



Consolidated Financial Statements
and
Independent Auditors' Report



Administrative Offices of The Catholic Diocese of Belleville, Illinois
and
Related Entity

June 30, 2025 and 2024

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Independent Auditors' Report

Members of the Diocesan Finance Council
Administrative Offices of the Catholic
Diocese of Belleville, Illinois

Opinion

We have audited the consolidated financial statements of the Administrative Offices of the Catholic Diocese of Belleville, Illinois (the Diocese) and related entity, which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Diocese as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Diocese and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Diocese's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Diocese's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Diocese's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Huber, Eck & Braeckel LLP

Springfield, Illinois
October 29, 2025

Administrative Offices of The Catholic Diocese of Belleville, Illinois and Related Entity
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and cash equivalents	\$ 2,973,752	\$ 2,630,374
Accounts receivable, net	755,085	670,395
Due from related parties	5,040	-
Other receivables, net	86	86
Prepaid expenses	124,674	145,868
Cash surrender value of life insurance	547,324	472,580
Investments		
Catholic Community Foundation	4,887,342	4,276,445
Other	2,091,202	1,921,536
Property and equipment, net	1,958,218	1,767,642
Right-of-use assets	42,535	48,702
	<u> </u>	<u> </u>
Total assets	<u>\$ 13,385,258</u>	<u>\$ 11,933,628</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 286,004	\$ 300,802
Due to related parties	-	10,222
Collections held for transmittal	340,620	466,246
Annuities payable	147,715	163,146
Supplemental retirement benefit obligation	1,400,000	1,500,000
Post-retirement health plan obligation	4,243,644	4,694,826
Lease liability	42,535	48,702
	<u> </u>	<u> </u>
Total liabilities	6,460,518	7,183,944
NET ASSETS		
Without donor restrictions	5,789,469	3,684,980
With donor restrictions	1,135,271	1,064,704
	<u> </u>	<u> </u>
Total net assets	6,924,740	4,749,684
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 13,385,258</u>	<u>\$ 11,933,628</u>

The accompanying notes are an integral part of these statements.

Administrative Offices of The Catholic Diocese of Belleville, Illinois and Related Entity
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the years ended June 30

	2025			2024		
	Without Donor	With Donor	Total	Without Donor	With Donor	Total
	Restrictions	Restrictions		Restrictions	Restrictions	
Support and revenue						
Parish assessments	\$2,532,778	\$ -	\$ 2,532,778	\$2,499,767	\$ -	\$2,499,767
Grants	460,629	179,047	639,676	443,639	191,488	635,127
Contributions and bequests	879,517	140,587	1,020,104	233,137	86,568	319,705
Investment income	661,932	55,883	717,815	570,553	63,404	633,957
Premiums	324,320	-	324,320	344,757	-	344,757
Rental and farm income	37,123	-	37,123	40,137	-	40,137
Management fees	303,000	-	303,000	262,000	-	262,000
Agency revenues	27,386	-	27,386	19,407	-	19,407
Other	106,064	-	106,064	118,437	-	118,437
Gain on sale of property	12,069	-	12,069	539,683	-	539,683
Supplemental retirement income	100,000	-	100,000	200,000	-	200,000
Net assets released from restrictions	304,950	(304,950)	-	352,993	(352,993)	-
Total support and revenue	5,749,768	70,567	5,820,335	5,624,510	(11,533)	5,612,977
Expenses						
Program services						
Benefits of parishes and agencies	2,670,582	-	2,670,582	2,376,097	-	2,376,097
Educational	77,442	-	77,442	113,900	-	113,900
Pastoral services	82,987	-	82,987	106,806	-	106,806
Lay formation	5,130	-	5,130	7,323	-	7,323
Total program services	2,836,141	-	2,836,141	2,604,126	-	2,604,126
Supporting services						
Management and general	1,210,284	-	1,210,284	1,070,443	-	1,070,443
Fundraising	6,193	-	6,193	8,839	-	8,839
Total supporting services	1,216,477	-	1,216,477	1,079,282	-	1,079,282
Total expenses	4,052,618	-	4,052,618	3,683,408	-	3,683,408
Post-retirement changes other than net periodic post-retirement benefit cost	407,339	-	407,339	(183,196)	-	(183,196)
Increase (decrease) in net assets	\$2,104,489	\$ 70,567	\$ 2,175,056	\$1,757,906	\$ (11,533)	\$1,746,373

The accompanying notes are an integral part of these statements.

