



2011-12 Accountability Report



Dear Friends in Christ:

I am pleased to present this special supplement to *The Criterion*, which gives an accounting of the Archdiocese of Indianapolis' finances for the fiscal year that ended June 30, 2012. The past year has brought many changes to the Archdiocese and for me personally. In the years to come, I intend to make this report more timely.

I am deeply appreciative of the warm welcome I have received across central and southern Indiana since my appointment as Archbishop last October by Pope Benedict XVI. Following my Mass of Installation on December 3, 2012 – the feast of St. Francis Xavier, the principal patron of the Archdiocese – I promised to get out into the Archdiocese to meet as many of you as possible. Since that time, I have visited many of the 39 counties in the Archdiocese, celebrated Masses in each of the 11 deaneries and have had the pleasure of confirming hundreds of our young men and women.

It has been a great blessing to meet so many people who are enthusiastic about their Catholic faith and who share their time, talents and treasure with our Church. Your faith strengthens my faith. I am also grateful for all of our dedicated clergy, religious, lay leaders and archdiocesan staff. My goal is to build on the foundation laid down by my predecessors and to count on the help of the Holy Spirit in providing a vision that will enable us to walk together with confidence toward a hopeful future.

Overall, while the Archdiocese of Indianapolis is in good spiritual and financial shape, there are many challenges to address as we move forward. To perform our mission of living the Gospel by worshiping God in word and sacrament; learning, teaching and sharing our faith; and serving human needs, we must be good stewards of our resources. We must carefully manage our expenses in relation to the available funding.

In addressing the Archdiocese's financial demands, we need to remember that our highest priority is to bring people to Jesus Christ and eternal life in the Kingdom of God. Blessed John Paul II said that "all pastoral initiatives—what the Church is about—have to be, and must be, set in holiness." As a people of God we are all called to a life of holiness and invited to respond with faith. God has given us a great gift by making us his chosen people, but we must make a deliberate decision to be Christian. Faith requires great trust, and we need to pray continually and ask God where He is leading us.

In the coming months you will be hearing much more about the archdiocesan planning process *Connected in the Spirit*, which continues a study begun in the Terre Haute Deanery in 2010. *Connected in the Spirit*, which involves pastoral and lay representatives from each parish, is designed to help us look at all of our parish resources, strengths and weaknesses and to align the parishes in such a way that we can most effectively carry out the mission God has given us.

The Batesville Deanery recently completed *Connected in the Spirit* and I will be announcing the final results in the near future. There will be some mergers and closing of parishes. Understandably, some people will be sad and will feel a great loss, but I ask that everyone trust that we are moving in the direction God is leading us, and that in the end we will be even more effective at proclaiming the Gospel.

The 47 parishes that make up the Indianapolis deaneries have begun the *Connected in the Spirit* planning process and representatives from each of the parishes are working together to examine their ministries, parish demographics and other important data. Eventually, all of the parishes of the Archdiocese will take part in *Connected in the Spirit*.

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

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

Thank you for your support and God bless you!

Sincerely yours in Christ,

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



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The Church in Central and Southern Indiana



Summary of Financial Status

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

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

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

Chancery and Certain Entities of the Archdiocese of Indianapolis Combined Statements of Financial Position as of June 30, 2012 and 2011

ASSETS	2012	2011
Cash and cash equivalents	\$ 62,517,426	\$ 41,765,052
Investments	119,725,135	155,632,258
Receivables:		
Contributions, net	10,074,044	16,475,401
Deposit and loan fund, net	35,312,155	34,796,716
Amounts due from parishes and other archdiocesan entities, net	5,321,488	6,970,491
Accrued interest income	7,722	36,248
Other, net	3,021,335	2,595,594
Total receivables, net	\$ 53,736,744	\$ 60,874,450
Other assets	676,448	685,393
Burial spaces and other inventories	3,373,190	3,527,764
Land, buildings and equipment, net	21,675,937	20,888,122
TOTAL ASSETS	\$261,704,880	\$283,373,039
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 4,351,279	\$ 4,361,372
Capital campaign due to parishes	7,098,103	11,982,550
Bonds payable, net	45,065,696	46,381,267
Reserves for self-insurance	1,188,000	1,830,000
Other liabilities	5,130,934	4,460,899
Deposit and loan fund payable	31,790,054	39,342,803
Total liabilities	\$ 94,624,066	\$108,858,891
Net assets:		
Unrestricted	\$128,996,317	\$135,430,388
Temporarily restricted	16,431,485	17,690,103
Permanently restricted	21,653,012	21,393,657
Total net assets	\$167,080,814	\$174,514,148
TOTAL LIABILITIES AND NET ASSETS	\$261,704,880	\$283,373,039

