the ministries that support each of the local parishes.

Pledges (contributions receivable) are unconditional promises to give that are recognized as contributions when the promise or pledge is received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor.

Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year.

Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. Fair value is computed using a present value technique applied to anticipated cash flows.

Conditional promises, such as matching gifts, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Management estimates an allowance for doubtful contributions receivable based on current economic conditions, historical trends, and current and past experience with the Administration's donor base. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed. Management has determined that an allowance of \$466,096 and \$1,283,466 is necessary at December 31, 2020 and 2019, respectively.

AMOUNTS DUE FROM PARISHES, FORMER SEMINARIANS, AND ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount due the Administration for services provided or under a reimbursable arrangement. Management estimates an allowance for uncollectible accounts receivable based on an evaluation of current economic conditions, historical trends, and past experience. Management has determined that an allowance of \$701,557 and \$665,573 is necessary at December 31, 2020 and 2019, respectively, for seminarian loans not expected to be paid back should the seminarians become a priest.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

INVESTMENTS AND INVESTMENT RETURN

Investments are carried at fair value for financial reporting purposes. Realized gains or losses upon the sale of investments are based on the cost of specifically identified securities. Changes in unrealized appreciation or depreciation of investments are reflected in the statement of activities in the period in which such changes occur. Interest and dividend income is recorded when earned. The Administration's investment policy aligns completely with the U.S. Conference of Catholic Bishops' Socially Responsible Investment Guidelines.

NOTES RECEIVABLE FROM ST. JOHN VIANNEY

During 2009, the Administration transferred land to the St. John Vianney Parish in exchange for a note receivable in the amount of \$954,000. In 2019, the terms of the note were confirmed, bearing no interest, and an adjustment of the maturity date of December 2044. At December 31, 2020 and 2019, the note receivable has been recorded at its net present value of \$344,098 using a discount rate of 4.0%. An additional note was signed with St. John Vianney Parish in 2019 for the sale of another plot of land. The second note carries the same terms and has been recorded at its net present value of \$13,581 using a discount rate of 4.0%. The notes receivable are unsecured. Payments are scheduled to begin in 2025. Management has determined that an allowance is not necessary at December 31, 2020 and 2019.

DUE FROM ST. ALPHONSUS AND DUE FROM OUR LADY OF GRACE

During 2012, the Administration obtained loans from two banks on behalf of St. Alphonsus Liguori Catholic Church and Our Lady of Grace Catholic Church. St. Alphonsus has signed an unconditional guarantee with the bank (Note 10) and both parishes are expected to make all payments of principal and interest directly to the banks. As the Administration does not anticipate paying on the bank loans, receivables from the parishes have been established to offset the amount of the loans that are recorded. The balance for St. Alphonsus was \$270,000 and \$360,000 at December 31, 2020 and 2019, respectively. The balance for Our Lady of Grace was \$1,585,116 and \$1,693,987 at December 31, 2020 and 2019, respectively. These receivables bear no interest and are unsecured. Management has determined that an allowance is not necessary at December 31, 2020 and 2019.

DUE FROM ST. ELIZABETH SETON

During 2015, the Administration obtained a loan on the behalf of St. Elizabeth Seton Catholic Church. The parish is expected to make all payments of principal and interest directly to the bank. As the Administration does not anticipate paying on the loan, a receivable from the Parish has been established to offset the amount of loan recorded. The balance was \$2,136,740 and \$2,473,721 at December 31, 2020 and 2019 respectively. Management has determined that an allowance is not necessary at December 31, 2020 and 2019.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

DUE FROM ST. THOMAS AQUINAS

During 2017, the Administration provided funding to the Campus Ministry at St. Thomas Aquinas – The Catholic Center at Purdue University to help build a Catholic dormitory on campus. The project did not obtain enough funding to move forward. During 2019, the Administration and St. Thomas Aquinas agreed to repayment terms. The note receivable bears no interest and the maturity date is December 2026. The note receivable requires monthly payments of \$4,443 starting in January 2020. The balance due of \$263,422 and \$301,053 at December 31, 2020 and 2019, respectively, has been recorded at net present value using a discount rate of 4.0% through the term of the note. Management also determined a \$130,000 allowance was necessary at December 31, 2020 and 2019.

DUE FROM ALL SAINTS

During 2014, the Administration made an advance to All Saints Catholic Church of \$113,516. This advance is unsecured and bears no interest. Subject to an informal agreement, the advance will be repaid by August 31, 2024. The balance was \$31,299 and \$40,485 at December 31, 2020 and 2019, respectively. Management has determined that an allowance is not necessary at December 31, 2020 and 2019.

LAND, BUILDINGS AND EQUIPMENT

The Administration capitalizes all significant transactions greater than \$1,000 related to land, buildings and equipment at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred.

Depreciation is computed using the straight line method over the estimated useful lives of the assets which range from three to seventy-five years.

Gifts of land, buildings, and equipment are reported as net assets without donor restriction unless the donor has restricted the donated asset to a specific purpose or stipulated how long those long-lived assets must be used. Absent donor restrictions on use and how long those donated assets must be maintained, the Administration reports expirations of donor restrictions when the donated or acquired assets are placed in service.

