

**The Administrative Offices of the  
Catholic Diocese of Evansville  
(Chancery and Certain Diocesan Operations)**  
Accountants' Report and Financial Statements  
June 30, 2011 and August 31, 2010

**The Administrative Offices of the  
Catholic Diocese of Evansville  
(Chancery and Certain Diocesan Operations)  
June 30, 2011 and August 31, 2010**

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## Independent Accountants' Report on Financial Statements and Supplementary Information

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 statements of financial position of The Administrative Offices of the Catholic Diocese of Evansville (Chancery and Certain Diocesan Operations) (Diocese) as of June 30, 2011, and August 31, 2010, and the related statements of activities and cash flows for the ten months and year then ended, respectively. These financial statements are the responsibility of the Diocese's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Notes 1 and 4, the Diocese expenses fixed asset additions and capital improvements. Additionally, as discussed in Note 8, the Diocese 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.

In our opinion, except for the effects described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Diocese as of June 30, 2011, and August 31, 2010, and the changes in its net assets and its cash flows for the ten months and year then ended, respectively, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, certain operations of the Diocese are not included in these financial statements.

As discussed in Note 12, the Diocese changed its method of accounting for certain investments and payables to named beneficiaries by retroactively restating prior year's financial statements.

Finance Council and Management  
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The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion except for the effects described above, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*BKD, LLP*

November 28, 2011

**The Administrative Offices of the  
Catholic Diocese of Evansville  
(Chancery and Certain Diocesan Operations)  
Statements of Financial Position  
June 30, 2011 and August 31, 2010**

**Assets**

	<b>2011</b>	<b>(Restated – Note 12) 2010</b>
Cash and cash equivalents	\$ 2,794,159	\$ 941,034
Receivables		
Loans – parishes and institutions, net of allowance; 2011 – \$165,298; 2010 – \$239,876	5,403,956	5,473,648
Interest receivable	136,327	150,116
Catholic Parishes Campaign	2,441,911	2,064,419
Services, net of allowance; 2011 – \$176,288; 2010 – \$59,311	592,518	366,482
Other Diocesan operations	42,829	22,508
Other – parishes and institutions, net of allowance; 2011 – \$695,948; 2010 – \$488,808	581,487	388,375
	9,199,028	8,465,548
Investments	17,411,431	17,295,302
Beneficial interests in Foundation	2,647,376	2,255,722
Prepaid expenses and other assets	944,788	1,168,284
Total assets	\$ 32,996,782	\$ 30,125,890

**Liabilities and Net Assets (Deficit)**

**Liabilities**

Accounts payable	\$ 317,800	\$ 116,204
Other accrued expenses	1,116,090	726,933
Unearned service revenue	5,272,639	5,180,680
Deposits held for parishes and other Diocesan operations	16,390,650	14,955,961
Accrued interest	14,334	16,800
Accrued pension liability	17,981,787	18,743,481
Payables to named beneficiaries	1,836,656	1,882,487
Other liabilities	156,051	196,526
Total liabilities	43,086,007	41,819,072

**Net Assets (Deficit)**

Unrestricted		
Undesignated	(17,738,599)	(17,985,458)
Designated	2,982,391	2,067,790
	(14,756,208)	(15,917,668)
Temporarily restricted	822,818	771,974
Permanently restricted	3,844,165	3,452,512
Total net assets (deficit)	(10,089,225)	(11,693,182)
Total liabilities and net assets (deficit)	\$ 32,996,782	\$ 30,125,890