Chancery and Certain Entities of the Archdiocese of Indianapolis Combined Statements of Activities for the years ended June 30, 2012 and 2011

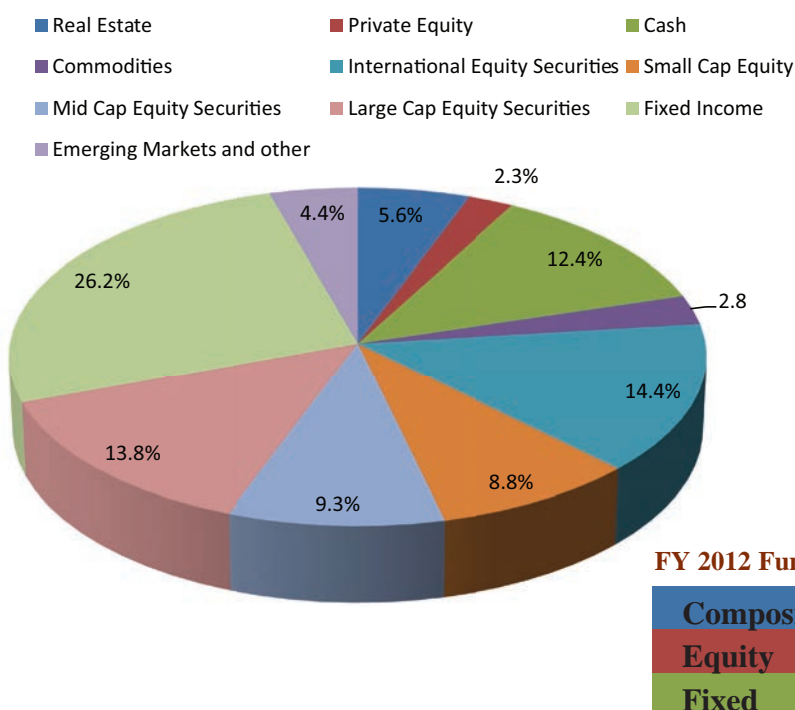
SUPPORT AND REVENUES	2012	2011
Assessments	\$ 9,898,230	\$ 9,724,426
Service fees	23,561,541	22,223,620
Capital campaigns and contributions	8,408,231	15,384,325
Christ Our Hope Appeal	4,867,747	4,697,405
Sales of goods and services	4,483,509	4,243,629
Program service fees and other	6,087,834	5,887,127
Other public support	4,914,609	4,689,282
Interest income and investment return	(2,058)	35,426,527
Total support and revenues	\$ 62,219,643	\$102,276,341
EXPENSES		
Salaries and wages	\$ 13,015,609	\$ 12,745,373
Employee benefits and taxes	4,443,732	4,529,384
Health care costs	13,563,180	12,603,374
Retirement plan contributions	7,611,304	6,643,615
Cost of equipment and supplies sold	1,804,903	1,586,043
Administrative and supplies	2,175,315	2,232,801
Property insurance	1,676,526	1,574,345
Depreciation	1,456,396	1,340,037
Repairs and maintenance	935,708	920,371
Occupancy costs	1,335,381	1,345,884
Interest	2,759,949	3,456,823
Bad debts	3,524,713	4,305,219
Professional services	5,448,377	5,388,418
Specific assistance	1,481,062	1,227,660
Contributions	5,758,429	4,511,664
Capital campaign funds donated to parishes and others	64,540	38,460
Other	2,597,853	2,046,463
Total expenses	\$ 69,652,977	\$ 66,495,934
CHANGE IN NET ASSETS	(7,433,334)	35,780,407
NET ASSETS: Beginning of year	174,514,148	138,733,741
NET ASSETS: End of year	\$167,080,814	\$174,514,148



Catholic Community Foundation, Inc.

The Catholic Community Foundation is a separate, not-for-profit corporation established by the Archdiocese of Indianapolis to professionally invest and administer numerous individual endowment funds for the benefit of parishes, schools, agencies, and other institutions affiliated with the Archdiocese. As of June 30, 2012, the Catholic Community Foundation comprised 406 separate endowment accounts and 105 charitable gift annuities worth \$140.2 million.

