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

Independent Auditor's Report and Financial Statements

June 30, 2018 and 2017

BKD LLP
CPAs & Advisors

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

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Independent Auditor's Report

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

We have audited the accompanying financial statements of The Administrative Offices of the Catholic Diocese of Evansville (Chancery and Certain Diocesan Operations), which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Auditor's 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 auditor's 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 accounting 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 qualified audit opinion.

Basis for Qualified Opinion

As discussed in Notes 1 and 5, The Administrative Offices of the Catholic Diocese of Evansville (Chancery and Certain Diocesan Operations) expenses fixed asset additions and capital improvements. Additionally, as discussed in Note 9, The Administrative Offices of the Catholic Diocese of Evansville (Chancery and Certain Diocesan Operations) has not recorded a liability for its commitment to pay for clergy medical expenses that it provides after retirement. The practice of both of these, in our opinion, is not in accordance with accounting principles generally accepted in the United States of America. The effects on the financial statements of the aforementioned practices cannot be reasonably obtained.

Qualified Opinion

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of The Administrative Offices of the Catholic Diocese of Evansville (Chancery and Certain Diocesan Operations) as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

Evansville, Indiana
January 28, 2019

The Administrative Offices of the Catholic Diocese of Evansville
(Chancery and Certain Diocesan Operations)
Statements of Financial Position
June 30, 2018 and 2017

Assets

	2018	2017
Cash	$ 13,894,930	$ 11,332,717
Receivables		
Stewards of God's Grace contributions receivable, net	7,734,387	6,269,776
Loans – parishes and institutions, net of allowance; 2018 – $28,169; 2017 – $0	1,507,510	1,227,435
Interest receivable	50,964	28,547
Catholic Parishes Campaign	326,734	5,312,838
Services, net of allowance; 2018 – $0; 2017 – $103,266	360,602	479,208
Other Diocesan operations	18,209	19,127
Insurance receivable	212,638	1,000
Other – parishes and institutions, net of allowance; 2018 – $2,060; 2017 – $59,308	399,770	470,600
	10,610,814	13,808,531
Investments	40,952,191	31,674,094
Beneficial interests in Foundation	6,831,990	3,126,739
Prepaid expenses and other assets	1,244,797	1,159,779
Total assets	$ 73,534,722	$ 61,101,860

Liabilities and Net Assets (Deficit)

	2018	2017
Liabilities		
Accounts payable	$ 161,516	$ 22,992
Due to related parties, net	2,292,971	1,834,912
Other accrued expenses	1,218,169	1,064,707
Unearned service revenue	41,365	6,010,804
Deposits held for parishes and other Diocesan operations	32,551,256	25,168,523
Accrued interest	14,529	12,351
Accrued pension liability	30,824,957	31,763,725
Other liabilities	171,204	190,530
Total liabilities	67,275,967	66,068,544
Net Assets (Deficit)		
Unrestricted		
Undesignated	(33,083,141)	(31,057,930)
Designated	17,880,036	11,151,569
	(15,203,105)	(19,906,361)
Temporarily restricted	16,772,754	10,588,917
Permanently restricted	4,689,106	4,350,760
Total net assets (deficit)	6,258,755	(4,966,684)
Total liabilities and net assets (deficit)	$ 73,534,722	$ 61,101,860

The Administrative Offices of the Catholic Diocese of Evansville
(Chancery and Certain Diocesan Operations)
Statements of Activities
Years Ended June 30, 2018 and 2017

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Catholic community support	$ 6,165,811	$ 351,129	$ 108,181	$ 6,625,121
Stewards of God's Grace contributions	-	6,477,561	211,550	6,689,111
Insurance and medical fees	13,623,203	-	-	13,623,203
Service fees	280,130	-	-	280,130
Net investment return	2,009,317	43,168	-	2,052,485
Change in beneficial interests in Foundation	-	-	18,615	18,615
Distributions from Foundation and other	186,902	-	-	186,902
Net assets released from restrictions	688,021	(688,021)	-	-
Total revenues, gains and other support	22,953,384	6,183,837	338,346	29,475,567
Expenses				
Adult formation	212,019	-	-	212,019
Catholic Center and other operations	1,278,806	-	-	1,278,806
Chancery	651,209	-	-	651,209
Development	14,882	-	-	14,882
Education	441,049	-	-	441,049
Insurance and medical programs	11,406,496	-	-	11,406,496
Spanish speaking ministry	183,253	-	-	183,253
Ministry to priests	41,037	-	-	41,037
Newspaper and communications	379,708	-	-	379,708
Office of Worship	93,760	-	-	93,760
Subsidies	596,172	-	-	596,172
Tribunal	169,372	-	-	169,372
Vocation office	273,061	-	-	273,061
Safe Environment	3,212	-	-	3,212
Youth ministries, including Newman Centers	245,429	-	-	245,429
Capital improvements	42,938	-	-	42,938
Fundraising	446,573	-	-	446,573
Beneficiary payables distributions and changes in accrual	-	-	-	-
Bad debt expenses	54,140	-	-	54,140
Total program services	16,533,116	-	-	16,533,116
Management and general, including lay retirement	3,851,802	-	-	3,851,802
Total expenses	20,384,918	-	-	20,384,918
Change in Net Assets from Operating and Investing Activities	2,568,466	6,183,837	338,346	9,090,649
Change in Minimum Pension Liability	2,134,790	-	-	2,134,790
Change in Net Assets	4,703,256	6,183,837	338,346	11,225,439
Net Assets (Deficit), Beginning of Year	(19,906,361)	10,588,917	4,350,760	(4,966,684)
Net Assets (Deficit), End of Year	$ (15,203,105)	$ 16,772,754	$ 4,689,106	$ 6,258,755