Administrative Offices of The Catholic Diocese of Belleville, Illinois and Related Entity
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
For the years ended June 30

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets at July 1, 2023	\$ 1,927,074	\$ 1,076,237	\$ 3,003,311
Increase (decrease) in net assets	1,757,906	(11,533)	1,746,373
Net assets at June 30, 2024	3,684,980	1,064,704	4,749,684
Increase in net assets	2,104,489	70,567	2,175,056
Net assets at June 30, 2025	<u>\$ 5,789,469</u>	<u>\$ 1,135,271</u>	<u>\$ 6,924,740</u>

The accompanying notes are an integral part of these statements.

Administrative Offices of The Catholic Diocese of Belleville, Illinois and Related Entity

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the year ended June 30, 2025

	<u>Program Services</u>					<u>Supporting Services</u>			
	Benefits of Parishes and Agencies	Educational	Pastoral Services	Lay Formation	Total	Management and General	Fundraising	Total	Total
Expenses									
Salaries and benefits	\$ 1,590,002	\$ -	\$ -	\$ -	\$ 1,590,002	\$ 530,001	\$ -	\$ 530,001	\$ 2,120,003
Professional fees	42,825	-	-	-	42,825	170,149	-	170,149	212,974
Utilities	18,664	8,500	39,180	1,304	67,648	14,990	1,574	16,564	84,212
Insurance	376,327	6,181	10,858	948	394,314	10,902	1,145	12,047	406,361
Purchased services	303,250	10,372	18,220	1,592	333,434	54,880	1,921	56,801	390,235
Materials and supplies	51,832	8,385	14,729	1,286	76,232	14,787	1,553	16,340	92,572
Depreciation	-	-	-	-	-	67,648	-	67,648	67,648
Credit loss expense (recovery)	-	-	-	-	-	(15,000)	-	(15,000)	(15,000)
Periodic post-retirement benefit cost	151,182	-	-	-	151,182	-	-	-	151,182
Other	136,500	44,004	-	-	180,504	361,927	-	361,927	542,431
Total expenses	\$ 2,670,582	\$ 77,442	\$ 82,987	\$ 5,130	\$ 2,836,141	\$ 1,210,284	\$ 6,193	\$ 1,216,477	\$ 4,052,618

Administrative Offices of The Catholic Diocese of Belleville, Illinois and Related Entity

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the year ended June 30, 2024

	<u>Program Services</u>					<u>Supporting Services</u>			
	Benefits of Parishes and Agencies	Educational	Pastoral Services	Lay Formation	Total	Management and General	Fundraising	Total	Total
Expenses									
Salaries and benefits	\$ 1,396,338	\$ -	\$ -	\$ -	\$ 1,396,338	\$ 465,446	\$ -	\$ 465,446	\$ 1,861,784
Professional fees	70,155	-	-	-	70,155	248,502	-	248,502	318,657
Utilities	19,929	9,076	38,905	1,392	69,302	16,007	1,681	17,688	86,990
Insurance	333,013	18,376	32,280	2,820	386,489	32,410	3,403	35,813	422,302
Purchased services	253,834	11,920	20,939	1,829	288,522	63,069	2,207	65,276	353,798
Materials and supplies	42,015	8,358	14,682	1,282	66,337	14,741	1,548	16,289	82,626
Depreciation	-	-	-	-	-	63,797	-	63,797	63,797
Credit loss expense	-	-	-	-	-	5,000	-	5,000	5,000
Periodic post-retirement benefit cost	124,313	-	-	-	124,313	-	-	-	124,313
Other	136,500	66,170	-	-	202,670	161,471	-	161,471	364,141
Total expenses	\$ 2,376,097	\$ 113,900	\$ 106,806	\$ 7,323	\$ 2,604,126	\$ 1,070,443	\$ 8,839	\$ 1,079,282	\$ 3,683,408

The accompanying notes are an integral part of these statements.

