



2010 Accountability Report

To the People of the Archdiocese of Indianapolis

Dear Friends in Christ:

I am pleased to present this special supplement to *The Criterion*, which gives an accounting of the archdiocese's finances this past fiscal year. We have an obligation to be good stewards of our people's resources. Please take a few minutes to read this report.

The past few years have been difficult for many people due to our country's economic troubles. Despite these challenging circumstances the people of the Archdiocese of Indianapolis have continued to generously share their time, talent and treasure to carry out God's work throughout the archdiocese. Thank you for your continued support and generosity.

I hope this annual archdiocesan accountability report reminds us that we have much to be grateful for in our archdiocese and at the same time challenges us to look for new opportunities to be even better stewards. In this report you will find an accounting of our stewardship of the human, physical and financial resources for the Archdiocese of Indianapolis for the 2010 fiscal year.

Stewardship of God's Gifts

Following Jesus Christ and our call to live a life of holiness is not easy, but with God's help it is possible. Together we have a mission to proclaim the Gospel and to care for those in need. We are not passive beneficiaries of God's gifts. We cooperate with God in our own redemption and in the redemption of others. Each of us has a role to play in continuing the redemptive work of Jesus Christ.

One of the ways we cooperate with God in continuing the redemptive work of Jesus Christ is to be faithful stewards of all that God has given us. We are called to make our parishes true communities of faith and vibrant sources of service to the larger community.

We are blessed to have many people in our parishes in central and southern Indiana who share their time and talent and expertise in our many ministries, such as our outstanding Catholic Charities agencies. Their work is valued by many people in need.

Your financial contributions through parish Sunday and holy day collections and to the Christ Our Hope: Compassion in Community annual appeal are needed to provide the resources to operate our many parish and archdiocesan ministries.

We have been working to provide even greater financial transparency by giving you more of a say in how your money is spent on ministry needs in the archdiocese. We simplified the Christ Our Hope appeal by focusing on Pope Benedict XVI's observation in his first encyclical titled "God is Love" that "The Church's deepest nature is expressed in her threefold responsibility of proclaiming the Word of God, celebrating the sacraments, and exercising the ministry of charity."

We tied each of these three responsibilities to one

of the three areas where our ministry needs are the greatest: supporting our Catholic schools and religious education programs; supporting our seminarians, deacons and retired priests; and caring for people most in need throughout the archdiocese, which we do primarily through Catholic Charities.

This past year, we invited you to decide which of the three areas—Catholic education, vocations or caring for the poor—that you wanted your financial contributions to the Christ Our Hope appeal to go for.

Although our Sunday and holy day collections have held steady through the recent economic downturn, contributions to the Christ Our Hope annual appeal are still running about \$1 million below the historic highs of six or seven years ago. There are signs that giving to the annual appeal is beginning to pick up, but we will need to continue to grow the appeal in order to keep up with our increasing ministry needs.

One particular bright spot financially for the archdiocese in 2010 was the healthy growth of the assets of the Catholic Community Foundation, which oversees 381 endowments and 102 charitable gift annuities. The value of the Catholic Community Foundation's total cash and investments increased 15.7 percent in 2010 to \$144.2 million. I encourage everyone to consider making a planned gift to the archdiocese. You can receive more information about how to do this by contacting our Office of Stewardship and Development.

Vocations

We ordained five men to the priesthood in 2009—our largest ordination class since 2002 when we also ordained five men. We did not have any ordinations in 2010, but we look forward to the ordination of Dustin Boehm this year on June 4 at 10 a.m. at SS. Peter and Paul Cathedral. Dustin is a son of Our Lady of the Greenwood Parish in Greenwood.

We continue to do well in encouraging our people to consider how God might be calling them to a life of service as a priest, deacon or religious. We currently have 13 seminarians at St. Meinrad School of Theology in St. Meinrad, two seminarians at the Pontifical North America College in Rome and 10 seminarians enrolled at Bishop Simon Bruté College Seminary in Indianapolis.