GRANTS PAYABLE

At December 31, 2020 and 2019, grants payable consist of grants made to two parishes requiring monthly payments through the next two years. The grants are awarded on a biannual basis and are payable monthly during that time. At December 31, 2020, approximately \$271,000 is due in both 2021 and 2022. At December 31, 2019, approximately \$271,000 was due in 2020.

DEFERRED REVENUE

Deferred revenue is comprised of advance insurance assessments paid by participants. Revenue from these assessments is recognized ratably over the policy period which represents the calendar year.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

NET ASSETS

The financial statements report net assets and changes in net assets in the following classes that are based upon the existence or absence of restrictions on use that are placed by the Administration's donors:

Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Administration, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The Administration has designated \$2,160,778 and \$2,034,312 at December 31, 2020 and 2019, respectively, of net assets for the benefit of the parishes and victims of incidents of priest misconduct.

With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Administration's unspent contributions are classified in this class if the donor limited their use, as is the unspent appreciation of its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets with donor restrictions for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Administration, unless the donor provides more specific directions about the period of its use. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

RECOGNITION OF SUPPORT AND REVENUE

Subscription revenue is related to purchase of the monthly Catholic Moment publication by parishioners and other Administration affiliates. This fee is earned on a per subscriber per publication basis.

The majority of program service revenue is made up of youth events, workshops, and catechism class income. Upon enrollment in the event, workshop, or class, fees are assessed and collected. These fees are recognized upon the completion of the course or program.

Insurance program assessments are billed to the parishes and/or participants based on the premiums that are billed from the insurance carriers. Revenue is recognized ratably over the policy period.

Revenue from the Saint Joseph retreat and conference center primarily relates to group housing and conference/gathering event sales. Revenue is earned upon the completion of the hotel stay or event.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

RECOGNITION OF SUPPORT AND REVENUE, CONTINUED

The following table disaggregates the Administration's earned revenue based on the timing for satisfaction of performance obligations for the years ended December 31:

|               | <u>2020</u>          | <u>2019</u>          |
|---------------|----------------------|----------------------|
| Over time     | \$ 11,606,741        | \$ 11,394,303        |
| Point in time | <u>375,059</u>       | <u>706,755</u>       |
| Total         | <u>\$ 11,981,800</u> | <u>\$ 12,101,058</u> |

Contributions include unconditional promises to give. Revenue is recognized in the period the promise is made. Amounts that are not restricted by the donor are reported as an increase in net assets without donor restrictions. All other donor-restricted support, or support where payment is expected in a future period, is reported as an increase in net assets with donor restrictions. When the restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

DONATED SERVICES

Contributions of services are recognized as revenue at their estimated fair value 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.

The Administration receives a substantial amount of services donated by individuals in carrying out its programs. Values have not been assigned to these services as the criteria for recognition has not been met and, accordingly, they are not reflected in the accompanying financial statements.

RENT REVENUE

The Administration rents land and property to various third parties pursuant to operating lease agreements, generally for twelve month periods with varying expiration dates, at which point the lease agreements are subject to renewal. At December 31, 2020 and 2019, the Administration's land lease agreements were on an annual basis and all other property leases were on a month to month basis.

Rent revenue is recognized when earned and was \$242,643 and \$231,671 for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the cost of leased land was \$7,802,278 and \$8,021,618, respectively. At December 31, 2020, the cost and accumulated depreciation of leased property was \$214,054 and \$140,842, respectively. At December 31, 2019, the cost and accumulated depreciation of leased property was \$188,085 and \$131,971, respectively.

FUNCTIONAL EXPENSE ALLOCATION

The costs of providing the programs and services of the Administration have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Although the methods of allocation are deemed appropriate, other methods could produce different results.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

FUNCTIONAL EXPENSE ALLOCATION, CONTINUED

|                                  | 2020                        |                    |                                       |                      |
|----------------------------------|-----------------------------|--------------------|---------------------------------------|----------------------|
|                                  | <u>Program<br/>services</u> | <u>Fundraising</u> | <u>General and<br/>administrative</u> | <u>Total</u>         |
| Personnel cost                   | \$ 2,123,908                | \$ 291,553         | \$ 1,076,335                          | \$ 3,491,796         |
| Religious services               | 1,841,431                   | -                  | -                                     | 1,841,431            |
| Professional services            | 556,347                     | 54,417             | 433,797                               | 1,044,561            |
| Property and health<br>insurance | 10,086,737                  | -                  | 31,875                                | 10,118,612           |
| Depreciation and<br>amortization | 143,308                     | 2,481              | 114,779                               | 260,568              |
| Other                            | 607,072                     | 162,086            | 504,752                               | 1,273,910            |
| Total                            | <u>\$ 15,358,803</u>        | <u>\$ 510,537</u>  | <u>\$ 2,161,538</u>                   | <u>\$ 18,030,878</u> |
|                                  | 2019                        |                    |                                       |                      |
|                                  | <u>Program<br/>services</u> | <u>Fundraising</u> | <u>General and<br/>administrative</u> | <u>Total</u>         |
| Personnel cost                   | \$ 7,449,845                | \$ 278,766         | \$ 465,843                            | \$ 8,194,454         |
| Religious services               | 1,936,735                   | 1,595              | -                                     | 1,938,330            |
| Professional services            | 754,808                     | 58,642             | 279,494                               | 1,092,944            |
| Property and health<br>insurance | 10,557,813                  | -                  | 34,604                                | 10,592,417           |
| Depreciation and<br>amortization | 143,682                     | 3,345              | 111,853                               | 258,880              |
| Other                            | 616,412                     | 64,892             | 843,195                               | 1,524,499            |
| Total                            | <u>\$ 21,459,295</u>        | <u>\$ 407,240</u>  | <u>\$ 1,734,989</u>                   | <u>\$ 23,601,524</u> |

INCOME TAXES

The Administration is organized as a not-for-profit corporation other than a private foundation, and is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and similar state law.