Asset Allocations as of June 30, 2012 Cash and Investments = \$140,213,184



FY 2012 Fund Performance

Composite	(0.80%)
Equity	(3.20%)
Fixed	3.60%

Cash and Investments in Million of Dollars






Chief Financial Officer's Report

During fiscal year 2012, I was honored to join the management team for the Archdiocese of Indianapolis as the new Chief Financial Officer. I joined a leadership team that while still in transition after the appointment of Archbishop Joseph W. Tobin, was poised and focused on leading the mission of the Church in central and southern Indiana. Thanks to my predecessor and the generosity and support of all the parishioners in the Archdiocese, we are very fortunate to be continuing those efforts upon a strong financial base. While we face many challenges in the upcoming months and year, we also have many opportunities. I am excited to begin my tenure as your Chief Financial Officer under the leadership of Archbishop Tobin and Bishop Christopher J. Coyne. Their leadership and guidance will help shape the Archdiocese in years to come.

This accountability report provides detailed information on the financial activities of the Archdiocese for the fiscal year ended June 30, 2012 including operating results, parish stewardship, shared services plan activity, grant awards available to entities in the Archdiocese and more.

Chancery Fiscal Year 2012 Operating Results

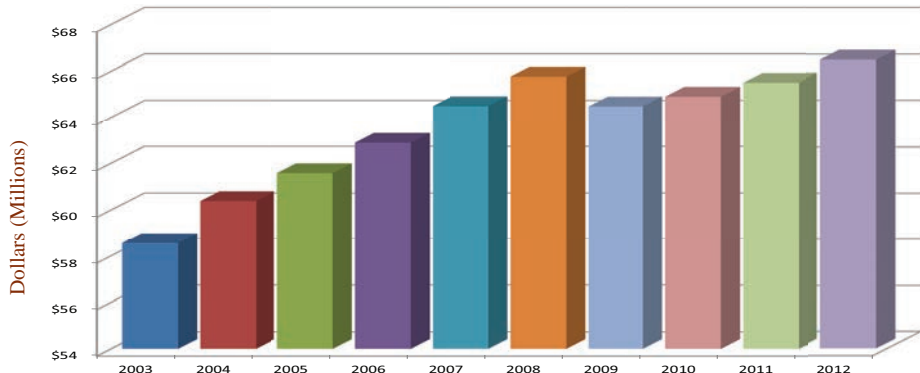
The chancery offices and agencies of the Archdiocese of Indianapolis completed its eighth consecutive year with a break even or surplus operating budget. For fiscal year 2011-2012 we ended the fiscal year \$1.1 million or 3 percent ahead of budget on \$35 million of operational expenses. The operations surpluses were generated mostly from unexpected bequests and contributions to disaster relief through Catholic Charities.

The Archdiocese continues to be challenged by parish operating deficits. The financial impact of these parish deficits shows up in the deposit and loan fund operated by the Archdiocese for its parishes ("ADLF"). The ADLF has approximately \$13.2 million in negative net equity as a result of parish loans and interest forgiven over the last 15 years. The ADLF currently operates at a small surplus (inclusive of the current level of annual parish operating deficits) designed to slowly recover this negative equity over a period of years. This year we formalized a plan that is designed to help the struggling parishes navigate their financial troubles by identify areas for improvement, improve the transparency to the parishioners, and reduce or eliminate operating deficits and accumulated debt to the Archdiocese.

Parish and Archdiocesan Stewardship

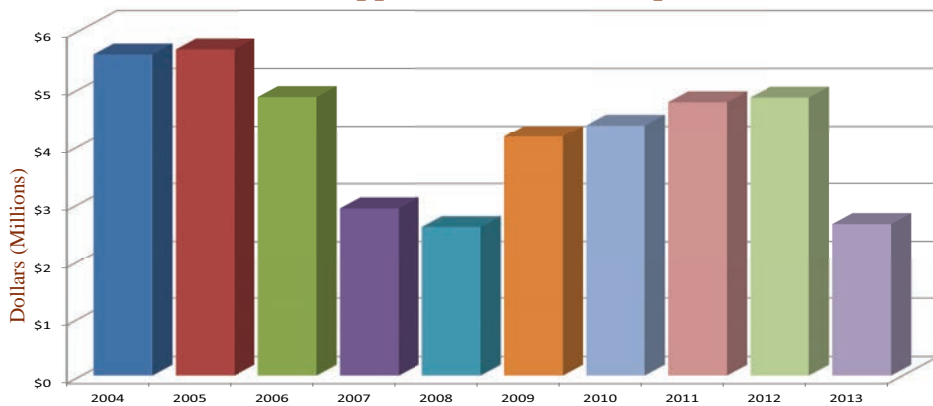
For the fiscal year ended June 30, 2012, parish stewardship, through Sunday and holy day collections, experienced a slight increase over the previous fiscal year. This 1.5 percent increase over fiscal year 2011 continues the positive trend of increased giving at the parish and proves the strong and steady member commitment in our current economic environment.