2017			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 5,972,289	$ 22,613	$ 178,206	$ 6,173,108
-	10,158,896	27,229	10,186,125
13,343,598	-	-	13,343,598
283,680	-	-	283,680
2,562,622	42,721	-	2,605,343
-	-	138,101	138,101
162,971	-	-	162,971
549,822	(549,822)	-	-
22,874,982	9,674,408	343,536	32,892,926
208,393	-	-	208,393
762,426	-	-	762,426
614,400	-	-	614,400
26,336	-	-	26,336
389,460	-	-	389,460
11,301,561	-	-	11,301,561
218,567	-	-	218,567
44,188	-	-	44,188
357,938	-	-	357,938
93,311	-	-	93,311
581,836	-	-	581,836
159,363	-	-	159,363
415,786	-	-	415,786
10,817	-	-	10,817
265,923	-	-	265,923
4,060	-	-	4,060
494,036	-	-	494,036
-	8,993	-	8,993
26,074	-	-	26,074
15,974,475	8,993	-	15,983,468
4,093,542	-	-	4,093,542
20,068,017	8,993	-	20,077,010
2,806,965	9,665,415	343,536	12,815,916
3,473,380	-	-	3,473,380
6,280,345	9,665,415	343,536	16,289,296
(26,186,706)	923,502	4,007,224	(21,255,980)
$ (19,906,361)	$ 10,588,917	$ 4,350,760	$ (4,966,684)

The Administrative Offices of the Catholic Diocese of Evansville
(Chancery and Certain Diocesan Operations)
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Operating Activities		
Change in net assets	$ 11,225,439	$ 16,289,296
Items not requiring (providing) operating activities cash flows		
Net realized and unrealized gains on investments	(1,895,609)	(2,458,238)
Net investment return on beneficial interests in Foundation	(18,615)	(138,101)
Contribution of beneficial interest to Foundation on behalf of the Diocese	(108,181)	(156,823)
Contributions restricted for long-term investment	(84,474)	(19,847)
Imputed interest recognized on interest-free loan	-	(17,651)
Provision for bad debt	54,140	26,074
Change in minimum pension liability	(2,134,790)	(3,473,380)
Changes in		
Receivables, other than loans	5,102,917	(2,890,395)
Contributions receivable	(1,651,096)	(6,269,776)
Prepaid expenses and other assets	(85,018)	(21,553)
Accounts payable	138,524	(340,730)
Due to related parties	458,059	1,834,912
Payables to named beneficiaries	-	(366,107)
Accrued expenses and other liabilities	1,332,336	1,390,757
Unearned service revenue – Catholic Parishes Campaign	(5,969,439)	35,644
Net cash provided by operating activities	6,364,193	3,424,082
Investing Activities		
Purchases of investments	(35,411,001)	(16,036,978)
Proceeds from disposition of investments	28,028,513	12,217,542
Contributions to beneficial interests in Foundation	(3,578,455)	(21,383)
Repayments from loans to parishes and institutions	1,294,917	700,006
Issuance of loans to parishes and institutions	(1,603,161)	-
Net cash used in investing activities	(11,269,187)	(3,140,813)
Financing Activities		
Proceeds from deposits held for parishes and institutions	9,937,957	6,268,145
Payments on deposits held for parishes and institutions	(2,555,224)	(3,792,949)
Proceeds from contributions restricted for endowment and long-term purposes		
Investment in priests	33,310	8,395
Investment in seminarians	47,252	7,401
Investment in other endowments	3,912	4,051
Net cash provided by financing activities	7,467,207	2,495,043
Increase in Cash	2,562,213	2,778,312
Cash, Beginning of Year	11,332,717	8,554,405
Cash, End of Year	$ 13,894,930	$ 11,332,717
Supplemental Cash Flows Information		
Interest paid to parishes and institutions	$ 620,889	$ 437,497

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

Nature of Operations

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

Fees for Diocesan-wide programs are accrued each month. Each entity is billed based on the number of covered participants in the case of the medical plans and on physical property in the case of the property and liability insurance.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Description of Chancery and Certain Diocesan Operations

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

Chancery offices' operations
Catholic Center operations
Adult formation
Administrative support
Various other operations
Youth ministry
Education
Newspaper/communications
Office of Worship
Vocation office
Ministry to priests
Development
Treasury office operations

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

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

Cash

The Diocese considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2018 and 2017, the Diocese had no cash equivalents.