The Administration is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. As a religious organization, the Administration is not required to file annual Federal or state information returns.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

IMPAIRMENT OF LONG-LIVED ASSETS

The Administration evaluates long-lived assets for impairment using a discounted cash flows method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

SUBSEQUENT EVENTS

The Administration evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through June 1, 2021, which is the date the financial statements are available to be issued. See Note 10.

3. AVAILABLE RESOURCES AND LIQUIDITY

The Diocese regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The general operations of the Diocese are mainly funded by the bi-annual *Fruitful Harvest* campaign now *Catholic Ministries Appeal* campaign. Because of the significant reliance on these campaigns, the Administration maintains a line of credit and also may sell property not suitable for church construction to meet short-term cash flow needs.

As of December 31, 2020 and 2019, the following table shows the total financial assets held by the Administration and the amounts of those financial assets available within one year of the statement of financial position date to meet general expenditures.

|   | <u>2020</u>          | <u>2019</u>          |
|---|----------------------|----------------------|
| Financial assets at year-end  |                      |                      |
| Cash, net of amounts due to parishes                                    | \$ 4,782,930         | \$ 3,711,174         |
| Contributions receivable, net of allowance                              | 1,986,332            | 2,178,031            |
| Amounts due from parishes   | 94,482               | 259,939              |
| Amounts due from former seminarians, net of allowance                   | 98,144               | 105,364              |
| Investments   | 19,345,971           | 16,933,839           |
| Beneficial interests in charitable trusts                               | 1,778,453            | 164,435              |
| Total financial assets  | <u>28,086,312</u>    | <u>23,352,782</u>    |
| Less amounts not available to be used within one year                   |                      |                      |
| Net assets with donor restrictions                                      | (9,476,188)          | (5,260,979)          |
| Net assets designated for the benefit of the parishes                   | <u>(2,160,778)</u>   | <u>(2,034,312)</u>   |
| Total amounts not available to be used within one year                  | <u>(11,636,966)</u>  | <u>(7,295,291)</u>   |
| Financial assets available to meet general expenditures within one year | <u>\$ 16,449,346</u> | <u>\$ 16,057,491</u> |



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4. **CONTRIBUTIONS RECEIVABLE**

Unconditional contributions receivable consists of the following at December 31:

|   | <u>2020</u>         | <u>2019</u>         |
|---|---------------------|---------------------|
| Fruitful Harvest Campaign/Catholic Ministries Appeal Campaign | \$ 2,452,428        | \$ 3,461,497        |
| Less allowance for doubtful accounts                          | <u>(466,096)</u>    | <u>(1,283,466)</u>  |
| Net contributions receivable                                  | <u>\$ 1,986,332</u> | <u>\$ 2,178,031</u> |

Contributions receivable at December 31, 2020 and 2019 are due by December 31, 2021 and August 31, 2020, respectively.

5. **INVESTMENTS**

Investments include the following at December 31:

|  | <u>2020</u>          | <u>2019</u>          |
|--|----------------------|----------------------|
| Cash                                   | \$ 93,964            | \$ 191,474           |
| Common stocks (U.S. and international) | 12,456               | 60,287               |
| Mutual funds                           | 7,479,562            | 6,580,801            |
| Common trust funds                     | <u>11,759,989</u>    | <u>10,101,277</u>    |
|  | <u>\$ 19,345,971</u> | <u>\$ 16,933,839</u> |

The following schedule summarizes investment return for the years ended December 31:

|  | <u>2020</u>         | <u>2019</u>         |
|--|---------------------|---------------------|
| Interest and dividend income                 | \$ 315,305          | \$ 230,310          |
| Realized and unrealized gains on investments | 2,093,659           | 2,274,727           |
| Investment fees                              | <u>(54,625)</u>     | <u>(47,722)</u>     |
| Investment return, net                       | <u>\$ 2,354,339</u> | <u>\$ 2,457,315</u> |

6. **BENEFICIAL INTERESTS IN CHARITABLE TRUSTS**

The Administration is the primary beneficiary under one charitable trust at December 31, 2019. The trust's assets are held by the Administration, as trustee, and are held in bank custodial accounts. Under the trust, assets are available for use to support impoverished children, as well as the care and education of children. The beneficial interest in the trust is reported at fair value, which is estimated as the fair value of the underlying trust assets. The Administration's interest in the trust is reflected as an asset in the amount of \$172,985 and \$164,435, at December 31, 2020 and 2019, respectively.

6. **BENEFICIAL INTERESTS IN CHARITABLE TRUSTS, CONTINUED**

During 2020, the Administration was made aware of its share in another charitable trust whereby the Administration and the *Catholic Ministry Appeal* campaign (formerly the *Fruitful Harvest* campaign) each will receive 30% of the remaining trust amount in 2034. The estimated balance the Administration and *Catholic Ministry Appeal* campaign will receive was \$1,605,468 at December 31, 2020.