Parish Sunday and Holy Day Collections (2003 through 2012)



The FY 2012 annual parish and archdiocesan community appeal United Catholic Appeal: Christ Our Hope experienced a modest increase in recorded revenues. The FY 2012 appeal also enabled parishes to direct resources into those ministries closest to their community. The appeal received pledges totaling \$4.8 million in fiscal year 2012, compared to the pledges of \$4.7 million in FY 2011. While the annual appeal continues to trend upward, we are still below our historic highs by nearly \$1 million.

United Catholic Appeal: Christ Our Hope (2004 through 2013)



*2013 fiscal year appeal not complete as of printing.

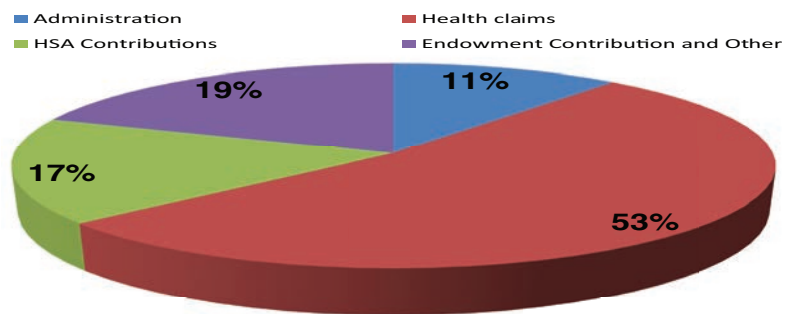
Parish Services: Insurance and Benefit Plans

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

Lay Employee Health Insurance Plan

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

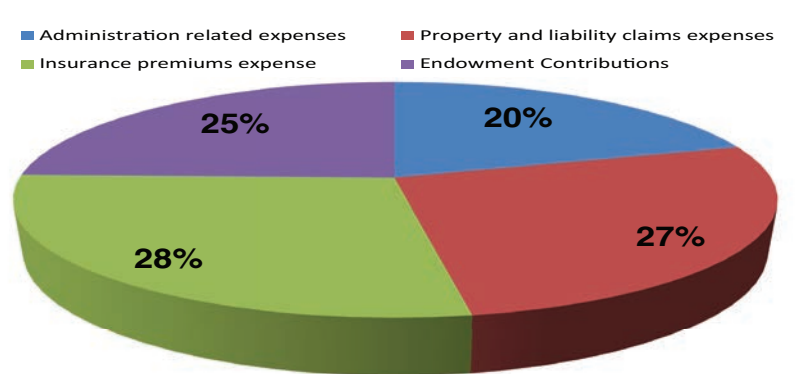
FY 2012 Healthcare Expenses



Property and Liability Insurance Plan

The property insurance plan also experienced positive results for the 2011-2012 fiscal year. The continued positive results have enabled us to fund a property insurance reserve fund in the Catholic Community Foundation of \$7.8 million. The reserve fund was established to protect parishes, schools and agencies against catastrophic losses and will help to mitigate annual insurance cost increases. The Archdiocese was also able to maintain our self-insurance level at \$1 million for the 2012-2013 fiscal year which translates into lower premiums paid by our parishes, schools, and agencies for property and liability insurance.