At June 30, 2018, the Diocese's cash accounts exceeded federally insured limits by approximately $14,379,000.

Receivables

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

Contributions Receivable and Amounts Due to Related Parties

During 2018 and 2017, the Diocese received certain contributions as a part of the Stewards of God's Grace: *Providing for the Needs of the Church in Southwest Indiana* campaign (SOGG). These contribution receivables are recorded as either temporarily restricted or permanently restricted revenues based on the intent of the donor. The amounts were recorded at fair value, which represents the gross contribution, less allowances for an estimate of amounts that may be uncollectible and a discount based on a risk-adjusted interest rate applicable to the year in which the contribution was made.

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

Investments and Investment Return

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

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

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

Property and Equipment

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

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Diocese has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Diocese in perpetuity.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor-stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Gifts having donor stipulations that are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

In-Kind Contributions

In addition to receiving cash contributions, the Diocese receives in-kind contributions from various donors, which may consist of supplies or long-lived assets, such as equipment. It is the policy of the Diocese to record the estimated fair value of certain in-kind donations as an expense in its financial statements and similarly increase unrestricted revenue by a like amount, unless explicit donor stipulations specify how such assets are to be used, in which case, they are reported as temporarily or permanently restricted revenue. For the years ended June 30, 2018 and 2017, these contributions were minimal and, therefore, no amounts have been reflected in the financial statements for in-kind contributions.

Contributed Services

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

Unearned Service Revenue

The Catholic Parishes Campaign is the method used to fund the annual assessment on each parish, which occurs in the spring. The funds are used for the operations of the Chancery, Diocesan programs and other Diocesan operations for the succeeding fiscal year. The Campaign funds of $15,510 and $5,984,949 are included within unearned service revenue in the financial statements at June 30, 2018 and 2017, respectively. During 2018, the Catholic Parishes Campaign was deferred due to the SOGG Campaign. Additionally, the Diocese recognizes other revenues as unearned relating to other religious education programs and cathedral renovations.

Income Taxes

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

Functional Allocation of Expenses

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

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Contributions Receivable

Contributions receivable at June 30, 2018 and 2017, consisted of the following:

	2018		
	Temporarily Restricted	Permanently Restricted	Total
Due within one year	$ 3,515,728	$ 23,414	$ 3,539,142
Due in one to five years	4,942,346	79,283	5,021,629
	8,458,074	102,697	8,560,771
Less			
Allowance for uncollectible contributions	422,904	5,135	428,039
Unamortized discount	391,720	6,625	398,345
	$ 7,643,450	$ 90,937	$ 7,734,387

	2017		
	Temporarily Restricted	Permanently Restricted	Total
Due within one year	$ 2,871,039	$ 6,342	$ 2,877,381
Due in one to five years	3,927,078	8,251	3,935,329
	6,798,117	14,593	6,812,710
Less			
Allowance for uncollectible contributions	339,906	730	340,636
Unamortized discount	201,870	428	202,298
	$ 6,256,341	$ 13,435	$ 6,269,776

The discount rate utilized was 3.44% and 2.35% for 2018 and 2017, respectively.

Contributions receivable designated for specific purposes and with time restrictions at June 30, 2018 and 2017, were as follows:

	2018	2017
Stewards of God's Grace campaign, undesignated (1)	$ 7,467,334	$ 6,002,390
Diocesan segment	136,868	258,350
Priests	46,534	4,400
Seminarians	59,696	1,810
Schools	10,941	285
Youth and young adult	7,780	-
Catechesis	5,234	285
Endowments	-	2,256
	$ 7,734,387	$ 6,269,776

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

Note 3: Investments and Investment Return

Investments at June 30, 2018 and 2017, consisted of the following:

	2018	2017
Money market mutual funds	$ 2,026,212	$ 1,612,467
Certificates of deposit	2,040,730	1,014,805
U.S. Government securities	137,833	215,805
Corporate debt securities	260,531	264,178
U.S. Treasury securities	1,828,069	1,423,171
Common stocks	283,937	127,815
Mutual funds		
International	4,684,296	5,336,446
Small cap	2,969,884	2,240,452
Short-term	5,467,584	4,225,609
Intermediate-term	10,614,527	8,143,845
Large growth	10,638,588	7,069,501
	$ 40,952,191	$ 31,674,094

Total investment return for the years ended June 30, 2018 and 2017, is comprised of the following:

	2018	2017
Interest and dividend income	$ 114,007	$ 104,435
Net realized and unrealized gains on investments reported at fair value	1,895,609	2,458,238
Other changes	42,869	42,670
	$ 2,052,485	$ 2,605,343

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

The Diocese has transferred assets to the Foundation and retained a beneficial interest in those assets. The Diocese is to receive earnings as determined by the Foundation board annually, but none of the principal. The Diocese named itself as beneficiary of all future earnings. The cumulative amount of retained beneficial interests included in the statements of financial position was $6,831,990 and $3,126,739 at June 30, 2018 and 2017, respectively. Amounts within these beneficial interests with donor restrictions were $3,253,535 and $3,126,739 at June 30, 2018 and 2017, respectively.