7. **FAIR VALUE MEASUREMENTS**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of fair value hierarchy are described as follows:

*Level 1* - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Administration has the ability to access.

*Level 2* - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

- *Common stocks*: Valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds*: Valued at the daily closing prices as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds registered with the Securities and Exchange Commission.  
  
These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.
- *Common Trust Funds*: Valued at the NAV reported by the fund.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Administration believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies and assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

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7. FAIR VALUE MEASUREMENTS, CONTINUED

\*The Administration follows Accounting Standards Update 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share*, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share as a practical expedient. As such, investments in common trust funds, if any, are valued at their respective net asset value and are not classified within the fair value hierarchy.

The following table sets forth by level, within the hierarchy, the Administration's assets measured at fair value on a recurring basis as of December 31:

| <u>2020</u>                       | <u>Fair Value</u>    | <u>Quoted Prices<br/>in Active<br/>Markets for<br/>Identical<br/>Assets<br/>[Level 1]</u> | <u>Significant<br/>Other<br/>Observable<br/>Inputs<br/>[Level 2]</u> |
|-----------------------------------|----------------------|---|--|
| Mutual funds                      |                      |   |  |
| PIMCO Total Return III            | \$ 7,479,562         | \$ 7,479,562  | \$ -   |
| Common stocks                     | 12,456               | 12,456  | -  |
| Charitable trusts                 | 1,778,453            | 172,985   | 1,605,468  |
| Common trust funds                |                      |   |  |
| *MSCI ACWI screened index fund    | 3,896,972            |   |  |
| *Russell 3000 screened index fund | 7,863,017            |   |  |
| Total                             | <u>\$ 21,030,460</u> | <u>\$ 7,665,003</u>   | <u>\$ 1,605,468</u>  |
|                                   |                      |   |  |
| <u>2019</u>                       | <u>Fair Value</u>    | <u>Quoted Prices<br/>in Active<br/>Markets for<br/>Identical<br/>Assets<br/>[Level 1]</u> |  |
| Mutual funds                      |                      |   |  |
| PIMCO Total Return III            | \$ 6,580,801         | \$ 6,580,801  |  |
| Common stocks                     | 60,287               | 60,287  |  |
| Charitable trust                  | 164,435              | 164,435   |  |
| Common trust funds                |                      |   |  |
| *MSCI ACWI screened index fund    | 5,021,735            |   |  |
| *Russell 3000 screened index fund | 5,079,542            |   |  |
| Total                             | <u>\$ 16,906,800</u> | <u>\$ 6,805,523</u>   |  |

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7. FAIR VALUE MEASUREMENTS, CONTINUED

The Administration's policy is to recognize transfers between levels as of the end of the reporting period. There were no transfers among levels during 2020 or 2019.

The Administration's investments and amounts held within the charitable trust are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

8. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings and equipment include the following at December 31:

|                                     | <u>2020</u>          | <u>2019</u>          |
|-------------------------------------|----------------------|----------------------|
| Land                                | \$ 8,126,793         | \$ 8,346,133         |
| Buildings and building improvements | 7,052,435            | 6,895,409            |
| Furniture, fixtures and equipment   | 763,562              | 691,154              |
| Vehicles                            | <u>72,041</u>        | <u>70,845</u>        |
|                                     | 16,014,831           | 16,003,541           |
| Accumulated depreciation            | <u>(4,986,922)</u>   | <u>(4,671,428)</u>   |
|                                     | <u>\$ 11,027,909</u> | <u>\$ 11,332,113</u> |

9. LINE OF CREDIT

The Administration maintains a \$2,000,000 unsecured line of credit that was available for its short-term borrowings needs and is due upon demand should the financial institution call the funds. Borrowings under this line of credit bear interest at the Wall Street Journal prime lending rate (3.25% at December 31, 2020). There were no borrowings outstanding on this line of credit at December 31, 2020 and 2019.

10. NOTES PAYABLE

TERM NOTE PAYABLE – ST. ALPHONSUS

During 2012, the Administration obtained a \$1,200,000 convertible line of credit note with a bank on behalf of St. Alphonsus Liguori Catholic Church. While the Administration is the obligor, the loan proceeds were paid directly to the parish and all payments of interest and principal are to be made by the parish directly to the bank. The parish entered into an agreement with the bank as guarantor of this loan. The loan is unsecured.

The line of credit was converted to an amortizing term loan in February 2013, requiring quarterly principal installments of \$30,000, plus interest, through November 1, 2022. The note bears interest at the three-month LIBOR rate plus one hundred fifty basis points (1.7% at December 31, 2020). The balance of the note was \$270,000 and \$360,000 at December 31, 2020 and 2019, respectively.

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10. NOTES PAYABLE, CONTINUED

TERM NOTE PAYABLE – ST. ALPHONSUS, CONTINUED

The Administration utilizes an interest rate swap agreement related to the above debt to manage interest rate exposure and to achieve a desired proportion of variable and fixed rate debt. The agreement effectively converts the variable rate cost of the related debt to a fixed rate of 1.69%. The agreement has a notional principal amount outstanding of \$270,000 and \$360,000 at December 31, 2020 and 2019, respectively. The interest rate swap agreement matures at the time the related debt matures on November 1, 2022. The Administration is exposed to credit loss in the event of nonperformance by counter parties to the agreement, but nonperformance is not anticipated. The fair value of the interest rate swap is immaterial at December 31, 2020 and 2019, and has not been included in the accompanying financial statements.