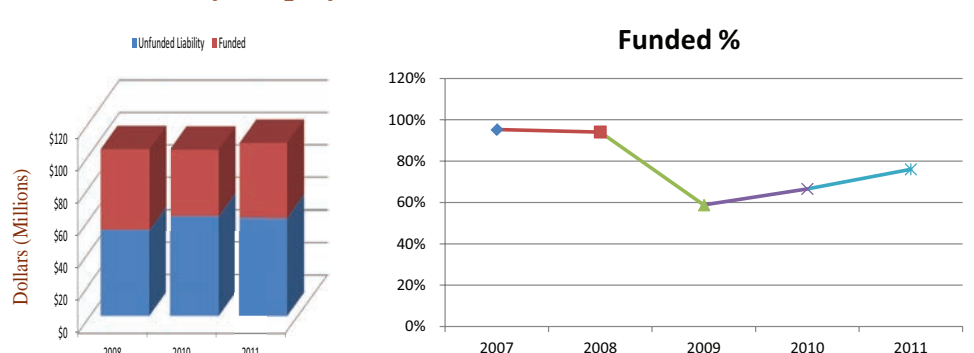
FY 2012 Property and Liability Expenses



Parish Services: Priest and Lay Employee Retirement Plans

The Archdiocese administers defined benefit plans for the priests and eligible lay employees employed at the various parishes, schools, and agencies throughout the archdiocese. Over the past two years, we've communicated the funding challenges the Archdiocese and individual parishes face to fully fund these two benefit plans. While positive investment results will assist in closing the gap, the Archdiocese has also contributed additional funding to assist in alleviating the funding deficit. Over the past two years, additional contributions to the Lay Plan of \$6.3 million have been made. A plan valuation report as of January 1, 2013 is currently underway which will be instrumental in determining our funding strategy going forward. Our most recent report from our plan actuaries as of January 1, 2011 indicates that the Lay Plan was underfunded by \$14.5 million or a funding level of 76 percent, an improvement from a 66 percent funding level in 2010. In September 2011, the Chancery announced changes to the Lay Plan. Effective January 1, 2012, no newly hired employees are eligible to participate in the Lay Pension Plan. Existing employees as of that date will continue to accrue benefits in the Lay Plan. In addition to the Lay Plan, the Archdiocese provides a retirement savings plan or 403b Plan whereby both employees and employer can contribute. Beginning in January 2012, the Archdiocese increased the match of employer contributions. The Archdiocese matches 50 percent of up to a maximum of 8 percent of employee eligible compensation. This match is an increase from 50 percent of 6 percent of eligible wages prior to 2012. The Archdiocese intends to continue to make contributions to these benefit plans for employees indefinitely. However, as we continue to focus on funding levels of our existing benefit plans we may need to re-assess these decisions at a future date.

Lay Employee Retirement Plan Funded Status



Funded status for 2013 not yet available.

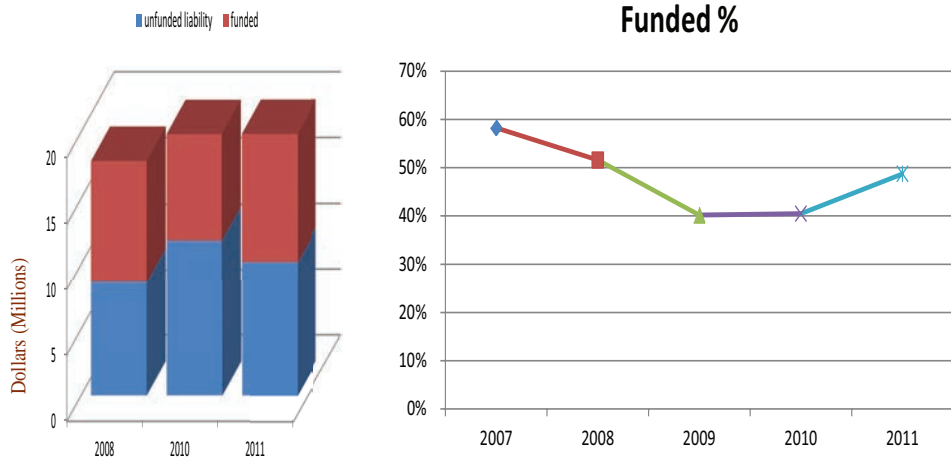


Chief Financial Officer's Report

Parish Services: Priest and Lay Employee Retirement Plans Con't.

Similar to the Lay defined benefit plan, the most recent actuarial valuation report as of January 1, 2011 indicates that the priest retirement plan is underfunded by \$10.2 million, which represents a funding level of only 49 percent. This is also an improvement over the 2010 actuarial funding analysis that reported a funding level of 40 percent. An updated valuation report as of January 1, 2013 is in process and will be evaluated closely once received this spring. We look to invest new dollars and continue to recover investment losses in the plans, as the funding level of each of these benefit plans is a priority for the Archdiocese. For financial reporting purposes these pension plans are considered to be multiemployer plans since the financial activity of parishes and other entities of the Archdiocese, which contribute to these plans, is not included in the audited combined financial statements. There are neither separate valuations of plan benefits nor segregation of plan assets specifically for the Chancery.