Our Bishop Simon Bruté College Seminary, which was established by the Archdiocese of Indianapolis in 2004 to prepare college seminarians for major seminary, continues to grow. In addition to our own seminarians for our archdiocese, seven other dioceses are now sending seminarians there as well. We have renovated the seminary to accommodate the growing enrollment and are studying expanding the building to meet the growing demand.

In addition to our seminarians, a second group of men who are studying to become permanent deacons are continuing their formation classes. We expect to ordain these 17 men on June 23, 2012, at SS. Peter and Paul Cathedral. As permanent deacons, these men will be able to baptize, witness marriages and preside at funerals. At Mass, they will be able to proclaim the Gospel and preach, but will not serve as celebrant or consecrate the

Eucharist. In the ministry of the Word, the deacons will teach the faith and provide pastoral guidance. The deacons' primary ministry, however, will be focused on charity.

Pray that God will bless our archdiocese with more vocations and pray for all men and women who are discerning a call to the priesthood, permanent diaconate and religious life. More information about vocations can be found on the archdiocesan web site at www.archindy.org.

Education honors and initiatives

Our Catholic schools in the archdiocese continue to be recognized for the outstanding job they are doing educating our children. Our Lady of the Greenwood School in Greenwood was named a 2010 National Blue Ribbon School of Excellence by the U.S. Department of Education. More than a third of our schools have now been recognized over the years as Blue Ribbon Schools. Our archdiocesan schools have been honored with that distinction more than any other diocese in the country.

This school year we became the first Catholic diocese in the country to operate public charter schools. Two of our six Mother Theodore Catholic Academies in Indianapolis—St. Anthony Catholic School and St. Andrew & St. Rita Catholic Academy—transitioned to charter schools. The former St. Andrew & St. Rita school is now Andrew Academy and the former St. Anthony school is now Padua Academy.

The cost of operating our center-city schools in Indianapolis has been a challenge and the charter school option provided us the best opportunity to continue to serve poor children in the center city. The decision to pursue this course was made after consulting with parents, educators, clergy, parish leaders and community leaders. Religious education has been removed from the curriculum, but faith formation classes are being offered after school.

Conclusion

In addition to some of the highlights I have covered from the past year, this report also includes a letter from the archdiocese's chief financial officer, Jeffrey D. Stumpf, which gives more detailed information about our financial operating results as well as information about our annual stewardship appeal and other stewardship efforts. You will also find a financial statement inside and other charts that highlight the archdiocese's financial position.

We have much to be thankful for. Let us wisely use our ministry resources to serve those most in need and may we all continue to work for the common good of the archdiocese and our society.

Thank you for your support and God bless you!

Sincerely yours in Christ,

Most Rev. Daniel M. Buechlein, O.S.B.
Archbishop of Indianapolis



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 Daniel M. Buechlein, O.S.B., Archbishop 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, 2010 and 2009

ASSETS	2010	2009
Cash and cash equivalents	\$32,039,580	\$34,324,755
Investments	135,842,608	128,498,582
Receivables:		
Contributions, net	22,636,339	33,138,048
Deposit and loan fund, net	33,653,047	27,240,029
Amounts due from parishes and other archdiocesan entities, net	5,561,793	4,734,431
Accrued interest income	262,481	269,038
Other, net	2,932,158	2,264,128
Total receivables, net	65,045,818	67,645,674
Other assets	928,034	994,380
Burial spaces and other inventories	3,600,359	2,832,980
Land, buildings and equipment, net	20,697,579	18,340,490
TOTAL ASSETS	\$258,153,978	\$252,636,861
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$5,508,929	\$6,646,671
Capital campaign due to parishes	16,710,940	23,154,885
Bonds payable, net	47,531,324	48,734,954
Reserves for self-insurance	1,112,000	1,589,000
Other liabilities	4,659,332	3,751,971
Deposit and loan fund payable	43,897,712	48,185,937
Total liabilities	119,420,237	132,063,418
Net assets:		
Unrestricted	104,541,239	81,756,214
Temporarily restricted	13,533,599	18,522,442
Permanently restricted	20,658,903	20,294,787
Total net assets	138,733,741	120,573,443
TOTAL LIABILITIES AND NET ASSETS	\$258,153,978	\$252,636,861