Note 5: Property and Equipment

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

The replacement value of the buildings and equipment of all Diocesan operations for insurance purposes at June 30, 2018 and 2017, was approximately $715,000,000 and $665,000,000, respectively, of which approximately $11,815,000 and $11,573,000 as of June 30, 2018 and 2017, respectively, was attributable to properties of operations included in these financial statements.

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

Note 6: Loans and Deposits – Related Parties

The Administrative Offices operate a centralized financing program. Diocesan operations remit funds in excess of immediate operating needs to the Diocese throughout the year. Other Diocesan operations may borrow from the fund at rates below the prevailing commercial rates (5.25% and 5.00% for fiscal periods 2018 and 2017, respectively) for operational needs or construction projects. This program gives operations with excess funds the opportunity to assist other operations. Interest is paid on funds on deposit at 2.00% and 1.75% for fiscal years 2018 and 2017, respectively. The interest rate differential covers administrative costs. The deposits are payable on demand. The loans are payable based upon the terms of the note agreements, which typically range from on demand to seven years from substantial completion of the financed project. One loan has been extended beyond its original due date to be amortized on a straight-line method over 15 years.

The loans outstanding and deposits on hand from operations at June 30, 2018 and 2017, are summarized below:

	2018		2017	
	Loans	Deposits	Loans	Deposits
Parishes	$ 1,531,351	$ 26,723,250	$ 1,072,842	$ 19,827,717
Institutions	4,328	5,828,006	154,593	5,340,806
	1,535,679	32,551,256	1,227,435	25,168,523
Less allowance	28,169	-	-	-
	$ 1,507,510	$ 32,551,256	$ 1,227,435	$ 25,168,523

Interest expense relative to the deposits on hand for the years ended June 30, 2018 and 2017, was $623,067 and $438,554, respectively.

The following table represents the amounts past due under the Diocese's loan program as of June 30, 2018 and 2017:

	30–59 Days Past Due	60–89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable
June 30, 2018						
Loans receivable						
Parishes	$ -	$ -	$ -	$ -	$ 1,531,351	$ 1,531,351
Institutions	-	-	-	-	4,328	4,328
	$ -	$ -	$ -	$ -	$ 1,535,679	$ 1,535,679
June 30, 2017						
Loans receivable						
Parishes	$ 14,891	$ 14,829	$ 100,727	$ 130,447	$ 942,395	$ 1,072,842
Institutions	288	-	-	288	154,305	154,593
	$ 15,179	$ 14,829	$ 100,727	$ 130,735	$ 1,096,700	$ 1,227,435

Note 7: Net Assets

Designated Unrestricted Net Assets

Designated unrestricted net assets at June 30, 2018 and 2017, were designated for the following purposes:

	2018	2017
Disaster relief	$ 3,584	$ 3,584
Plant funds	50,000	50,000
Office machine operations	63,603	63,603
Evansville Catholic schools	108,510	108,510
Religious education	272,550	272,550
Property acquisition	158,058	158,058
Insurance reserve	13,723,255	10,495,264
Stewards of God's Grace campaign held in beneficial interest in Foundation various endowments	3,500,476	-
	$ 17,880,036	$ 11,151,569

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 and 2017, were available for the following purposes or periods:

	2018	2017
Human development	$ 46,092	$ 42,861
Evansville Catholic high schools	166,300	166,300
Religious education and pooled income funds	983,720	634,129
Communications	84,171	80,766
Stewards of God's Grace campaign (1)	15,492,471	9,664,861
	$ 16,772,754	$ 10,588,917

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

Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2018 and 2017, were restricted to:

	2018	2017
Investment in perpetuity, the income of which is expendable to support		
Diocesan general operations (life income)	$ 61,936	$ 61,936
Religious education	942,660	942,660
Religious education of Diocesan seminarians	192,196	192,196
Stewards of God's Grace campaign (1)	167,225	27,229
Stewards of God's Grace campaign held in beneficial interest in Foundation various endowments	71,554	-
Beneficial interests in Foundation various endowments, primarily religious education	3,253,535	3,126,739
	$ 4,689,106	$ 4,350,760

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

Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended June 30, 2018 and 2017, as follows:

	2018	2017
Purpose restrictions accomplished		
Communications	$ 3,695	$ 4,934
Pooled income fund	6,000	6,000
Religious education	28,377	44,852
Stewards of God's Grace campaign	649,949	494,036
	$ 688,021	$ 549,822

Note 8: Endowment

The Diocese's endowment consists of 17 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and a fund designated by the Diocese to function as endowment (designated endowment fund). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. The Diocese does not include funds transferred to and held as beneficial interests at the Foundation within their board-designated endowment funds due to the Foundation exercising discretion over the investment of these funds.