Priest Retirement Plan Funded Status



Funded status for 2013 not yet available.

Expenses Related to Sexual Misconduct Lawsuits

In fiscal year 2012, approximately \$55,000 was spent to provide counseling for victims of sexual misconduct perpetrated or alleged to have been perpetrated by priests or lay employees of the Archdiocese. Approximately \$76,000 was spent for these purposes in fiscal year 2011. We have settled a total of five sexual abuse lawsuits through mediation with an average settlement per case of \$193,000. Additionally, approximately \$64,000 was spent for legal fees to defend the archdiocese from sexual misconduct lawsuits in 2012. In 2011, \$121,000 was spent in legal defense costs.

Archdiocesan Grants Awarded

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

St. Francis Xavier Home Missions Fund

The St. Francis Xavier Home Mission Endowment Fund was established to provide grants to home mission parishes in the Archdiocese. The annual distribution from the endowment is combined with the funds the parishes direct that are collected over and above the parish Christ Our Hope appeal goal awarded to home mission parishes and schools. These grants began in 2002 and since inception we have disbursed over \$3.3 million to support our parishes and schools with the greatest needs. The endowment that is established to support these grants had a June 30, 2012 balance of \$3.8 million, which allows us to distribute approximately \$200,000 in grant awards each year.

Growth and Expansion Endowment Fund

The growth and expansion endowment fund was established to provide grants to parishes, schools and agencies in the Archdiocese that are growing their existing ministries consistent with the overall strategic plan of the Archdiocese. Since the inception of this granting fund we have disbursed over \$630,000 to support various growth opportunities in ministry and capital throughout the Archdiocese. The endowment that is established to support these grants had a June 30, 2012 balance of \$2.9 million which allows for approximately \$140,000 in annual grant funding.

James P. Scott Capital Improvement Endowment Fund

This endowment fund was made possible by an undesignated estate gift to the Archdiocese from James P. Scott. Starting in fiscal year 2013, the distributions will be provided in the form of a matching grant or award to support parish, school and agency capital projects that demonstrate the greatest potential impact on an Archdiocesan program, parish or the larger Catholic community. The endowment had a June 30, 2012 balance of \$5 million which will generate annual grants of about \$250,000 beginning in January and July of 2013.

Catholic Community Foundation, Inc.

The Catholic Community Foundation's total cash and investments were \$140.2 million at June 30, 2012, after a \$27.7 million transfer of funds into the archdiocesan deposit and loan fund to be invested separately. The composite investment returns for the year were a negative .8 percent driven by the equity returns which were quite volatile over the course of the year. The Foundation investments have returned a very respectable 7.2 percent (annualized) since the inception of the current investment structure in January 1995 despite facing one of the worst 10-year periods in history of the U.S. equity markets. Parishes, schools and agencies of the Archdiocese added 16 new endowments during the year, bringing the total number of endowments held in the foundation to 406. The endowments distributed almost \$6.7 million this past year, compared to \$7.5 million the previous year, to support parish, school and agency ministries, demonstrating the ability of endowments to provide long-term funding for ministries.

Operating Budget for 2012-2013

For the 2012-2013 fiscal year we anticipate a break-even operating budget on approximately \$34 million of total operating expenses. We anticipate the most significant challenges to include:

- Managing and assisting the parishes that are challenged by operating deficits.
- Continuing efforts to bring the status of the lay and clergy benefit plans to fully funded
- Strengthening the support within our parishes for the United Catholic Appeal: Christ Our Hope annual appeal
- Managing our public charter schools to be self sustaining
- Providing parishes, schools and agencies with sound employee benefit and service plans while minimizing cost increases

On the other hand, we have several positive opportunities:

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

Accountability

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

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

Timothy Robinson President; St. Joan of Arc, Indianapolis
 Jerry Williams..... Vice President, St. Simon, Indianapolis
 Daniel L. DeBard.....Secretary, St. Patrick, Terre Haute

Members

Kenneth J. Hedlund St. Matthew, Indianapolis
 Mary Horn.....St. Charles Borromeo, Bloomington
 Philip B. McKiernan.....Immaculate Heart of Mary, Indianapolis
 Greg MonteSt. Patrick, Terre Haute
 Scott Nickerson.....St. Pius X, Indianapolis
 Dan Riley St. Luke, Indianapolis

Brian Burkert Chief Financial Officer, Staff

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

Respectfully submitted,

Brian Burkert, CPA
 Chief Financial Officer