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

**Statements of Activities**

**Ten Months Ended June 30, 2011 and Year Ended August 31, 2010**

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, Gains (Losses) and Other Support</b>				
Catholic community support	\$ 4,878,678	\$ 7,774	\$ 15,000	\$ 4,901,452
Insurance and medical fees	7,814,305	-	-	7,814,305
Service fees	456,144	-	-	456,144
Dividend and interest income	288,193	150,832	-	439,025
Net realized and unrealized investment gain (loss)	1,341,147	(46,110)	-	1,295,037
Net investment return on beneficial interests in Foundation	-	-	376,653	376,653
Distributions from Foundation and other	153,093	-	-	153,093
Net assets released from restrictions	14,381	(14,381)	-	-
	<u>14,945,941</u>	<u>98,115</u>	<u>391,653</u>	<u>15,435,709</u>
<b>Total revenues, gains (losses) and other support</b>				
<b>Expenses</b>				
Adult formation	94,476	-	-	94,476
Catholic Center and other operations	786,533	-	-	786,533
Chancery	513,580	-	-	513,580
Development	30,502	-	-	30,502
Education	268,761	-	-	268,761
Insurance and medical programs	8,365,705	-	-	8,365,705
Spanish speaking ministry	90,489	-	-	90,489
Ministry to priests	26,009	-	-	26,009
Newspaper and communications	386,925	-	-	386,925
Office of Worship	73,554	-	-	73,554
Subsidies	490,872	-	-	490,872
Tribunal	176,555	-	-	176,555
Vocation office	188,962	-	-	188,962
Safe Environment	14,415	-	-	14,415
Youth ministries, including Newman Centers	188,871	-	-	188,871
Capital improvements	134,168	-	-	134,168
Beneficiary payables distributions and changes in accrual	-	47,271	-	47,271
Bad debt expense	261,001	-	-	261,001
	<u>12,091,378</u>	<u>47,271</u>	<u>-</u>	<u>12,138,649</u>
<b>Total program services</b>				
Management and general, including lay retirement	3,052,768	-	-	3,052,768
	<u>15,144,146</u>	<u>47,271</u>	<u>-</u>	<u>15,191,417</u>
<b>Total expenses</b>				
<b>Change in Net Assets (Deficit) From Operating and Investing Activities</b>	(198,205)	50,844	391,653	244,292
<b>Change in Minimum Pension Liability</b>	1,359,665	-	-	1,359,665
<b>Change in Net Assets</b>	1,161,460	50,844	391,653	1,603,957
<b>Net Assets (Deficit), Beginning of Period</b>	(15,917,668)	771,974	3,452,512	(11,693,182)
<b>Net Assets (Deficit), End of Period</b>	<u>\$ (14,756,208)</u>	<u>\$ 822,818</u>	<u>\$ 3,844,165</u>	<u>\$ (10,089,225)</u>

See Notes to Financial Statements

**2010 (Restated – Note 12)**

<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
\$ 5,307,756	\$ 18,268	\$ 4,146	\$ 5,330,170
9,071,859	-	-	9,071,859
460,246	-	-	460,246
356,582	133,043	-	489,625
1,040,063	76,538	-	1,116,601
-	-	76,513	76,513
126,250	-	-	126,250
39,059	(39,059)	-	-
<u>16,401,815</u>	<u>188,790</u>	<u>80,659</u>	<u>16,671,264</u>
113,903	-	-	113,903
840,432	-	-	840,432
577,322	-	-	577,322
38,658	-	-	38,658
249,623	-	-	249,623
9,005,472	-	-	9,005,472
80,771	-	-	80,771
880	-	-	880
424,432	-	-	424,432
95,903	-	-	95,903
505,863	-	-	505,863
199,279	-	-	199,279
246,659	-	-	246,659
26,370	-	-	26,370
201,160	-	-	201,160
136	-	-	136
-	154,290	-	154,290
133,851	-	-	133,851
<u>12,740,714</u>	<u>154,290</u>	<u>-</u>	<u>12,895,004</u>
<u>4,057,353</u>	<u>-</u>	<u>-</u>	<u>4,057,353</u>
<u>16,798,067</u>	<u>154,290</u>	<u>-</u>	<u>16,952,357</u>
(396,252)	34,500	80,659	(281,093)
<u>2,344,185</u>	<u>-</u>	<u>-</u>	<u>2,344,185</u>
1,947,933	34,500	80,659	2,063,092
<u>(17,865,601)</u>	<u>737,474</u>	<u>3,371,853</u>	<u>(13,756,274)</u>
<u>\$ (15,917,668)</u>	<u>\$ 771,974</u>	<u>\$ 3,452,512</u>	<u>\$ (11,693,182)</u>