The Diocese has interpreted the *State of Indiana Prudent Management of Institutional Funds Act* (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Diocese classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Diocese in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Diocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Diocese and the fund

3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Diocese
7. Investment policies of the Diocese

The composition of net assets by type of endowment fund at June 30, 2018 and 2017, was:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2018				
Donor-restricted endowment funds	$ -	$ 708,704	$ 1,435,570	$ 2,144,274
Designated endowment funds	272,550	-	-	272,550
Total endowment funds	$ 272,550	$ 708,704	$ 1,435,570	$ 2,416,824
June 30, 2017				
Donor-restricted endowment funds	$ -	$ 691,115	$ 1,224,020	$ 1,915,135
Designated endowment funds	272,550	-	-	272,550
Total endowment funds	$ 272,550	$ 691,115	$ 1,224,020	$ 2,187,685

Changes in endowment net assets for the years ended June 30, 2018 and 2017, was:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2018				
Endowment net assets, beginning of year	$ 272,550	$ 691,115	$ 1,224,020	$ 2,187,685
Investment return				
Investment income	-	43,168	-	43,168
Contributions	-	2,797	211,550	214,347
Appropriation of endowment assets for expenditure	-	(28,376)	-	(28,376)
Endowment net assets, end of year	$ 272,550	$ 708,704	$ 1,435,570	$ 2,416,824
June 30, 2017				
Endowment net assets, beginning of year	$ 272,550	$ 696,731	$ 1,196,791	$ 2,166,072
Investment return				
Investment income	-	33,977	-	33,977
Contributions	-	5,259	27,229	32,488
Appropriation of endowment assets for expenditure	-	(44,852)	-	(44,852)
Endowment net assets, end of year	$ 272,550	$ 691,115	$ 1,224,020	$ 2,187,685

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at June 30, 2018 and 2017, consisted of:

	2018	2017
Permanently restricted net assets – portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	$ 1,435,570	$ 1,224,020
Temporarily restricted net assets – portion of perpetual endowment funds subject to a time restriction under SPMIFA with purpose restrictions	$ 708,704	$ 691,115

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Diocese is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. No such deficiencies existed at June 30, 2018 and 2017.

The Diocese has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Diocese must hold in perpetuity or for donor-specified periods, as well as those of designated endowment funds.

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

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

Note 9: Medical Plans

Lay Employees

The medical plan for benefits for lay employees at the various parishes and schools throughout the entire Diocese of Evansville, including the lay employees at The Administrative Offices, is partially self-funded and is administered by a third-party administrator. The plan is funded by direct billings to the operations of the various parishes and schools based upon the number of employees participating in the program at rates determined by The Administrative Offices on an annual basis. Coverage for The Administrative Offices' employees is provided at no charge to the employee for single-covered employees. An employee can elect to pay an additional amount for family coverage. Losses in excess of $150,000 per participant are insured with a general insurance carrier for the years ended June 30, 2018 and 2017. Lay medical and health care expense (including actual claims paid, insurance premiums paid for the stop loss coverage and accruals for the estimate of claims incurred but not paid) for the years ended June 30, 2018 and 2017, was approximately $8,600,000 and $8,000,000, respectively. The Chancery, through action of the Bishop, funds any shortfall in this Diocesan-wide plan.

Clergy

The medical plan for clergy (Clergy Medical Plan) is administered by a third-party administrator. The plan is partially self-funded with losses in excess of $150,000 per participant insured with a general insurance carrier. The Clergy Medical Plan provides medical and health benefits to all current and retired clergy in the entire Diocese of Evansville (approximately 90), including priests assigned to The Administrative Offices.

The plan is funded by direct billings to each parish, school or other entity within the entire Diocese. Each operation pays a predetermined amount to the plan for clergy assigned to it at rates determined by The Administrative Offices on an annual basis. Clergy medical and health care expense (including actual claims paid, insurance premiums paid for the stop loss coverage and an accrual for the estimate of claims incurred but not paid) for the years ended June 30, 2018 and 2017, was approximately $916,000 and $1,038,000, respectively. The Chancery, through action of the Bishop, funds any shortfall in this Diocesan-wide plan.

The Diocese has an unwritten commitment to provide and pay for clergy's medical expenses after retirement. As of June 30, 2018, there are approximately 25 retired clergy covered under this commitment. Accounting principles generally accepted in the United States of America require that a liability be recorded for the present value of that commitment. The Diocese has elected not to determine the extent of that liability or record it with the understanding that, through action of the Bishop, the Chancery will fund any future shortfalls in this plan. For the years ended June 30, 2018 and 2017, there were overages of $488,618 and $300,646, respectively, relating to premiums collected in excess of claims paid.

Note 10: Pension Plan

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

Although this plan covers employees from related Diocesan operations whose operations are not included in these financial statements, the Diocese would fund any shortfall or retain any overfunding of this plan in the event the plan is terminated. The Catholic Diocese of Evansville Retirement Income Plan provides benefits based on years of credited service multiplied by 1.125% of the participant's average compensation, as defined, over the preceding five years. The Diocese makes annual contributions to fund the plan. The most recent actuarial valuation report, which was prepared as of June 30, 2018, indicates the Diocese is expected to contribute $2,400,000 to the plan in fiscal year 2019.