Chancery and Certain Entities of the Archdiocese of Indianapolis Combined Statements of Activities for the years ended June 30, 2010 and 2009

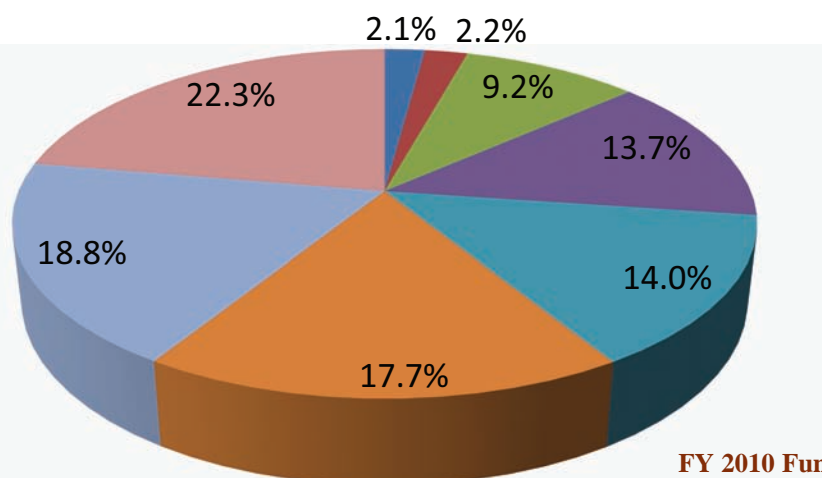
	2010	2009
SUPPORT AND REVENUES		
Assessments	\$9,817,615	\$9,991,926
Service fees	22,382,991	23,100,377
Capital campaigns and contributions	5,919,427	8,729,920
Christ Our Hope Appeal	4,445,509	4,228,022
Sales of goods and services	4,491,329	4,376,571
Program service fees and other	5,249,561	5,572,025
Other public support	4,700,578	4,626,960
Interest income and investment return	23,755,163	(27,196,507)
Total support and revenues	80,762,173	33,429,294
EXPENSES		
Salaries and wages	12,467,945	12,799,060
Employee benefits and taxes	4,059,957	4,216,154
Health care costs	12,254,236	9,185,529
Retirement plan contributions	3,063,813	3,270,215
Cost of equipment and supplies sold	1,706,550	2,007,555
Administrative and supplies	1,885,325	2,129,976
Property insurance	2,367,500	2,511,038
Depreciation	1,187,549	1,058,467
Repairs and maintenance	980,605	947,012
Occupancy costs	1,321,467	1,303,510
Interest	3,332,757	3,726,626
Bad debts	2,825,897	3,963,941
Professional services	5,008,682	5,058,874
Specific assistance	1,101,051	1,066,726
Contributions	4,942,702	4,869,489
Capital campaign funds donated to parishes and others	1,916,955	4,358,366
Other	2,178,884	2,525,841
Total expenses	62,601,875	64,998,379
CHANGE IN NET ASSETS	18,160,298	(31,569,085)
NET ASSETS: Beginning of year	120,573,443	152,142,528
NET ASSETS: End of year	\$138,733,741	\$120,573,443

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, 2010, the Catholic Community Foundation comprised 381 separate endowment accounts and 102 charitable gift annuities worth \$144.2 million.