MORTGAGE NOTES PAYABLE – OUR LADY OF GRACE

The Administration is the obligor of debt financing under two term notes for the benefit of Our Lady of Grace Catholic Church. While the Administration is the obligor, the loan proceeds were paid directly to the parish and all payments of principal and interest are made by the parish directly to the bank.

One note payable requires monthly interest payments at the one-month ICE LIBOR plus 2.10% (4.48% at December 31, 2020) and one balloon payment of \$1,548,908 in August 2022. At December 31, 2020 and 2019, borrowings outstanding under the note were \$1,548,908. The second note has a principal amount of \$500,000. The note requires monthly payments of \$5,201 and one balloon payment of \$52,839 in August 2022. At December 31, 2020 and 2019, borrowings outstanding under the note were \$36,208 and \$145,079, respectively and bear interest at 4.55%. The mortgage note payable placed certain restrictive covenants on the Administration and Our Lady of Grace. These covenants have been waived by the bank. Subsequent to year-end, both notes were paid off.

TERM NOTE PAYABLE – ST. ELIZABETH SETON

During 2015, the Administration obtained a line of credit on the behalf of St. Elizabeth Seton Catholic Church with a maximum borrowing amount of \$3,200,000. In August 2016, the line of credit converted to a note payable requiring monthly payments of \$15,410 for principal and interest at 3.75%. The note is secured by all property and equipment of the parish and expires July 2045. The balance was \$2,136,740 and \$2,473,721 at December 31, 2020 and 2019 respectively.

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10. NOTES PAYABLE, CONTINUED

PPP LOAN

In 2020, the COVID-19 pandemic resulted in a statewide stay at home order. In response to the COVID-19 pandemic, the United States federal government adopted the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") which includes a Small Business Paycheck Protection Program ("PPP") under the auspices of the federal Small Business Administration ("SBA"). These funds can be used for costs related to payroll, employee health care, rent, and utilities. In April 2020, the Administration borrowed approximately \$660,000 from a financial institution under the PPP. The interest rate is 1%, the loan term is five years and the principal and interest payments are due monthly. To the extent the funds are used for qualifying expense under the program the Administration may apply for loan forgiveness. Since the loan is expected to be forgiven, the Administration elected to account for the loan as a conditional grant in accordance with FASB ASC 958-605. As such the loan was presented as a liability in the statements of financial position until such time that the Administration meets the conditions of forgiveness. In January 2021, the Administration was granted forgiveness for the qualified expenditures for the period of April – November 2020 and, thus, the amount borrowed was reported as revenue in 2020 in accordance with guidance herein.

Annual principal maturities under all notes payable for the years ending December 31 are as follows:

|            |                     |
|------------|---------------------|
| 2021       | \$ 261,152          |
| 2022       | 1,746,710           |
| 2023       | 80,771              |
| 2024       | 83,852              |
| 2025       | 87,051              |
| Thereafter | <u>1,732,320</u>    |
|            | <u>\$ 3,991,856</u> |

The administration does not record interest income or expense related to these notes in the statements of activities.

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11. NET ASSETS

WITH DONOR RESTRICTIONS – TIME AND PURPOSE

Net assets with donor restrictions consist of the following as of December 31:

|  | <u>2020</u>         | <u>2019</u>         |
|--|---------------------|---------------------|
| Time restrictions                              |                     |                     |
| Contributions receivable in future periods     | \$ 2,400,704        | \$ -                |
| Purpose restrictions                           |                     |                     |
| Future parishes                                | 360,146             | 314,275             |
| Seminarians' education                         | 1,933,976           | 1,560,432           |
| Human development (local)                      | 64,269              | 33,543              |
| Poor of the Diocese                            | 1,132,744           | 980,623             |
| Long term funds for the poor                   | 1,776,830           | 162,812             |
| Catholic education                             | 105,576             | 88,605              |
| Clergy funeral expenses                        | -                   | 111,962             |
| National Initiative - Pastoral Leaders Project | 1,142,537           | 1,464,964           |
| Saint Joseph retreat and conference center     | -                   | 116,000             |
| Other  | 395,973             | 264,330             |
|  | <u>\$ 9,312,755</u> | <u>\$ 5,097,546</u> |

WITH DONOR RESTRICTIONS – PERPETUAL

Net assets with donor restrictions in perpetuity consist of the following as of December 31:

|                      | <u>2020</u>       | <u>2019</u>       |
|----------------------|-------------------|-------------------|
| Seminarians          | \$ 80,044         | \$ 80,044         |
| Scholarships         | 23,612            | 23,612            |
| Priests' sabbaticals | 40,438            | 40,438            |
| Camp fund            | 19,339            | 19,339            |
|                      | <u>\$ 163,433</u> | <u>\$ 163,433</u> |

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11. NET ASSETS, CONTINUED

RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions as follows during the years ended December 31:

|                                   | <u>2020</u>         | <u>2019</u>         |
|-----------------------------------|---------------------|---------------------|
| Purpose restrictions accomplished | \$ 995,242          | \$ 1,203,250        |
| Time restrictions expired         | <u>2,778,143</u>    | <u>3,900,326</u>    |
|                                   | <u>\$ 3,773,385</u> | <u>\$ 5,103,576</u> |

During 2020, the Administration transferred net asset funds of \$1,117,101 to the Foundation to establish a Diocesan retreat center building fund and priests' funeral expenses fund. Variance power related to the funds was granted to the Foundation. The funds will maintain the restrictions initially imposed by the donors.