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

**Statements of Cash Flows**

**Ten Months Ended June 30, 2011 and Year Ended August 31, 2010**

	<b>2011</b>	<b>(Restated – Note 12) 2010</b>
	<b>2011</b>	<b>2010</b>
<b>Operating Activities</b>		
Change in net assets	\$ 1,603,957	\$ 2,063,092
Items not requiring (providing) operating activities cash flows		
Net realized and unrealized gains on investments	(1,295,037)	(1,116,601)
Net investment return on beneficial interests in Foundation	(376,653)	(76,513)
Imputed interest recognized on interest-free loan	(11,462)	(19,210)
Provision for bad debt	261,001	133,851
Change in minimum pension liability	(1,359,665)	(2,344,185)
Changes in		
Receivables, other than loans	(1,127,289)	(117,087)
Prepaid expenses and other assets	223,496	(980,473)
Accounts payable	201,596	37,704
Payables to named beneficiaries	(45,831)	76,830
Accrued expenses and other liabilities	944,187	1,341,819
Unearned service revenue – Catholic Parishes Campaign	91,959	17,811
	<u>(889,741)</u>	<u>(982,962)</u>
Net cash used in operating activities		
<b>Investing Activities</b>		
Purchases of investments	(9,398,060)	(10,833,762)
Proceeds from disposition of investments	10,576,968	10,879,395
Contributions to beneficial interests in Foundation	(15,001)	(4,147)
Repayments from loans to parishes and institutions	1,570,942	2,451,744
Issuance of loans to parishes and institutions	(1,426,672)	(1,525,192)
	<u>1,308,177</u>	<u>968,038</u>
Net cash provided by investing activities		
<b>Financing Activities</b>		
Proceeds from deposits held for parishes and institutions	2,009,142	2,081,891
Payments on deposits held for parishes and institutions	(574,453)	(2,993,954)
	<u>1,434,689</u>	<u>(912,063)</u>
Net cash provided by (used in) financing activities		
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,853,125</b>	<b>(926,987)</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>941,034</b>	<b>1,868,021</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 2,794,159</b>	<b>\$ 941,034</b>
<b>Supplemental Cash Flows Information</b>		
Interest paid to parishes and institutions	\$ 439,549	\$ 581,284
Interest received from parishes and institutions	\$ 380,358	\$ 298,519

**The Administrative Offices of the  
Catholic Diocese of Evansville  
(Chancery and Certain Diocesan Operations)  
Notes to Financial Statements  
June 30, 2011 and August 31, 2010**

**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 whose mission and principal activity 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 Administrative Offices of the Catholic Diocese of Evansville (The Administrative Offices) 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.

The Diocese changed its fiscal and financial reporting year-end to June 30 during 2011.

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

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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 recordkeeping that would allow them to be combined in a cost efficient manner.

***Cash Equivalents***

The Diocese considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2011, and August 31, 2010, the Diocese had no cash equivalents.

The financial institution holding the Diocese's cash accounts is participating in the Federal Deposit Insurance Corporation's (FDIC) Transaction Account Guarantee Program. Under that program, through December 31, 2010, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts beginning December 31, 2010, through December 31, 2012, at all FDIC-insured institutions.

Effective July 21, 2010, the FDIC's insurance limits have been permanently increased to \$250,000. At June 30, 2011, the Diocese's interest-bearing cash accounts exceeded federally insured limits by approximately \$2,927,000.

***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. Campaign receivables are unrestricted and due within one year.

***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.

**The Administrative Offices of the  
Catholic Diocese of Evansville  
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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.

***Payables to Named Beneficiaries***

The Diocese was the recipient of two gifts that require future payments to the donor's named beneficiaries. The assets received from the donor are recorded at fair value within segregated funds held by the Diocese. The Organization has recorded a liability at June 30, 2011, and August 31, 2010, of \$1,836,656 and \$1,882,487, respectively, which represents the fair value of the assets held in the funds and the present value of the future obligations. Each of the instruments requires that the income be distributed not less than annually in perpetuity. The Diocese is also authorized to distribute a portion of the original gift, as it deems appropriate to benefit the recipients, which are not-for-profit entities. Distributions, however, may not cause the fair value of the assets of the funds to go below the original values of the assets at date of contribution.

Upon the death of the donor, which occurred during fiscal year 2010, the Diocese has the right to terminate the funds and transfer all remaining assets to the Catholic Foundation of Southwestern Indiana to be added to and administered by the Foundation for the benefit of the donor's named beneficiaries without restrictions within the original agreement but in accordance with the Foundation's endowment policies. As of June 30, 2011, the Diocese has not terminated the funds.

***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.

**The Administrative Offices of the  
Catholic Diocese of Evansville  
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Notes to Financial Statements  
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***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 ten months ended June 30, 2011, and year ended August 31, 2010, 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 value 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. 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 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 \$5,247,785 and \$5,180,680 are included as unearned service revenue in the financial statements at June 30, 2011, and August 31, 2010, respectively. A portion of the 2010 unearned revenues was remitted back to the parishes based on the shortened fiscal year. Such revenues will be recognized over the terms to which the expenses will be incurred.

The Diocese recognizes other revenues as unearned relating to other religious education programs and cathedral renovations.

**The Administrative Offices of the  
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**Notes to Financial Statements  
June 30, 2011 and August 31, 2010**

***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 and management and general categories based on actual direct expenditures.

***Reclassifications***

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 financial statement presentation. These reclassifications had no effect on the change in net assets.