Asset Allocations as of June 30, 2010 Cash and Investments = \$144,221,642

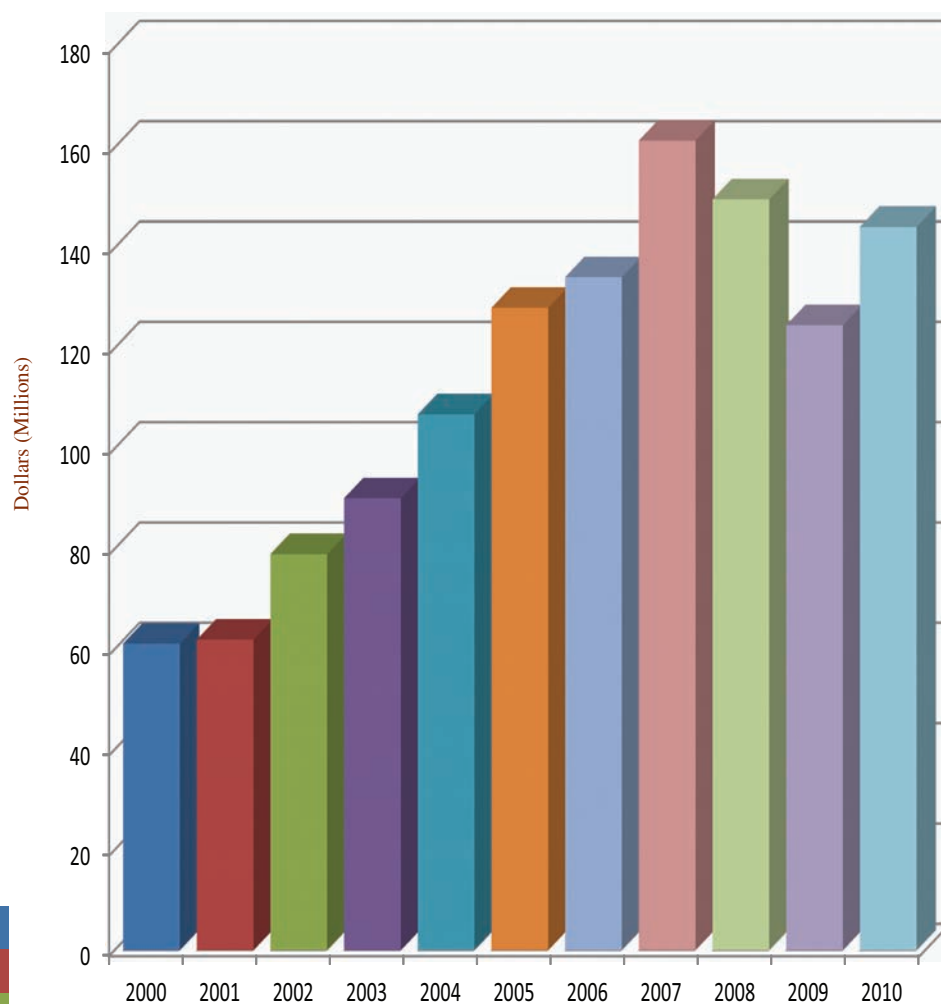
- Private Real Estate
- Cash
- Small Cap Equity
- Large Cap Equity Securities
- Private Equity
- International Equity Securities
- Mid Cap Equity Securities
- Fixed Income



FY 2010 Fund Performance

Composite	16.2%
Equity	19.8%
Fixed	8.9%

Cash and Investments in Million of Dollars



Chief Financial Officer's Report

This past year has been a busy year in the administration of the archdiocese. Two major initiatives started a year ago have come to fruition—the archdiocese has become the first Catholic diocese in the country to operate public charter schools and the archdiocese has successfully made the transition to incorporate each of our 151 parishes as separate civil legal corporations.

The charter schools initiative will help stabilize the finances of the archdiocese's effort to educate inner city children and help many families break the cycle of poverty. While this initiative requires a secular approach to operating the schools, the hosting parishes have had significant success attracting school students to their after school faith formation programs.

The incorporation of our parishes, high schools and many agencies will help make our organizational structure more understandable to those more familiar with secular organizations. This initiative helps define relationships, lines of authority, areas of responsibility, and ownership of real and personal property.

This accountability report provides more detailed information about many of the administrative operations of the archdiocese.