Administrative Offices of The Catholic Diocese of Belleville, Illinois and Related Entity
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended June 30

	2025	2024
Cash flows from operating activities		
Change in net assets	\$ 2,175,056	\$ 1,746,373
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Gain on investments	(501,342)	(468,228)
Net gain on sale of property	(12,069)	(539,683)
Depreciation expense	67,648	63,797
Decrease in supplemental retirement benefit obligation	(100,000)	(200,000)
Credit loss expense (recovery)	(15,000)	5,000
Change in assets and liabilities		
Accounts receivable	(69,690)	(82,332)
Due from related parties	(5,040)	18,978
Other receivables	-	36,161
Prepaid expenses	21,194	(55,358)
Cash surrender value of life insurance	(74,744)	(70,303)
Accounts payable and accrued expenses	(14,798)	(23,759)
Due to related parties	(10,222)	10,222
Collections held for transmittal	(125,626)	115,748
Post-retirement health plan obligation	(281,211)	282,456
Net cash provided by operating activities	1,054,156	839,072
Cash flows from investing activities		
Additions to Foundation investments	(391,446)	(1,067,416)
Distributions from Foundation investments	226,346	364,415
Purchase of other investments	(100,295)	(64,115)
Proceeds from sale of property	13,000	709,364
Purchase and improvement of property and equipment	(259,155)	(66,504)
Payments on annuities	(29,257)	(46,751)
Net cash used in investing activities	(540,807)	(171,007)
Cash flows from financing activities		
Post retirement health plan benefits paid	(169,971)	(239,512)
Net cash used in financing activities	(169,971)	(239,512)
Net increase in cash and cash equivalents	343,378	428,553
Cash and cash equivalents at beginning of year	2,630,374	2,201,821
Cash and cash equivalents at end of year	\$ 2,973,752	\$ 2,630,374
Interest paid	\$ 1,098	\$ 520

The accompanying notes are an integral part of these statements.

Administrative Offices of the Catholic Diocese of Belleville, Illinois and Related Entity
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE A | SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

1. Background and Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Administrative Offices of the Catholic Diocese of Belleville, Illinois, and the Janssen Charitable Trust, collectively, “the Diocese.” The Trust is consolidated due to the Administrative Office of the Catholic Diocese of Belleville, Illinois having common control and economic interest in the Trust.

The Administrative Offices of the Catholic Diocese of Belleville, Illinois (the Diocese) is a not for-profit corporation established under the laws of the State of Illinois, and it operates as a religious organization. The Diocese is located in Southern Illinois and provides services to the various parishes, schools, other agencies and organizations of the Diocese. The Janssen Charitable Trust is a trust created exclusively for charitable purposes, which are limited to only those charitable, religious, or educational purposes. Refer to Note A15 for further detail on the Trust.

2. Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and, accordingly, report all significant receivables, payables, and other liabilities.

3. Consolidated Financial Statement Presentation

The Diocese is required to report information regarding its consolidated financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions - These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions - These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, or permanently, in which the donor has stipulated the funds be maintained in perpetuity.

Administrative Offices of the Catholic Diocese of Belleville, Illinois and Related Entity
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE A | SUMMARY OF ACCOUNTING POLICIES

3. *Consolidated Financial Statement Presentation*

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from donor restrictions.

4. *Cash and Cash Equivalents*

Cash and cash equivalents consist of short-term highly liquid investments, which are readily convertible into cash within ninety (90) days of purchase, including money market funds and certificates of deposit not held within an investment portfolio.

5. *Accounts Receivable*

Allowances for credit losses are recorded using relevant reliable information such as a combination of past events, current conditions, and reasonable and supportable forecast.