**Note 2: Investments and Investment Return**

Investments at June 30, 2011, and August 31, 2010, consisted of the following:

	<b>2011</b>	<b>(Restated – Note 12) 2010</b>
Money market mutual funds	\$ 1,765,179	\$ 2,019,118
Cash equivalents	296	-
Certificates of deposit	257,969	352,243
U.S. Government securities	900,701	1,491,058
Corporate debt securities	1,167,199	2,226,576
Common stocks	639,961	79,046
Preferred stocks	54,802	109,428
Mutual funds		
International	4,845,213	3,788,765
Asset allocation	560,901	-
Small cap	263,614	250,447
Intermediate-term	3,945,576	4,249,340
Large growth	1,893,798	1,640,509
Mid-cap growth	263,626	251,449
High-yield bond	852,596	837,323
	<u>\$ 17,411,431</u>	<u>\$ 17,295,302</u>

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Total investment return for the ten months ended June 30, 2011, and year ended August 31, 2010, is comprised of the following:

	<b>2011</b>	<b>(Restated – Note 12) 2010</b>
Interest and dividend income	\$ 439,025	\$ 489,625
Net realized and unrealized gains on investments reported at fair value	1,295,037	1,116,601
	\$ 1,734,062	\$ 1,606,226

**Note 3: 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 were \$2,647,376 and \$2,255,722 at June 30, 2011, and August 31, 2010, respectively.

**Note 4: 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 that many of these properties are single use, religious facilities with limited value, except to the Catholic community, and that 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, 2011, and August 31, 2010, was approximately \$539,000,000 and \$525,000,000, respectively, of which approximately \$10,957,000 and \$10,690,000 as of June 30, 2011, and August 31, 2011, 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.

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**Note 5: 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 (five percent for fiscal periods 2011 and 2010) 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 2.75 percent and three percent for fiscal years 2011 and 2010, 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 agreement, 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.

At June 30, 2011, and August 31, 2010, the loans outstanding and deposits on hand from operations are summarized below:

	<b>2011</b>		<b>2010</b>	
	<b>Loans</b>	<b>Deposits</b>	<b>Loans</b>	<b>Deposits</b>
Parishes	\$ 4,796,600	\$ 12,119,591	\$ 5,209,426	\$ 11,103,706
Institutions	607,356	4,271,059	264,222	3,852,255
	<u>\$ 5,403,956</u>	<u>\$ 16,390,650</u>	<u>\$ 5,473,648</u>	<u>\$ 14,955,961</u>

Interest expense for the ten months ended June 30, 2011, and year ended August 31, 2010, was \$437,075 and \$574,552, respectively.

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**Note 6: Net Assets**

***Designated Unrestricted Net Assets***

Designated unrestricted net assets at June 30, 2011, and August 31, 2010, were designated for the following purposes:

	<b>2011</b>	<b>2010</b>
Disaster relief	\$ 3,584	\$ 3,584
Plant funds	50,000	50,000
Offices machine operations	63,603	63,603
Evansville Catholic schools	1,075,890	1,075,890
Religious education	272,550	272,550
Insurance funds	358,706	358,706
Investment performance reserve	1,000,000	-
Bishop transition	-	85,399
Property acquisition	158,058	158,058
	<u>\$ 2,982,391</u>	<u>\$ 2,067,790</u>

***Temporarily Restricted Net Assets***

Temporarily restricted net assets at June 30, 2011, and August 31, 2010, were available for the following purposes or periods:

	<b>2011</b>	<b>2010</b>
Human development	\$ 25,320	\$ 22,049
Evansville Catholic high schools	166,300	166,300
Religious education	582,051	532,979
Communications	68,824	64,322
Annuity and life income funds	(19,677)	(13,676)
	<u>\$ 822,818</u>	<u>\$ 771,974</u>

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***Permanently Restricted Net Assets***

Permanently restricted net assets at June 30, 2011, and August 31, 2011, were restricted to:

	<u>2011</u>	<u>2010</u>
Investment in perpetuity, the income of which is expendable to support		
Diocesan general operations (life income)	\$ 61,936	\$ 61,936
Religious education	946,774	946,774
Religious education of Diocesan seminarians	192,195	192,195
Beneficial interests in Foundation		
Various endowments, primarily religious education	2,647,374	2,255,721
Other	(4,114)	(4,114)
	<u>\$ 3,844,165</u>	<u>\$ 3,452,512</u>

***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 ten months ended June 30, 2011, and year ended August 31, 2010, as follows:

	<u>2011</u>	<u>2010</u>
Purpose restrictions accomplished		
Religious education	\$ 14,381	\$ 39,033
Life income payments	-	26
	<u>\$ 14,381</u>	<u>\$ 39,059</u>