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

	2018	2017
Benefit obligation	$ (67,863,014)	$ (66,234,425)
Fair value of plan assets	37,038,057	34,470,700
Funded status	$ (30,824,957)	$ (31,763,725)

Amounts recognized in the statements of financial position as of June 30, 2018 and 2017, are as follows:

	2018	2017
Accrued pension liability	$ (30,824,957)	$ (31,763,725)

Amounts recognized in unrestricted net assets not yet recognized as components of net periodic benefit position costs as of June 30, 2018 and 2017, consist of:

	2018	2017
Net loss	$ 15,693,549	$ 17,521,656
Prior service cost	570,360	877,043
	$ 16,263,909	$ 18,398,699

The accumulated benefit obligation for the defined benefit pension plan was $61,414,620 and $59,797,561 at June 30, 2018 and 2017, respectively.

Components of net periodic benefit costs for the years ended June 30, 2018 and 2017, are as follows:

	2018	2017
Service cost	$ 1,627,526	$ 1,689,977
Interest cost	2,594,566	2,540,470
Expected return on assets	(2,401,030)	(2,167,353)
Amortization of prior service costs	306,683	348,948
Recognition of net loss	1,362,277	1,575,488
Net periodic benefit costs	$ 3,490,022	$ 3,987,530

Other significant balances and costs are:

	2018	2017
Net benefit costs	$ 3,490,022	$ 3,987,530
Employer contributions	$ 2,294,000	$ 2,400,000
Benefits paid	$ 2,302,135	$ 2,122,847

The following amounts have been recognized in the statements of activities for the years ended June 30, 2018 and 2017:

	2018	2017
Amounts arising during the period		
Net gain	$ (465,830)	$ (1,548,944)
Net prior service cost	$ 1,140,720	$ 1,754,086
Amounts reclassified as components of net periodic benefit costs during the period		
Net loss	$ 1,362,277	$ 1,575,488
Prior service cost	$ 306,683	$ 348,948

The estimated net loss and prior service cost for the defined benefit pension plan that will be amortized from unrestricted net assets into net periodic benefit costs over the next fiscal year is $1,113,406 and $81,481, respectively.

Significant assumptions include:

	2018	2017
Weighted-average assumptions used to determine benefit obligations		
Discount rate	4.00%	4.00%
Rate of compensation increase	3.00%	3.00%
Weighted-average assumptions used to determine benefit costs		
Discount rate	4.00%	4.00%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	3.00%	3.00%

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

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of June 30, 2018:

2019	$ 2,987,433
2020	2,579,289
2021	3,288,474
2022	3,307,988
2023	3,342,804
2024–2028	20,229,207
	$ 35,735,195

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

At June 30, 2018 and 2017, plan assets by category are as follows:

	2018	2017
Weighted-average asset allocation		
Equity securities	55%	55%
Debt securities	41	41
Other	4	4
	100%	100%

Pension Plan Assets

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

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

The fair values of the Diocese's pension plan assets at June 30, 2018 and 2017, by asset class, are as follows:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2018				
Plan assets				
Mutual funds				
Large cap	$ 7,871,217	$ 7,871,217	$ -	$ -
Mid cap	1,154,068	1,154,068	-	-
Small cap	3,511,001	3,511,001	-	-
T. Rowe Price Growth	4,197,347	4,197,347	-	-
International stocks	3,749,258	3,749,258	-	-
U.S. bonds	11,773,411	11,773,411	-	-
Stable value	3,448,670	3,448,670	-	-
Cash	1,333,085	1,333,085	-	-
	$ 37,038,057	$ 37,038,057	$ -	$ -
June 30, 2017				
Plan assets				
Mutual funds				
Large cap	$ 7,287,242	$ 7,287,242	$ -	$ -
Mid cap	978,997	978,997	-	-
Small cap	3,210,983	3,210,983	-	-
T. Rowe Price Growth	3,907,250	3,907,250	-	-
International stocks	3,499,003	3,499,003	-	-
U.S. bonds	10,797,340	10,797,340	-	-
Stable value	3,356,734	3,356,734	-	-
Cash	1,433,151	1,433,151	-	-
	$ 34,470,700	$ 34,470,700	$ -	$ -

403(b) Plan

The Diocese has a 403(b) plan, which covers substantially all eligible full-time employees throughout the Diocese, including those at The Administrative Offices. Effective July 1, 2013, the Diocese amended its defined contribution 403(b) plan to allow the Diocese to make matching contributions of 50% of employee deferral amounts up to 5% of employees' eligible compensation. During 2018 and 2017, the Diocese has also elected a 2.5% discretionary contribution for eligible participants. The Diocese's 2018 employer contribution to the plan consisted of approximately $288,000 of matching contribution and approximately $404,000 of discretionary contributions. The Diocese's 2017 employer contribution to the plan consisted of approximately $255,000 of matching contribution and approximately $376,000 of discretionary contributions.