6. *Investments*

A portion of the investments are held in pooled investment programs. One pooled investment was acquired in the name of the Catholic Community Foundation (the Foundation) and is held by Christian Brothers Investment Services, Inc. The pooled investment program is secured by the underlying securities in the program, which are mutual funds. The fair value of the mutual funds held in the program were valued at fair value based on observable market quotations. The Diocese is provided a percentage of the pooled investments based on the contributed proportionate share of investments in the pool, and the investment activity of the pool is allocated accordingly by the Foundation based on the percentage.

The other pooled investment is held in the Mission Diocese Fund (the Fund) and is secured by the underlying securities in the program, which are equity securities, fixed-income instruments and alternative equities. The fair value of the of the securities held in the program is generally determined based on quoted market prices for securities that are marketable, in addition to investments that are measured at net asset value per unit. The Fund is provided a percentage of the pooled investments based on the contributed proportionate share of investments in the pool, and the investment activity of the pool is allocated accordingly based on the percentage.

Administrative Offices of the Catholic Diocese of Belleville, Illinois and Related Entity
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE A | SUMMARY OF ACCOUNTING POLICIES

6. *Investments*

The Diocese also invests in a mutual fund that is carried at fair value based on observable market conditions.

Unrealized gains and losses of the pooled investments and mutual fund are included in the consolidated statements of activities.

7. *Property and Equipment*

Property and equipment are stated at cost, or if acquired by gift, the fair value at the date of the gift. All items exceeding \$ 10,000 are capitalized.

8. *Depreciation*

Depreciation is provided for in an amount sufficient to relate the cost of depreciable assets to operations over their estimated service lives. The straight-line method of depreciation is followed for financial reporting purposes.

The estimated lives used in determining depreciation are:

	<u>Years</u>
Buildings and improvements	20 - 40
Equipment and furniture	7
Automobiles	5

9. *Collections*

Contributed collection items are not reflected in the consolidated financial statements. The Diocese's collection consists of art objects that are held for curatorial purposes. Each of the items is preserved and cared for; and activities verifying their existence and assessing their condition are performed continuously. Any proceeds from the sale of collectibles or insurance recoveries will be reflected as increases in the appropriate net asset classes. No collection items were sold or disposed of in 2025 and 2024.

Administrative Offices of the Catholic Diocese of Belleville, Illinois and Related Entity
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE A | SUMMARY OF ACCOUNTING POLICIES

10. Contributed Services

The Diocese receives a substantial amount of services donated by its members in carrying out the ministry. No amounts have been reflected in the consolidated financial statements for those services since they do not meet the criteria for recognition under accounting standards for contributions received and contributions made.

11. Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates made by management. The expenses that are allocated include utilities, insurance, purchased services, and materials and supplies, which are allocated on a square footage basis, as well as other costs, which are allocated on the basis of estimates of time and effort.

12. Income Taxes

The Diocese is a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and, as such, is exempt from income taxes under Section 501(a) of the Code.

The Diocese has recognized, in the consolidated financial statements, the effects of all tax positions and continually evaluates expiring statutes of limitations, audits, changes in tax law, and new authoritative rulings. The Diocese is not aware of any circumstances or events that make it reasonably possible that unrecognized tax benefits may increase or decrease within 12 months of the consolidated statements of financial position date. Penalties and interest assessed by taxing authorities are included in the provision for income taxes, if applicable. There were no penalties or interest paid during 2025 and 2024.

13. Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Administrative Offices of the Catholic Diocese of Belleville, Illinois and Related Entity
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE A | SUMMARY OF ACCOUNTING POLICIES

14. Leases

The Diocese recognizes leases on the consolidated statements of financial position as right of use assets and corresponding lease liabilities. The Diocese recognizes right of use assets and lease liabilities for its operating leases at the commencement date equal to the present value of the contractual minimum lease payments over the lease term. The present value is calculated using the rate implicit in the lease, if known, or the risk-free rate. The discount rate used for operating leases is primarily determined based on the risk-free rate.