**Note 7: Endowment**

The Diocese's endowment consists of approximately 18 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 (GAAP), net assets associated with endowment funds, including designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

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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, 2011, and August 31, 2010, was:

	<b>2011</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Donor-restricted endowment funds	\$ -	\$ 582,051	\$ 1,196,791	\$ 1,778,842
Designated endowment funds	272,550	-	-	272,550
Total endowment funds	\$ 272,550	\$ 582,051	\$ 1,196,791	\$ 2,051,392

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	<b>2010</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 532,979	\$ 1,196,791	\$ 1,729,770
Designated endowment funds	272,550	-	-	272,550
Total endowment funds	\$ 272,550	\$ 532,979	\$ 1,196,791	\$ 2,002,320

Changes in endowment net assets for the ten months ended June 30, 2011, and the year ended August 31, 2010, were:

	<b>2011</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 272,550	\$ 532,979	\$ 1,196,791	\$ 2,002,320
Investment return				
Investment income	-	63,731	-	63,731
Net depreciation	-	(278)	-	(278)
Total investment return	-	63,453	-	63,453
Appropriation of endowment assets for expenditure	-	(14,381)	-	(14,381)
Endowment net assets, end of year	\$ 272,550	\$ 582,051	\$ 1,196,791	\$ 2,051,392

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	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 272,696	\$ 506,140	\$ 1,196,791	\$ 1,975,627
Investment return				
Investment income	-	59,896	-	59,896
Net depreciation	(146)	(292)	-	(438)
Total investment return	(146)	59,604	-	59,458
Contributions	-	6,268	-	6,268
Appropriation of endowment assets for expenditure	-	(39,033)	-	(39,033)
Endowment net assets, end of year	\$ 272,550	\$ 532,979	\$ 1,196,791	\$ 2,002,320

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at June 30, 2011, and August 31, 2010, consisted of:

	2011	2010
Permanently restricted net assets – portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	\$ 1,196,791	\$ 1,196,791
Temporarily restricted net assets – portion of perpetual endowment funds subject to a time restriction under SPMIFA with purpose restrictions	\$ 582,051	\$ 532,979

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 GAAP, deficiencies of this nature are reported in unrestricted net assets. No such deficiencies existed at June 30, 2011, and August 31, 2010.

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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 8: 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 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 \$125,000 per participant were insured with a general insurance carrier for the ten months ended June 30, 2011, and the year ended August 31, 2010. 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 ten months ended June 30, 2011, and year ended August 31, 2010, was approximately \$5,900,000 and \$6,500,000, 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 \$45,000 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.

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The plan is funded by direct billings to each parish, school or other entity within the entire Diocese. Each operation pays a pre-determined 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 ten months ended June 30, 2011, and year ended August 31, 2010, was approximately \$801,000 and \$846,000, 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, 2011, there are approximately 24 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 ten months ended June 30, 2011, and year ended August 31, 2010, there were (overages) shortfalls of \$25,974 and \$(116,103), respectively.

**Note 9: Pension Plan**

The Diocese has a noncontributory defined benefit pension plan covering substantially all full-time lay employees throughout the Diocese, including those at The Administrative Offices. 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 over-funding 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 percent of the participant's average compensation, as defined, over the preceding five years. The Diocese makes annual contributions to fund the plan. The Diocese expects to contribute \$2,400,000 to the plan in fiscal year 2012.

The Diocese used a June 30, 2011, and August 31, 2010, measurement date for the plan. Information about the plan's funded status follows:

	<u>2011</u>	<u>2010</u>
Benefit obligation	\$(39,030,263)	\$(36,198,991)
Fair value of plan assets	<u>21,048,476</u>	<u>17,455,510</u>
Funded status	<u><u>\$(17,981,787)</u></u>	<u><u>\$(18,743,481)</u></u>

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Amounts recognized in the statements of financial position as of June 30, 2011, and August 31, 2010, are as follows:

	<u>2011</u>	<u>2010</u>
Accrued pension liability	<u>\$(17,981,787)</u>	<u>\$(18,743,481)</u>

Amounts recognized in unrestricted net assets not yet recognized as components of net periodic benefit position costs as of June 30, 2011, and August 31, 2010, consist of:

	<u>2011</u>	<u>2010</u>
Net loss	\$ 8,396,578	\$ 9,369,005
Prior service cost	<u>2,423,586</u>	<u>2,810,824</u>
	<u>\$ 10,820,164</u>	<u>\$ 12,179,829</u>

The accumulated benefit obligation for the defined benefit pension plan was \$32,579,137 and \$29,892,805 at June 30, 2011, and August 31, 2010, respectively.