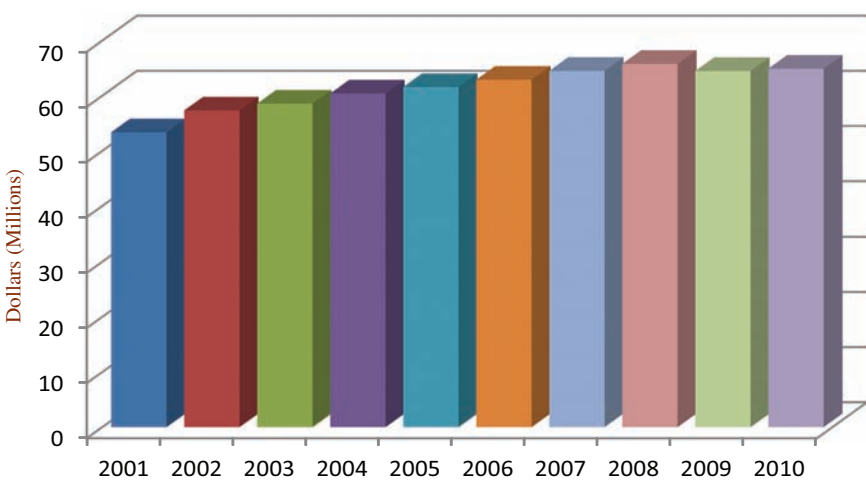
Chancery Fiscal Year 2010 Operating Results

The chancery offices and agencies of the Archdiocese of Indianapolis were budgeted to break even for 2009-2010 and actually ended the fiscal year \$1.5 million or 4 percent ahead of budget. This represents the sixth consecutive year of break-even operations or better for the archdiocese. However, much of the recent budget success is due in large part (\$1 million for FY 2010) to the lower interest rate environment which reduces our interest expense. As interest rates begin to rise, much of that budget benefit will diminish.

Parish and Archdiocesan Stewardship

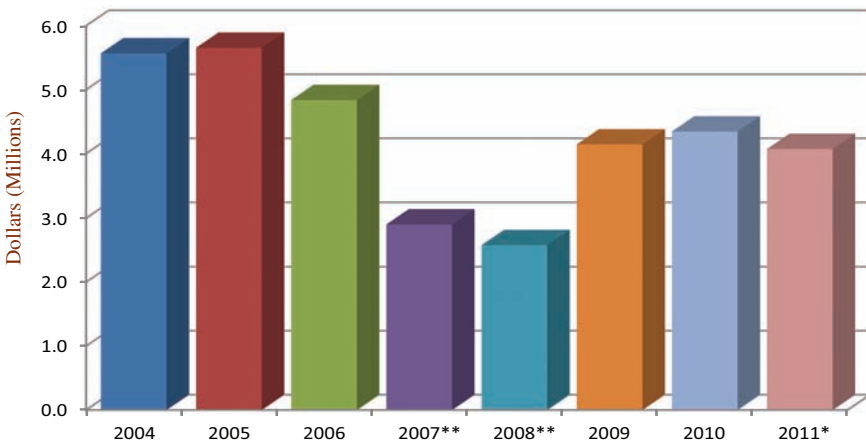
For the fiscal year ended June 30, 2010, parish stewardship, through Sunday and holy day collections, remained virtually consistent with parish stewardship from the previous year. The steady stewardship results during a time when many families are facing significant hardships is a strong testament to the commitment of our parish families. Despite a small decrease in parish stewardship over the past two years, we do have a recent history of 1-2 percent annual increases in parish Sunday and holy day collections.

Parish Sunday and Holy Day Collections (2001 through 2010)



The FY 2010 annual parish and archdiocesan community appeal Christ Our Hope: Compassion in Community experienced an increase in recorded pledges. It received pledges of \$4.3 million. This compares to pledges of \$4.1 million for the FY 2009 annual appeal however, it is still lower than historic high levels by approximately \$1 million.

Christ Our Hope/United Catholic Appeal (2004 through 2011)



*2011 fiscal year appeal not complete as of printing.

** 2007 and 2008 fiscal year appeals do not include results from Legacy for Our Mission Campaign.

For the FY 2010 and FY 2011 Christ Our Hope: Compassion in Community appeals, the efforts are focused on the three-fold responsibility of the Church as expressed by Pope Benedict XVI: proclaiming the word of God; celebrating the sacraments; and exercising the ministry of charity. The FY 2011 appeal also enabled parishes to direct resources into those ministries closest to their community.

Annual parish stewardship through Sunday and holy day collections and the Christ Our Hope: Compassion in Community appeal will continue to be critical to the success of the many ministries resident in our parishes and deaneries and those supported by the Archdiocese of Indianapolis.

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 most significant plans are the lay employee health insurance plan and the property and liability insurance plan. Both have experienced positive results after significant changes several years ago.