12. EMPLOYEE BENEFIT PLANS

PRIESTS' HEALTH AND WELFARE PLAN

The Administration sponsors a group insurance defined benefit plan for Diocesan priests. The plan provides for medical, dental and life insurance benefits for the duration of the priests' life. The plan is not funded.

The measurement date used for determining the measurement of the plan's benefit obligation as of December 31, 2020 is December 31, 2020. The measurement dates used in determining the benefit measurement of the plan's benefit obligation as of December 31, 2019 is December 31, 2016, with results projected to December 31, 2019.

The following table sets forth the plan's funded status as included in accrued postretirement benefit obligation in the Administration's statements of financial position at December 31:

|                                 | <u>2020</u>           | <u>2019</u>           |
|---------------------------------|-----------------------|-----------------------|
| Benefit obligation              | \$ (4,950,205)        | \$ (4,345,949)        |
| Less: fair value of plan assets | <u>-</u>              | <u>-</u>              |
| Funding deficit                 | <u>\$ (4,950,205)</u> | <u>\$ (4,345,949)</u> |

The plan paid benefits of \$137,915 and \$138,690 during the years ended December 31, 2020 and 2019, respectively.

Net periodic postretirement benefit cost includes the following components at December 31:

|  | <u>2020</u>       | <u>2019</u>       |
|--|-------------------|-------------------|
| Service cost   | \$ 192,248        | \$ 130,244        |
| Interest cost on accumulated postretirement benefit obligation | 135,170           | 149,742           |
| Amortization of prior service cost                             | (74,743)          | (74,743)          |
| Recognition of net loss  | <u>13,261</u>     | <u>-</u>          |
| Net periodic postretirement benefit cost                       | <u>\$ 265,936</u> | <u>\$ 205,243</u> |



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12. EMPLOYEE BENEFIT PLANS, CONTINUED

PRIESTS' HEALTH AND WELFARE PLAN, CONTINUED

Items not yet recognized as a component of net periodic postretirement benefit cost include an unrecognized actuarial loss of (\$1,101,301) and (\$699,809) at December 31, 2020 and 2019, respectively. The change in the unrecognized actuarial gain (loss) for the years ended December 31 is combined with that of the Priests' Retirement Plan and is included in the statements of activities.

A 7.5% and 5.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for pre-65 and post-65 participants, respectively, for 2020. An 8.0% and 5.0% annual rate of increase for pre-65 and post-65 participants in the per capita cost of covered health care benefits was assumed for 2019; the rate was assumed to decrease gradually to 5.0% in 2025 and remain at that level thereafter. The post-65 participants were assumed to remain at the 5.0% level from now into the future. A 3.75% and a 4.0% annual rate of increase in the per capita cost of covered dental benefits was assumed for 2020 and 2019, respectively; the rate was assumed to decrease gradually to 3.0% in 2024 and remain at that level thereafter.

Increasing the assumed health care and dental trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of December 31, 2020 by \$301,333 and would increase the total service and interest cost components by \$20,313 in 2020. Decreasing the assumed health care and dental trend rates by one percentage point in each year would decrease the accumulated postretirement benefit obligation as of December 31, 2020 by \$239,664 and would decrease the total service and interest cost components by \$15,068 in 2020.

Effective January 1, 2016, 100% of the retired priests are assumed to elect the AARP Medicare Supplement Plan with PDP, with premium rates varying by person. The annual Medicare Supplement Plan and PDP premium rates are assumed to be \$3,281 and \$385 per person.

For Medicare eligible priests enrolled in the PDP plan, the Diocese is assumed to reimburse \$539 annually for co-pays, and this reimbursement is assumed to increase by 3% annually. Beginning in 2021, the reimbursement will be \$519 annually for co-pays. There is no longer a tax subsidy since Diocese participation in the Retiree Drug Subsidy program was discontinued effective on January 1, 2016. Pre-Medicare eligible priests will be provided medical coverage through the RETA Trust. Post-Medicare eligible priests can also enroll in the RETA Trust Plan as a secondary insurance. Post-Medicare eligible priests have the option to elect a different prescription drug plan offered through Anthem as well.

Annual dental cost is assumed to be \$545 and \$554 per person for 2020 and 2019 respectively and is assumed to increase with the dental trend rate described above.

The weighted average discount rate used in determining the benefit obligation was 2.40% and 3.16% as of December 31, 2020 and 2019, respectively.

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12. EMPLOYEE BENEFIT PLANS, CONTINUED

PRIESTS' HEALTH AND WELFARE PLAN, CONTINUED

The following benefits are expected to be paid for the years ending December 31:

|                   |                     |
|-------------------|---------------------|
| 2021              | \$ 120,171          |
| 2022              | 117,118             |
| 2023              | 119,094             |
| 2024              | 131,468             |
| 2025              | 144,437             |
| Years 2026 – 2030 | <u>800,877</u>      |
|                   | <u>\$ 1,433,165</u> |

PRIESTS' RETIREMENT PLAN

The Administration has a defined benefit pension plan for Diocesan priests. Each eligible priest electing to participate in the plan contributes \$50 annually. Each parish and the Administration is responsible for making a contribution to the Priests' Retirement Plan equal to 10% of the gross salary of each of its participating priests.