Other significant balances and costs are:

	<u>2011</u>	<u>2010</u>
Benefit costs	\$ 2,744,092	\$ 3,563,222
Employer contributions	\$ 2,146,121	\$ 2,191,518
Benefits paid	\$ 1,449,639	\$ 1,528,788

The following amounts have been recognized in the statements of activities for the ten months ended June 30, 2011, and year ended August 31, 2010, respectively:

	<u>2011</u>	<u>2010</u>
Amounts arising during the period		
Net loss	\$ 440,102	\$ 1,104,654
Net prior service cost	\$ -	\$ -
Amounts reclassified as components of net periodic benefit costs during the period		
Net loss	\$ 532,325	\$ 865,980
Prior service cost	\$ 387,238	\$ 464,685

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 \$449,355 and \$463,548, respectively.

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Significant assumptions include:

	<b>2011</b>	<b>2010</b>
Weighted-average assumptions used to determine benefit obligations		
Discount rate	6.00%	6.00%
Rate of compensation increase	4.00%	4.00%
Weighted-average assumptions used to determine benefit costs		
Discount rate	6.00%	6.50%
Expected return on plan assets	7.75%	7.75%
Rate of compensation increase	4.00%	4.00%

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, 2011:

2012	\$ 1,345,120
2013	1,318,325
2014	1,564,939
2015	2,117,706
2016	2,254,870
2017 – 2021	13,272,615
	<b>\$ 21,873,575</b>

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 55 percent invested in equities and 45 percent invested in fixed income assets. No additional asset categories are included beyond equity securities, debt securities and real estate.

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At June 30, 2011, and August 31, 2010, plan assets by category are as follows:

	<u>2011</u>	<u>2010</u>
Weighted-average asset allocation		
Equity securities	53%	53%
Debt securities	44%	32%
Other	<u>3%</u>	<u>15%</u>
	<u>100%</u>	<u>100%</u>

***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. 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. Level 2 plan assets include mutual funds invested in U.S. stocks, international stocks, U.S. bonds and stable value. In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy. Level 3 assets were immaterial to the total plan assets.



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**Note 10: Property and Liability Insurance**

A partially self-insured property and liability insurance program is administered by the Chancery for all Diocesan facilities. The program is funded by assessments billed to all Diocesan operations and pays the initial \$125,000 of certain claims to a maximum total of \$585,000 in any single year. 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 ten months ended June 30, 2011, and year ended August 31, 2010, was approximately \$1,645,000 and \$1,640,000, respectively, comprised of \$875,000 and \$853,000, respectively, for premiums to general insurance carriers, \$98,000 and \$156,000, respectively, for fees to an overall risk manager and \$672,000 and \$631,000, respectively, for claims incurred.

**Note 11: Disclosures About Fair Value of Financial Instruments**

ASC Topic 820, *Fair Value Measurements* (Topic 820), defines fair value as 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. Topic 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes 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

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

***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market mutual funds, common stock, preferred stock and mutual funds. If quoted market prices are not available, then fair values are estimated by a third-party pricing service using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. For these investments, the inputs used by the pricing service to determine fair value may include one, or a combination of,

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observable inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data market research publications and are classified within Level 2 of the valuation hierarchy. Level 2 securities include corporate debt securities, U.S. Government securities and beneficial interest in Foundation.

***Beneficial Interest 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 2 of the hierarchy.

***Payables to Named Beneficiaries***

Fair value is estimated based on the present value of future distributions expected to be paid to the beneficiaries in perpetuity. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy.

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the Topic 820 fair value hierarchy in which the fair value measurements fall as of June 30, 2011, and August 31, 2010:

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	2011			
	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)
Investments				
Money market mutual funds	\$ 1,765,179	\$ 1,765,179	\$ -	\$ -
U.S. Government securities	900,701	-	900,701	-
Corporate debt securities	1,167,199	-	1,167,199	-
Common stocks	639,961	639,961	-	-
Preferred stocks	54,802	54,802	-	-
Mutual funds				
International	4,845,213	4,845,213	-	-
Asset allocation	560,901	560,901	-	-
Small cap	263,614	263,614	-	-
Intermediate-term	3,945,576	3,945,576	-	-
Large growth	1,893,798	1,893,798	-	-
Mid-cap growth	263,626	263,626	-	-
High-yield bond	852,596	852,596	-	-
	<u>\$ 17,153,166</u>	<u>\$ 15,085,266</u>	<u>\$ 2,067,900</u>	<u>\$ -</u>
Beneficial interest in Foundation	<u>\$ 2,647,376</u>	<u>\$ -</u>	<u>\$ 2,647,376</u>	<u>\$ -</u>
Payables to named beneficiaries	<u>\$ 1,836,656</u>	<u>\$ -</u>	<u>\$ 1,836,656</u>	<u>\$ -</u>