The related lease payments are expensed on a straight-line basis over the lease term, including, as applicable, any free-rent period during which the Diocese has the right to use the assets. For leases with renewal options where the renewal is reasonably assured, the lease term, including the renewal period, is used to determine the appropriate lease classification and to compute periodic rental expense. Leases with initial terms shorter than 12 months are not recognized on the consolidated statements of financial position, and lease expense is recognized on a straight-line basis. The Diocese groups lease and non-lease components for its real estate leases into a single lease component.

15. Janssen Charitable Trust

During the year ended June 30, 2023, the Janssen Charitable Trust (Trust) was the beneficiary of five parcels of land and buildings that were transferred to the Trust from the grantor. Pursuant to the executed agreement between the Trust and the Grantor, the Catholic Diocese of Belleville, may use and occupy any real estate conveyed to the Trust rent-free provided that the Diocese pay all applicable expenses related to the real estate. The real estate is to be sold by the Trust only at the written request of the Diocese. Due to the Diocese of Belleville and the Trust meeting the consolidation requirements set forth in the authoritative guidance, the Trust and the Catholic Diocese of Belleville have been consolidated for financial reporting purposes.

16. Subsequent Events

Management has evaluated subsequent events for recognition and disclosure in the consolidated financial statements through October 29, 2025, which is the date the consolidated financial statements were available to be issued. Through October 29, 2025, no subsequent events required recognition or disclosure in the consolidated financial statements.

Administrative Offices of the Catholic Diocese of Belleville, Illinois and Related Entity
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE B | ACCOUNTS RECEIVABLE

	<u>Receivable</u>	<u>Allowance for Credit Losses</u>	<u>Net Receivable</u>
Accounts receivable at June 30, 2025 consists of:			
Parish assessments	\$ 483,178	\$ 93,000	\$ 390,178
Other	79,725	-	79,725
Health insurance premiums	<u>887,182</u>	<u>602,000</u>	<u>285,182</u>
	<u>\$ 1,450,085</u>	<u>\$ 695,000</u>	<u>\$ 755,085</u>
Other receivables	<u>\$ 82,086</u>	<u>\$ 82,000</u>	<u>\$ 86</u>
Accounts receivable at June 30, 2024 consists of:			
Parish assessments	\$ 444,668	\$ 93,000	\$ 351,668
Other	157,764	-	157,764
Health insurance premiums	<u>777,963</u>	<u>617,000</u>	<u>160,963</u>
	<u>\$ 1,380,395</u>	<u>\$ 710,000</u>	<u>\$ 670,395</u>
Other receivables	<u>\$ 82,086</u>	<u>\$ 82,000</u>	<u>\$ 86</u>

NOTE C | INVESTMENTS IN CATHOLIC COMMUNITY FOUNDATION

The Diocese has investments at June 30 in the Catholic Community Foundation, which is a related party, as follows:

	<u>2025</u>	<u>2024</u>
Pooled investments under limited term agreements	<u>\$ 4,887,342</u>	<u>\$ 4,276,445</u>

Investments are held under limited term agreements between the Foundation and the Diocese. The limited term investment agreements are intended to serve as a resource for the general welfare, benefit and support of the religious, educational and charitable needs of the Diocese. The funds held under the limited term agreements can be used on behalf of the Diocese.

Administrative Offices of the Catholic Diocese of Belleville, Illinois and Related Entity
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE D | FAIR VALUE MEASUREMENTS

The Diocese follows the fair value measurement guidance for financial assets and financial liabilities. The guidance defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements.

Fair value is defined to be 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. A three-level hierarchy has been established for fair value measurements based upon the inputs to the valuation of an asset or liability as follows:

Level 1 – Valuation is based on quoted prices for identical assets and liabilities in active markets.

Level 2 – Valuation is derived from inputs, other than quoted prices included in Level 1, which are observable for the asset or liability either directly or indirectly. Investments classified as Level 2 are generally valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. The significant inputs used in this approach include interest rates, prepayment timing, yield spreads, maturities, credit losses and credit ratings of the securities.

Level 3 – Valuation is derived from unobservable inputs that are not corroborated by market data.

Fair value of the Diocese's proportionate share of pooled investments held with the Foundation is determined by the Foundation based on the fair value of underlying securities of the investment pool. The underlying securities consist of mutual funds classified as Level 1.