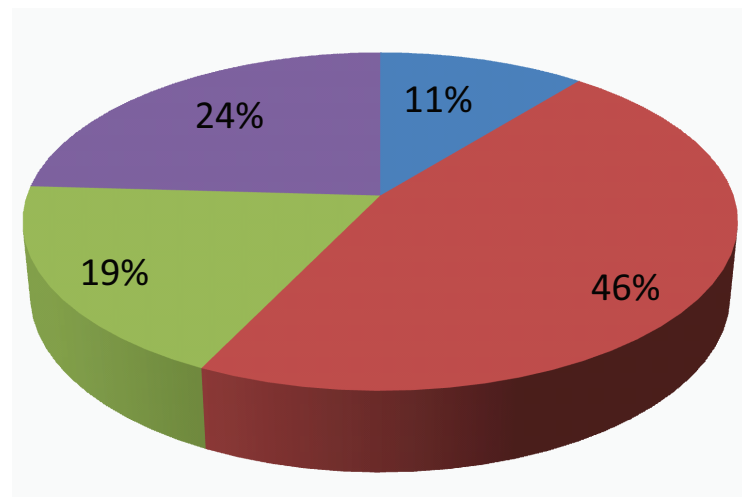
Lay Employee Health Insurance Plan

For the past three-plus years, we've been operating a high deductible health insurance plan, complete with Health Savings Accounts (HSA), with very favorable claim results and thus have generated a surplus in this plan. A surplus in a plan of this nature is very important because a small change in enrollment or claim activity can dramatically change the dynamics of the plan and thus reduce an existing surplus or cause volatility in premium levels. Using the accumulated surplus in the plan, we established an endowment fund in September 2007 that is designed to help maintain the affordability of our lay employee benefits. Increasing health care costs continue to challenge parish, school and agency budgets. At the same time, they create financial challenges for individual employees. Our goal is to minimize large increases in healthcare premiums charged to parishes, schools, and agencies and attempt to keep premium increases for our employees well below national averages.

As the initial funding levels we established for this endowment have been met by the accumulated surplus, we identified two ways to pass this plan savings along directly to the employees of the archdiocese and also to the parishes, schools and agencies that they serve. In January 2010, all participating employees received a one-time additional contribution to their Health Savings Account (\$500 for single coverage and \$1,000 for family coverage). Also in January 2010, all parishes, schools, and agencies received a "premium holiday" and did not pay any premiums for employee health insurance that month. This had the effect of reducing parish annual health insurance costs by about 8 percent for 2010. Going forward, the accumulated surplus will allow us to minimize premium levels charged for lay health insurance while re-directing dollars to other employee benefit needs.

FY 2010 Healthcare Expenses

- Administration
- Health claims
- HSA Contributions
- Endowment Contribution

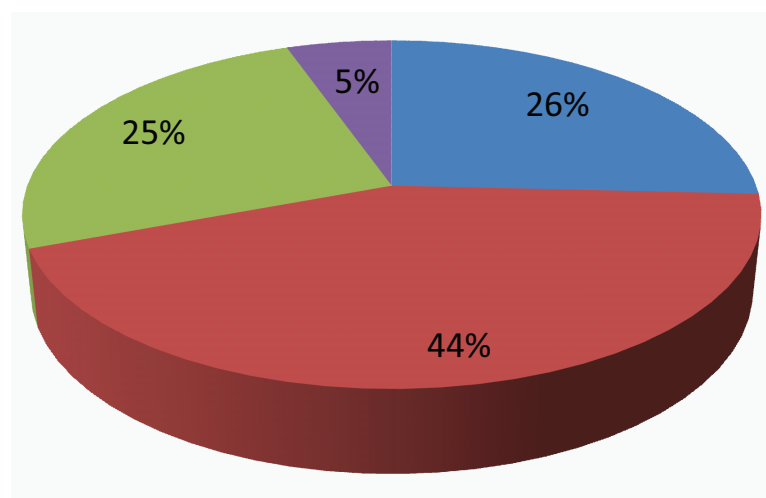


Property and Liability Insurance Plan

The property insurance plan also experienced positive results for the 2009-2010 fiscal year. The recent results have funded a property insurance reserve fund in the Catholic Community Foundation that is now approximately \$5.4 million. This reserve fund helps to protect parishes, schools and agencies against catastrophic losses and will help to mitigate annual insurance cost increases. The reserve fund has allowed us to maintain our self-insurance level at \$1 million for the 2010-2011 fiscal year which translates into maintaining lower premiums paid by our parishes, schools, and agencies for property and liability insurance.