Note 11: Property and Liability Insurance

A partially self-insured property and liability insurance program is administered by the Chancery for all Diocesan facilities. For property coverage, the Diocese's initial deductible is $225,000 with total coverage of $70,000,000. The additional liability program is funded by assessments billed to all Diocesan operations and it pays the initial $680,000 of certain claims with insurance coverage of $750,000 in excess of these claims. Claims in excess of these limits are insured with various general insurance carriers through an overall risk manager who charges a fee for providing insurance management services. Property and liability insurance expense for the years ended June 30, 2018 and 2017, was approximately $1,484,000 and $2,094,000, respectively, comprised of $1,254,000 and $1,222,000, respectively, for premiums to general insurance carriers, $95,000 and $102,000, respectively, for fees to an overall risk manager and $135,000 and $770,000, respectively, for claims incurred.

Provisions for losses expected under these programs are recorded based upon the Diocese's estimates of the aggregate liability for claims incurred and totaled approximately $30,000 and $260,000 for the years ended June 30, 2018 and 2017, respectively. The amount of actual losses incurred could differ materially from the estimates reflected in these financial statements. The Diocese has provided letters of credit totaling $625,000 in connection with these insurance programs, which renews automatically on an annual basis. These letters of credit are collateralized by certificates of deposit totaling $625,000.

Note 12: Disclosures About Fair Value of Financial Instruments

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

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

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

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

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018 and 2017.

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2018				
Investments				
Money market mutual funds	$ 2,026,212	$ 2,026,212	$ -	$ -
U.S. Government securities	137,833	-	137,833	-
Corporate debt securities	260,531	-	260,531	-
U.S. Treasury securities	1,828,069	-	1,828,069	-
Common stocks	283,937	283,937	-	-
Mutual funds				
International	4,684,296	4,684,296	-	-
Small cap	2,969,884	2,969,884	-	-
Short term	5,467,584	5,467,584	-	-
Intermediate term	10,614,527	10,614,527	-	-
Large growth	10,638,588	10,638,588	-	-
	$ 38,911,461	$ 36,685,028	$ 2,226,433	$ -
Beneficial interests in Foundation	$ 6,831,990	$ -	$ -	$ 6,831,990

	Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2017				
Investments				
Money market mutual funds	$ 1,612,467	$ 1,612,467	$ -	$ -
U.S. Government securities	215,805	-	215,805	-
Corporate debt securities	264,178	-	264,178	-
U.S. Treasury securities	1,423,171	-	1,423,171	-
Common stocks	127,815	127,815	-	-
Mutual funds				
International	5,336,446	5,336,446	-	-
Small cap	2,240,452	2,240,452	-	-
Short term	4,225,609	4,225,609	-	-
Intermediate term	8,143,845	8,143,845	-	-
Large growth	7,069,501	7,069,501	-	-
	$ 30,659,289	$ 28,756,135	$ 1,903,154	$ -
Beneficial interests in Foundation	$ 3,126,739	$ -	$ -	$ 3,126,739

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2018. For assets classified within Level 1, 2 and 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

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

Beneficial Interests in Foundation

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

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

	Beneficial Interests in Foundation	
	2018	**2017**
Balance, July 1	$ 3,126,739	$ 2,810,432
Total realized and unrealized gains included in change in beneficial interests in Foundation	196,794	271,633
Purchases	3,685,210	178,206
Distributions	(176,753)	(133,532)
Balance, June 30	$ 6,831,990	$ 3,126,739
Total gains for the period included in net investment return on beneficial interests in Foundation attributable to the change in unrealized gains and losses related to assets still held at the reporting date	$ 196,794	$ 271,633

Realized and unrealized gains and losses included in net investment return on beneficial interests in Foundation for the years ended June 30, 2018 and 2017, are reported in the statements of activities as follows:

	Beneficial Interests in Foundation	
	2018	2017
Total gains	$ 196,794	$ 271,633
Change in unrealized gains and losses relating to assets still held at the statements of financial position date	$ 196,794	$ 271,633

	Unobservable (Level 3) Inputs			
	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
June 30, 2018				
Beneficial interests in Foundation	$ 6,831,990	Discounted cash flows	Discount rates market return rates	N/A
June 30, 2017				
Beneficial interests in Foundation	$ 3,126,739	Discounted cash flows	Discount rates market return rates	N/A

Note 13: Significant Estimates and Concentrations

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

Contributions Receivable

During 2018 and 2017, there were no significant concentrations within contributions. As of June 30, 2018 and 2017, the Diocese has recorded significant contribution pledges receivable. The estimated allowances for uncollectible amounts and discounts are based on factors that could change in the near term and for which such changes could materially affect the amount reported in the financial statements.

Litigation

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

Pension Plan

The Diocese has recorded certain liabilities as more fully described in Note 10. Certain assumptions and estimates made by the Diocese in calculating these liabilities may be different in the future.

Note 14: Commitments and Contingent Liabilities

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

At June 30, 2018, $158,000 of debt recorded in the financial statements of certain Diocesan operations was not included in these financial statements. Should those operations default on the loans, the Diocese would be liable for the debt.

The Diocese of Evansville clergy are provided with a defined benefit retirement plan. Donations were received to fund the initial cost of the plan. The most recent actuarial valuation report, which was prepared as of July 1, 2018, indicates that the fair value of plan assets exceeds the present value of the accumulated benefits by approximately $593,403 for 79 participants. This is not a receivable of The Administrative Offices. However, The Administrative Offices could, by action of the Bishop, incur expenses in subsequent years in connection with the funding of this plan. The Bishop has not determined how a plan deficiency will be funded.