Fair value of the Diocese's proportionate share of pooled investments held with the Fund is determined by the Fund, based on their fair value of underlying securities of the investment pool. The underlying securities consist of equity securities classified as Level 1, fixed-income instruments classified as Level 2, and alternative investments, that are measured at net asset value, which is not classified in the three-level hierarchy but approximates fair value.

Fair value of the mutual fund is determined by the Diocese from observable market quotations.

Administrative Offices of the Catholic Diocese of Belleville, Illinois and Related Entity
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE D | FAIR VALUE MEASUREMENTS

The following table presents the Diocese’s fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30.

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>2025</u>				
Catholic Community Foundation	\$ 4,887,342	\$ -	\$ 4,887,342	\$ -
Mission Diocese Fund	1,311,925	-	1,311,925	-
Mutual fund	<u>779,277</u>	<u>779,277</u>	-	-
Total	<u>\$ 6,978,544</u>	<u>\$ 779,277</u>	<u>\$ 6,199,267</u>	<u>\$ -</u>
<u>2024</u>				
Catholic Community Foundation	\$ 4,276,445	\$ -	\$ 4,276,445	\$ -
Mission Diocese Fund	215,309	-	215,309	-
Mutual fund	<u>1,706,227</u>	<u>1,706,227</u>	-	-
Total	<u>\$ 6,197,981</u>	<u>\$ 1,706,227</u>	<u>\$ 4,491,754</u>	<u>\$ -</u>

Administrative Offices of the Catholic Diocese of Belleville, Illinois and Related Entity
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE E | PROPERTY AND EQUIPMENT

A summary of property and equipment, at cost unless further indicated, at June 30 follows:

	<u>2025</u>	<u>2024</u>
Buildings and improvements	\$ 2,524,945	\$ 2,265,789
Equipment and furniture	179,821	179,821
Automobiles	<u>65,614</u>	<u>93,550</u>
	2,770,380	2,539,160
Less accumulated depreciation	<u>(1,429,802)</u>	<u>(1,389,158)</u>
	1,340,578	1,150,002
Land	<u>617,640</u>	<u>617,640</u>
	<u>\$ 1,958,218</u>	<u>\$ 1,767,642</u>

Buildings and improvements over 40 years old, which would be fully depreciated, have not been included in property and equipment. Depreciation expense for the years ending June 30, 2025 and 2024, amounted to \$ 67,648 and \$ 63,797, respectively.

NOTE F | ANNUITIES PAYABLE

The annuities payable of \$ 147,715 and \$ 163,146 as of June 30, 2025 and 2024, respectively, represent annuity contracts specifying the Diocese, parishes, and schools as the beneficiaries of the contracts. The liability has been recognized as the original annuity adjusted for annuity payments and income on the annuity.

NOTE G | SUPPLEMENTAL RETIREMENT BENEFIT OBLIGATION

The Diocese has recognized an estimated liability relative to benefits which may be payable to participants of the defined benefit plan for the lay employees of the Diocese that was administered by Aetna Life Insurance Company and terminated on August 31, 1991.

Any participant of the defined benefit plan which was terminated on August 31, 1991, who is employed by the Diocese (parish, school or agency), who leaves his or her job after age 55 and maintains a Delta annuity contract until age 65, may be eligible to receive a "supplemental retirement benefit."

Administrative Offices of the Catholic Diocese of Belleville, Illinois and Related Entity
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NOTE G | SUPPLEMENTAL RETIREMENT BENEFIT OBLIGATION

Supplemental retirement benefits will provide the participant with additional benefits measured by the difference between the life only annuity contract provided by Delta Life and Annuity and the accrued benefit owed from the defined benefit plan, which was terminated on August 31, 1991.

The estimated liability included in the financial statements of \$ 1,400,000 and \$ 1,500,000 as of June 30, 2025 and 2024, respectively, is based upon plan participants that have attained age 55. As of June 30, 2025, all plan participants have attained age 55.