FY 2010 Property and Liability Expenses

- Administration related
- Property and liability claims
- Insurance premiums
- Endowment Contributions

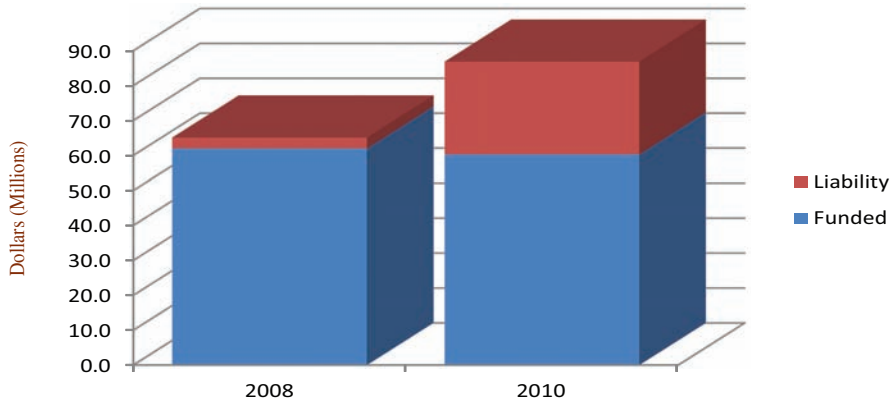


Chief Financial Officer's Report

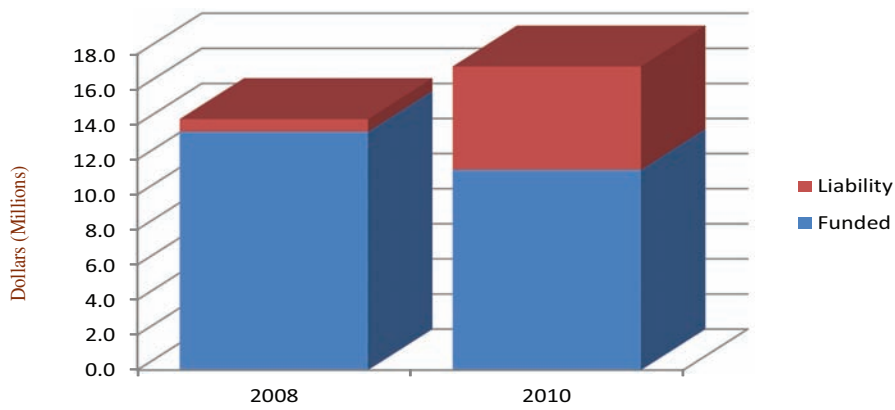
Parish Services: Priest and Lay Employee Retirement Plans

The archdiocese administers defined benefit plans for the priests and eligible lay employees employed at the various parishes, schools, and agencies throughout the archdiocese. The funding of these plans continues to be a significant challenge for the archdiocese and the individual parishes. This challenge was amplified by the poor investment results that the plans experienced in late 2008 and throughout 2009. Fiscal year 2010 results indicate that the priest retirement plan is underfunded by \$10.4 million, which represents a funding level of only 40 percent. The lay retirement plan is underfunded by \$20.5 million, which represents a funding level of 66 percent. The future funding of these plans remains a top priority of the archdiocese as we look to invest new dollars and continue to recover investment losses in the plans. Under general accounting principles 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 no separate valuations of plan benefits nor segregation of plan assets specifically for the Chancery.