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	<b>2010 (Restated – Note 12)</b>			
	<b>Fair Value Measurements Using</b>			
	<b>Fair Value</b>	<b>Quoted Prices</b>		
		<b>in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Investments				
Money market mutual funds	\$ 2,019,118	\$ 2,019,118	\$ -	\$ -
U.S. Government securities	1,491,058	-	1,491,058	-
Corporate debt securities	2,226,576	-	2,226,576	-
Common stocks	79,046	79,046	-	-
Preferred stocks	109,428	109,428	-	-
Mutual funds				
International	3,788,765	3,788,765	-	-
Small cap	250,447	250,447	-	-
Intermediate-term	4,249,340	4,249,340	-	-
Large growth	1,640,509	1,640,509	-	-
Mid-cap growth	251,449	251,449	-	-
High-yield bond	837,323	837,323	-	-
	<u>\$ 16,943,059</u>	<u>\$ 13,225,425</u>	<u>\$ 3,717,634</u>	<u>\$ -</u>
Beneficial interest in Foundation	<u>\$ 2,255,722</u>	<u>\$ -</u>	<u>\$ 2,255,722</u>	<u>\$ -</u>
Payables to named beneficiaries	<u>\$ 1,882,487</u>	<u>\$ -</u>	<u>\$ 1,882,487</u>	<u>\$ -</u>

**Note 12: Restatement of Prior Year's Financial Statements**

During 2011, the Diocese changed its method of accounting for certain investments and payables to named beneficiaries. This restatement had no effect on the net assets or the change in net assets as of and for the year ended August 31, 2010.

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The following financial statement line items for fiscal year 2010 were affected by the correction.

	<u>As Restated</u>	<u>As Previously Reported</u>	<u>Effect of Change</u>
<b>Statements of Financial Position</b>			
Investments	\$ 17,295,302	\$ 15,412,815	\$ 1,882,487
Total assets	\$ 30,125,890	\$ 28,243,403	\$ 1,882,487
Payables to named beneficiaries	\$ 1,882,487	\$ -	\$ 1,882,487
Total liabilities	\$ 41,819,072	\$ 39,936,585	\$ 1,882,487
Total liabilities and net assets	\$ 30,125,890	\$ 28,243,403	\$ 1,882,487
<b>Statements of Activities</b>			
Dividend and interest income – temporarily restricted	\$ 133,043	\$ 55,583	\$ 77,460
Dividend and interest income – total	\$ 489,625	\$ 412,165	\$ 77,460
Net realized and unrealized investment gain (loss) – temporarily restricted	\$ 76,538	\$ (292)	\$ 76,830
Net realized and unrealized investment gain – total	\$ 1,116,601	\$ 1,039,771	\$ 76,830
Total revenue, gains and other support – temporarily restricted	\$ 188,790	\$ 34,500	\$ 154,290
Total revenue, gains and other support – total	\$ 16,671,264	\$ 16,516,974	\$ 154,290
Beneficiary payables distributions and changes in accruals	\$ 154,290	\$ -	\$ 154,290
Total program services – temporarily restricted	\$ 154,290	\$ -	\$ 154,290
Total program services – total	\$ 12,895,004	\$ 12,740,714	\$ 154,290
Total expenses – temporarily restricted	\$ 154,290	\$ -	\$ 154,290
Total expenses – total	\$ 16,952,357	\$ 16,798,067	\$ 154,290
<b>Statements of Cash Flows</b>			
Net realized and unrealized gains on investments	\$ (1,116,601)	\$ (1,039,771)	\$ (76,830)
Payables to named beneficiaries	\$ 76,830	\$ -	\$ 76,830

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**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:

***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.

***Current Economic Conditions***

The current protracted economic decline continues to present not-for-profit organizations with difficult circumstances and challenges, which in some cases, have resulted in large and unanticipated declines in the fair value of investments and other assets, declines in contributions and constraints on liquidity. The financial statements have been prepared using values and information currently available to the Diocese.

Current economic conditions have made it difficult for many donors to continue to contribute to not-for-profit organizations. A significant decline in contribution revenue could have an adverse impact on the Diocese's future operating results.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for receivables that could negatively impact the Diocese's ability to maintain sufficient liquidity.

**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, 2011, \$4,588,000 of debt recorded on the books 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.

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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 September 1, 2010, indicates that the actuarial present value of accumulated benefits exceeds the fair value of plan assets by approximately \$830,000 for 85 participants. This is not a liability 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 this 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.