The measurement date used in determining the benefit measurements for plan assets and benefit obligations for the years ended December 31, 2020 and 2019 was December 31, 2020 and 2019, respectively.

The following sets forth the funded status of the plan and amounts shown in the accompanying statements of financial position at December 31:

|                           | <u>2020</u>         | <u>2019</u>         |
|---------------------------|---------------------|---------------------|
| Benefit obligation        | \$ (9,514,086)      | \$ (8,522,176)      |
| Fair value of plan assets | <u>11,298,924</u>   | <u>10,065,082</u>   |
| Funded status             | <u>\$ 1,784,838</u> | <u>\$ 1,542,906</u> |

Net pension cost for the defined benefit plan included the following components for the years ended December 31:

|                           | <u>2020</u>        | <u>2019</u>      |
|---------------------------|--------------------|------------------|
| Service costs             | \$ 237,499         | \$ 187,021       |
| Interest costs            | 262,720            | 322,299          |
| Return on assets          | <u>(594,452)</u>   | <u>(487,036)</u> |
| Net benefit cost (return) | <u>\$ (94,233)</u> | <u>\$ 22,284</u> |

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12. EMPLOYEE BENEFIT PLANS, CONTINUED

PRIESTS' RETIREMENT PLAN, CONTINUED

Items not yet recognized as a component of net periodic postretirement benefit cost include an unrecognized actuarial gain (loss) of \$108,880 and \$142,830 at December 31, 2020 and 2019, respectively. The change in the unrecognized actuarial gain for the years ended December 31, 2020 and 2019 is combined with that of the Priests' Health and Welfare Plan and is included in the statements of activities as follows:

|   | <u>2020</u>         | <u>2019</u>       |
|---|---------------------|-------------------|
| Priests' Health and Welfare Plan  | \$ (408,335)        | \$ (634,765)      |
| Priests' Retirement Plan  | <u>(33,950)</u>     | <u>737,627</u>    |
| Pension-related changes other than net periodic postretirement benefit cost | <u>\$ (442,285)</u> | <u>\$ 102,862</u> |

The following table summarizes the assumptions used to determine the projected benefit obligation for the years ended December 31:

|   | <u>2020</u> | <u>2019</u> |
|---|-------------|-------------|
| Weighted average used to determine benefit obligations                    |             |             |
| Discount rate   | 2.40%       | 3.16%       |
| Rate of compensation increase   | 0.00%       | 0.00%       |
| Weighted average used to determine net periodic benefit cost for the year |             |             |
| Discount rate   | 3.16%       | 4.19%       |
| Expected long-term rate of return   | 6.00%       | 6.00%       |
| Rate of compensation increase   | 0.00%       | 0.00%       |

The Administration's contribution to the plan was \$181,649 and \$452,681 for the years ended December 31, 2020 and 2019, respectively. Distributions from the plan were \$401,101 and \$387,127 during the years ended December 31, 2020 and 2019, respectively.

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12. EMPLOYEE BENEFIT PLANS, CONTINUED

PRIESTS' RETIREMENT PLAN, CONTINUED

The amount of benefits expected to be paid, based on the same assumptions used to measure the benefit obligation (including, when applicable, benefits attributable to estimated future service) are as follows for the years ending December 31:

|                 |    |                  |
|-----------------|----|------------------|
| 2021            | \$ | 400,254          |
| 2022            |    | 375,218          |
| 2023            |    | 369,300          |
| 2024            |    | 409,147          |
| 2025            |    | 440,585          |
| Years 2026-2030 |    | <u>2,211,362</u> |
|                 | \$ | <u>4,205,866</u> |

The Priests' Retirement Plan weighted-average asset allocations at December 31, by asset category are as follows:

|                   | <u>2020</u> | <u>2019</u> |
|-------------------|-------------|-------------|
| Equity securities | 72%         | 72%         |
| Debt securities   | 26%         | 26%         |
| Other             | <u>2%</u>   | <u>2%</u>   |
|                   | <u>100%</u> | <u>100%</u> |

The target allocation for the Administration's plan assets is broadly characterized as a 75%/25% allocation between equity and debt securities. This strategy utilizes fixed income securities, which generally consist of government backed securities and cash, and equity securities which consist of common stocks and mutual funds shares. Investments are purchased with the intent to hold the asset for a long-term period.

The Administration attempts to mitigate investment risk by rebalancing between equity and debt classes as the Administration's contributions and benefit payments are made. Although changes in interest rates may affect the fair value of a portion of the investment portfolio and cause unrealized gains or losses, such gains or losses would not be realized unless the investments are sold.

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12. EMPLOYEE BENEFIT PLANS, CONTINUED

PRIESTS' RETIREMENT PLAN, CONTINUED

The fair value of the major classes of plan assets is as follows as of December 31:

|                                  | <u>2020</u>          | <u>2019</u>          |
|----------------------------------|----------------------|----------------------|
| Cash and Money Market            | \$ 261,907           | \$ 149,264           |
| Mutual Funds                     |                      |                      |
| PIMCO Total Return ESG Fund CL   | 2,904,524            | 2,655,576            |
| Common trust fund                |                      |                      |
| MSCI ACWI Screened Index Fund    | 2,513,532            | 3,608,073            |
| Russell 3000 Screened Index Fund | <u>5,618,961</u>     | <u>3,652,169</u>     |
|                                  | <u>\$ 11,298,924</u> | <u>\$ 10,065,082</u> |

The fair value of the Priests' Retirement Plan assets is determined on the basis of Level 1 inputs. Investments in common trust funds are valued at their respective net asset value and are not classified within the fair value hierarchy. See Note 7 for further explanation of fair value.