Lay Employee Retirement Plan Funded Status



Priest Retirement Plan Funded Status



Expenses Related to Sexual Misconduct Lawsuits

In fiscal year 2010, approximately \$78,000 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 \$87,000 was spent for these purposes in fiscal year 2009. Further, \$199,000 that was paid to settle one lawsuit through mediation whereby the award covered future counseling costs for the alleged victim. Additionally, approximately \$178,000 was spent for legal fees to defend the archdiocese from sexual misconduct lawsuits in 2010. In 2009, \$147,000 was spent in legal defense costs.

Archdiocesan Grants Awarded

Thanks to the generosity of the parishes in the archdiocese, we have two 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 two grant opportunities are awarded based on an application process and target both home missions opportunities and growth and expansion initiatives in the archdiocese.

St. Francis Xavier Home Missions Fund

The St. Francis Xavier Home Mission Endowment Fund was established to provide grants to needy parishes in the archdiocese. With the assistance of an allocation committee who made grant recommendations to Archbishop Buechlein, in FY 2010 we were able to award nine grants to parishes in five of our deaneries totaling \$220,000. While we've improved our funding to support needy parishes, parish needs still far outweigh available resources. Grant requests exceeded \$570,000 thus only approximately 38 percent of the grant dollars requested was able to be awarded.

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. In December 2010 and just the third year of this grant making process, we were able to award grants totaling \$169,000 to 10 different archdiocesan entities. In December 2009, we awarded grants to six entities totaling \$150,000.

Catholic Community Foundation, Inc.

The Catholic Community Foundation's total cash and investments were \$144.2 million at June 30, 2010, an increase of 15.7 percent from the previous fiscal year. The increase in

asset values were driven by the overall investment returns which were a positive 16.2 percent for the 2010 fiscal year. The Foundation investments have returned a very respectable 6.8 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 13 new endowments during the year, bringing the total number of endowments held in the foundation to 381. The endowments distributed almost \$6.4 million this past year, compared to \$6.5 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 2010-2011

For the 2010-2011 fiscal year we anticipate a break-even operating budget on approximately \$36 million of total operating expenses. We anticipate the most significant challenges to include:

- Re-establishing and increasing the historical stewardship levels for the Christ Our Hope: Compassion in Community annual appeal
- Health care and employee benefit and retirement costs that are increasing much faster than Sunday collections
- Construction and facilities costs that continue to increase
- School operating costs that are increasing faster than our ability to increase tuition
- Growing parish stewardship to meet operating needs and eliminating parish operating deficits

On the other hand, we have several positive opportunities:

- The re-definition and re-focus of the annual appeal – Christ Our Hope: Compassion in Community which will bring the focus of the annual parish and archdiocesan appeal into the local communities of the Church
- The operation of two of the Mother Theodore Catholic Academies as public charter schools to address the financial operations of Indianapolis center-city Catholic schools and continue the important ministry of providing quality education to those living in the center-city neighborhoods of Indianapolis
- A history of strong investment returns and restoration of the growth in our endowments which help to mitigate rising operating costs
- The maturation of an alternative health care plan to better control escalating costs and a funded employee benefits reserve endowment to protect against future large premium increases

By capitalizing on these opportunities, we should be able to face the challenges ahead of us and continue the stable operating trends that we've experienced over the past several years.

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.

Archbishop Buechlein 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. Daniel M. Buechlein, O.S.B. Archbishop, Chairman
 Kenneth J. Hedlund President; St. Matthew, Indianapolis
 Daniel L. DeBard Vice President; St. Patrick, Terre Haute
 Timothy Robinson Secretary; St. Joan of Arc, Indianapolis
- Members
- Clark Byrum St. Luke, Indianapolis
 Mary Horn St. Charles Borromeo, Bloomington
 Philip B. McKiernan Immaculate Heart of Mary, Indianapolis
 Greg Monte St. Patrick, Terre Haute
 Scott Nickerson St. Pius X, Indianapolis
 Jerry Williams St. Simon, Indianapolis
- Jeffrey D. Stumpf 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 worked to build a sound financial footing. Expenses generally fell in line with or below budget expectations, we've seen a dramatic recovery in the investment markets and every day we see the use of the Legacy for Our Mission campaign proceeds at work in our deaneries, agencies and schools as they work hard on their missions. 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,

Jeffrey D. Stumpf, M.B.A., C.P.A., CFA
 Chief Financial Officer