**Note 16: Subsequent Events**

Subsequent events have been evaluated through the date of the Independent Accountants' Report, 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  
Ten Months Ended June 30, 2011**

	Operating Fund	Insurance Fund	Interfund Eliminations		Total
			Debit	Credit	
<b>Revenues, Gains (Losses) and Other</b>					
Catholic community support					
Catholic Parishes Campaign	\$ 4,620,529	\$ -	\$ -	\$ -	\$ 4,620,529
Bequests and donations	258,149	-	-	-	258,149
	<u>4,878,678</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,878,678</u>
Insurance and medical fees					
Property and liability insurance	-	1,855,828	55,714	-	1,800,114
Clergy medical plan	-	775,200	280,350	-	494,850
Lay medical plan	-	5,731,889	212,548	-	5,519,341
	<u>-</u>	<u>8,362,917</u>	<u>548,612</u>	<u>-</u>	<u>7,814,305</u>
Service fees					
Newspaper and communications	253,136	-	-	-	253,136
Catholic Center	101,955	-	-	-	101,955
Tribunal	14,215	-	-	-	14,215
Spanish speaking ministry	86,838	-	-	-	86,838
	<u>456,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>456,144</u>
Interest income					
Investments	52,802	-	-	-	52,802
Parishes	219,677	-	-	-	219,677
Institutions	15,714	-	-	-	15,714
	<u>288,193</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>288,193</u>
Net realized and unrealized investment losses	1,341,147	-	-	-	1,341,147
Distributions from Foundation and other	153,093	-	-	-	153,093
Net assets released from restrictions	14,381	-	-	-	14,381
	<u>7,131,636</u>	<u>8,362,917</u>	<u>548,612</u>	<u>-</u>	<u>14,945,941</u>
Total revenues, gains (losses) and other support					

**The Administrative Offices of the  
Catholic Diocese of Evansville  
(Chancery and Certain Diocesan Operations)  
Statement of Activities for Unrestricted Net Assets  
Ten Months Ended June 30, 2011  
(Continued)**

	Operating Fund	Insurance Fund	Interfund Eliminations		Total
			Debit	Credit	
<b>Expenses</b>					
Adult formation	\$ 107,196	\$ -	\$ -	\$ 12,720	\$ 94,476
Catholic Center and other operations	889,367	-	-	102,834	786,533
Chancery	550,570	-	-	36,990	513,580
Development	34,442	-	-	3,940	30,502
Education	294,201	-	-	25,440	268,761
Bad debt recoveries	261,001	-	-	-	261,001
General and administrative					
Interest expense					
Parishes	268,143	-	-	-	268,143
Institutions	168,932	-	-	-	168,932
	<u>437,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>437,075</u>
Lay employee retirement plan	2,098,772	-	-	34,995	2,063,777
Other clergy salaries and expenses	301,063	-	-	34,650	266,413
Miscellaneous	486,878	-	-	201,375	285,503
	<u>3,323,788</u>	<u>-</u>	<u>-</u>	<u>271,020</u>	<u>3,052,768</u>
Insurance and medical programs					
Property and liability insurance	-	1,645,241	-	-	1,645,241
Clergy medical plan	-	801,174	-	-	801,174
Lay medical plan	-	5,919,290	-	-	5,919,290
	<u>-</u>	<u>8,365,705</u>	<u>-</u>	<u>-</u>	<u>8,365,705</u>
Spanish speaking ministry	96,849	-	-	6,360	90,489
Ministry to priests	26,009	-	-	-	26,009
Newspaper and communications	413,205	-	-	26,280	386,925
Office of Worship	79,914	-	-	6,360	73,554
Subsidies					
Catholic Charities	343,330	-	-	-	343,330
St. John's Parish	67,812	-	-	-	67,812
Christian sharing	79,730	-	-	-	79,730
	<u>490,872</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>490,872</u>
Tribunal	187,055	-	-	10,500	176,555
Vocation office	210,586	-	-	21,624	188,962
Safe Environment	14,415	-	-	-	14,415
Youth ministries, including					
Newman Centers	213,415	-	-	24,544	188,871
Capital improvements	134,168	-	-	-	134,168
	<u>7,327,053</u>	<u>8,365,705</u>	<u>-</u>	<u>548,612</u>	<u>15,144,146</u>
<b>Total expenses</b>					
<b>Change in Net Assets From Operating and Investing Activities</b>	<u>\$ (195,417)</u>	<u>\$ (2,788)</u>	<u>\$548,612</u>	<u>\$548,612</u>	<u>\$ (198,205)</u>