LAY EMPLOYEES' RETIREMENT PLAN

The Administration participates in a multi-employer contributory defined benefit pension plan. The Roman Catholic Diocese of Lafayette-In-Indiana, Inc. Lay Employees' Retirement Plan (Plan) covers substantially all lay employees of the Administration, individual parishes and other related organizations.

The risks of participating in a multiemployer plan are different from a single employer plan in the following aspects: (1) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; (2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; (3) if an employer chooses to stop participating in a multiemployer plan, participating organizations may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability. If a plan were to terminate, if participants voluntarily withdrew or if there was a mass withdrawal, the Administration may also be required to make additional payments to the plan for its proportionate share of underfunded liabilities. At January 1, 2021, the Plan was 102.8% funded. At January 1, 2020, the Plan was 95.7% funded.

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12. EMPLOYEE BENEFIT PLANS, CONTINUED

LAY EMPLOYEES' RETIREMENT PLAN

The following Plan information is as of January 1:

|   | <u>2021</u>   | <u>2020</u>   |
|---|---------------|---------------|
| Assets                                  | \$ 50,151,604 | \$ 44,255,512 |
| Accumulated benefit obligation          | \$ 48,806,397 | \$ 46,231,714 |
| Total Plan contributions                | \$ 1,711,518  | \$ 5,737,033  |
| Contributions greater than 5% of total? | Yes           | Yes           |

Each eligible employee electing to participate in the Plan contributes \$50 annually. Each parish and the Administration is also responsible for making a contribution to the Plan equal to 6.0% of the gross salary of each of its participating employees. The Administration collects all contributions, which are remitted to a third party for custody and administration. Pension contributions made by the Administration for its participating employees were \$132,418 and \$5,080,897 in 2020 and 2019, respectively. Benefits are paid to plan participants based on a percentage of the average earnings prior to retirement multiplied by years of service. Effective January 1, 2019, the parishes and Administration will make contributions to the Plan equal to 6.5% of all gross salary of each of its participating employees.

Effective January 1, 2019, the Administration amended and reinstated a 403(b) retirement plan (403(b)). All new employees will be enrolled in the 403(b), if they so choose, and can no longer participate in the Plan. The Administration will match employees at 6% of employee wages. Employees must be at least 21 years of age and work 1,000 hours of minimum service. Employees currently enrolled in the Plan may choose to remain in the Plan and contribute to the Plan, but the Administration will no longer match or make contributions to the Plan.

13. RELATED PARTY TRANSACTIONS

In addition to other related party note receivable transactions disclosed in Note 2, the Administration has the following related party activities:

AMOUNTS DUE FROM/TO PARISHES

At December 31, 2020 and 2019, the Administration had amounts due from parishes of \$94,482 and \$259,939, respectively. Additionally, \$912,108 and \$4,412,416 were due to parishes at December 31, 2020 and 2019, respectively.

OTHER TRANSACTIONS

The Administration purchases group medical and liability insurance for all participating parishes. The related costs are assessed to the parishes. Total amounts assessed for liability insurance for the years ended December 31, 2020 and 2019 were \$1,493,644 and \$1,437,531, respectively. Total amounts assessed for group medical insurance for the years ended December 31, 2020 and 2019 were \$9,593,231 and \$9,381,239, respectively.

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**14. LITIGATION**

The Administration is subject to claims and lawsuits in the normal course of business. Liability insurance is maintained by the Administration to provide protection against such claims. Management believes the ultimate resolution of these matters will not have a material adverse impact on the Administration's financial position, changes in net assets, or cash flows.

Among the pending or potential legal claims against the Administration are some related to allegations of past sexual misconduct by priests. The potential impact of these matters is unknown as of the date of this report. The ultimate liability will change in the future and is sensitive to precedents established by pending court cases, possible legislative action, particularly related to the statutes of limitation and additional claims that may be asserted in the future. During 2019 and 2020, the Administration designated funds to support and assist adult and minor victims of priests' misconduct with care and abuse resolution costs. The amount is included in the board designated net assets at December 31, 2020.

**15. CONCENTRATION OF CREDIT RISK AND UNCERTAINTIES**

The Administration's investments (Notes 5 and 7) are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

At December 31, 2020 and 2019, approximately 38.7% and 38.8%, respectively, of the Administration's investment holdings are comprised of the PIMCO Total Return III fund. At December 31, 2020 and 2019, respectively, approximately 60.8% and 59.7% of the Administrations holdings are comprised of the MSCI ACWI screened index common trust fund and Russell 3000 screened index common trust fund.

The extent of the impact of COVID-19 on the Administration's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on parishes, employees, and vendors all of which and cannot be predicted. As the Administration's investment totals are 41.2% of their total assets this results in a risk of a decline in investment value by way of unforeseen market activity. At this point, the extent to which COVID-19 may impact the financial condition of results of operations is uncertain.