Note 15: Risks and Uncertainties

Investments

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

Loans – Parishes and Institutions

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

Management's Liquidity Plan

The Diocese has an ongoing significant deficit of unrestricted net assets. While there was a positive change in net assets (deficit) from operating, investing and fundraising activities for the years ended June 30, 2018 and 2017, there are several economic factors and uncertainties that affect the financial health of the Diocese. The ongoing deficit is primarily the result of the impact of its noncontributory defined benefit pension plan, which covered a significant number of the full-time employees throughout the Diocese. The Diocese contributes annually to the plan through assessments to its parishes and various other institutions. The liability associated with this plan is largely computed based on discount rates, which fluctuate with market conditions, expected mortalities of the participants and the investments held by the plan to fund this liability.

Note 16: Subsequent Events

Subsequent events have been evaluated through January 28, 2019, which is the date the financial statements were available to be issued.

Supplementary Information

The Administrative Offices of the Catholic Diocese of Evansville
(Chancery and Certain Diocesan Operations)
Statement of Activities for Unrestricted Net Assets
Year Ended June 30, 2018

	Operating Fund	Insurance Fund	Interfund Eliminations Debit	Interfund Eliminations Credit	Total
Revenues, Gains and Other Support					
Catholic community support					
Catholic Parishes Campaign	$ 5,971,820	$ -	$ -	$ -	$ 5,971,820
Bequests and donations	193,991	-	-	-	193,991
	6,165,811	-	-	-	6,165,811
Insurance and medical fees					
Property and liability insurance	-	2,955,853	94,767	-	2,861,086
Clergy medical plan	-	1,404,877	531,877	-	873,000
Lay medical plan	-	10,273,757	384,640	-	9,889,117
	-	14,634,487	1,011,284	-	13,623,203
Service fees					
Newspaper and communications	146,166	-	-	-	146,166
Catholic Center	123,939	-	-	-	123,939
Spanish speaking ministry	10,025	-	-	-	10,025
	280,130	-	-	-	280,130
Interest income					
Investments	23,973	-	-	-	23,973
Parishes	89,723	-	-	-	89,723
Institutions	311	-	-	-	311
	114,007	-	-	-	114,007
Net realized and unrealized investment gains	1,895,310	-	-	-	1,895,310
Distributions from Foundation and other	186,902	-	-	-	186,902
Net assets released from restrictions	688,021	-	-	-	688,021
Total revenues, gains and other support	9,330,181	14,634,487	1,011,284	-	22,953,384

The Administrative Offices of the Catholic Diocese of Evansville
(Chancery and Certain Diocesan Operations)
Statement of Activities for Unrestricted Net Assets
Year Ended June 30, 2018
(Continued)

	Operating Fund	Insurance Fund	Interfund Eliminations Debit	Interfund Eliminations Credit	Total
Expenses					
Adult formation	$ 245,649	$ -	$ -	$ 33,630	$ 212,019
Catholic Center and other operations	1,889,499	-	-	164,120	1,725,379
Chancery	708,928	-	-	57,719	651,209
Development	14,882	-	-	-	14,882
Education	485,889	-	-	44,840	441,049
Bad debt expenses	54,140	-	-	-	54,140
General and administrative					
Interest expense					
Parishes	486,821	-	-	-	486,821
Institutions	136,246	-	-	-	136,246
	623,067	-	-	-	623,067
Lay employee retirement plan	2,148,187	-	-	-	2,148,187
Other clergy salaries and expenses	303,770	-	-	41,970	261,800
Employee 403(b) benefits	692,686	-	-	-	692,686
Miscellaneous	618,662	-	-	492,600	126,062
	4,386,372	-	-	534,570	3,851,802
Insurance and medical programs					
Property and liability insurance	-	1,484,416	-	-	1,484,416
Clergy medical plan	-	916,259	-	-	916,259
Lay medical plan	-	9,005,821	-	-	9,005,821
	-	11,406,496	-	-	11,406,496
Spanish speaking ministry	204,852	-	-	21,599	183,253
Ministry to priests	41,037	-	-	-	41,037
Newspaper and communications	425,709	-	-	46,001	379,708
Office of Worship	104,970	-	-	11,210	93,760
Subsidies					
Catholic Charities	489,542	-	-	-	489,542
Christian sharing	106,630	-	-	-	106,630
	596,172	-	-	-	596,172
Tribunal	191,792	-	-	22,420	169,372
Vocation office	310,870	-	-	37,809	273,061
Safe Environment	3,212	-	-	-	3,212
Youth ministries, including Newman Centers	282,795	-	-	37,366	245,429
Capital improvements	42,938	-	-	-	42,938
Total expenses	9,989,706	11,406,496	-	1,011,284	20,384,918
Change in Net Assets From Operating and Investing Activities	$ (659,525)	$ 3,227,991	$ 1,011,284	$ 1,011,284	$ 2,568,466