Payments related to the supplemental retirement benefit payable are estimated as follows:

Year Ended	
<u>June 30</u>	
2026	\$ 150,000
2027	150,000
2028	150,000
2029	145,000
2030	138,000
2031 and thereafter	<u>667,000</u>
	<u>\$ 1,400,000</u>

NOTE H | POST-RETIREMENT HEALTH PLAN

The Diocese sponsors a post-retirement health plan that provides access to medical and prescription benefits to former employees who satisfy certain age and service requirements at the time of retirement. Additionally, priests who enter a nursing home are reimbursed for that care up to the cost of the home’s established semi-private room rate.

The Diocese has adopted accounting standards for employers’ accounting for defined benefit pension and other post-retirement plans. These standards require the Diocese to recognize the funded status of its post-retirement health plan in its statements of financial position. The funded status is defined as the difference between plan assets at fair value and the benefit obligation. The Diocese has not segregated any assets for this plan.

Administrative Offices of the Catholic Diocese of Belleville, Illinois and Related Entity
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE H | POST-RETIREMENT HEALTH PLAN

The following summarizes the Diocese's post-retirement health plan as of June 30:

	<u>2025</u>	<u>2024</u>
Amount contributed by the Diocese during current fiscal year	\$ 169,971	\$ 239,512
Benefits paid	\$ 169,971	\$ 239,512
Benefits expected to be paid in following fiscal years:		
2026	\$ 265,276	
2027	273,418	
2028	282,095	
2029	289,024	
2030	294,650	
2031 - 2035	1,524,208	

Post-retirement health information as of June 30 follows:

	<u>2025</u>	<u>2024</u>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 4,694,826	\$ 4,651,882
Service cost	39,065	40,466
Interest cost	242,129	222,852
Actuarial (gain) loss	(562,405)	19,138
Benefits paid	<u>(169,971)</u>	<u>(239,512)</u>
Benefit obligation at end of year	<u>\$ 4,243,644</u>	<u>\$ 4,694,826</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ -	\$ -
Employer contributions	169,971	239,512
Benefits paid	<u>(169,971)</u>	<u>(239,512)</u>
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>
Funded status	(4,243,644)	(4,694,826)
Unrecognized net actuarial gain	(3,543,946)	(3,136,608)
Unrecognized transition obligation	<u>-</u>	<u>-</u>
Accrued benefit cost	<u>\$ (7,787,590)</u>	<u>\$ (7,831,434)</u>

Administrative Offices of the Catholic Diocese of Belleville, Illinois and Related Entity
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE H | POST-RETIREMENT HEALTH PLAN

	<u>2025</u>	<u>2024</u>
Accumulated benefit obligation	\$ 4,243,644	\$ 4,694,826
Less fair value of plan assets at end of year	<u>-</u>	<u>-</u>
Minimum benefit liability	<u>\$ 4,243,644</u>	<u>\$ 4,694,826</u>
Current liability	\$ 265,276	\$ 330,820
Noncurrent liability	<u>3,978,368</u>	<u>4,364,006</u>
Total liability	<u>\$ 4,243,644</u>	<u>\$ 4,694,826</u>

Weighted average assumptions as of June 30:

Discount rate	5.50%	5.30%
Nursing Home Average Daily Benefit	\$ 199.00	\$ 188.00
Nursing Home Cost Trend	3.00%	3.00%

Components of net periodic benefit cost

Service cost	\$ 64,120	\$ 65,519
Interest cost	242,129	222,852
Amortization of actuarial gain	(155,067)	(164,058)
Amortization of transition obligation	<u>-</u>	<u>-</u>
Net periodic benefit cost	<u>\$ 151,182</u>	<u>\$ 124,313</u>

The assumed health care cost trend rate for all years is 4.0%. During the year ended June 30, 2015, the Diocese purchased individual long-term care policies for ten priests. The premiums are paid by the Diocese, but the priests are the named beneficiaries of the policies. The policies will reimburse the priests for nursing home expenses up to \$9,000 per month with a lifetime maximum of \$324,000. The benefits covered by the policies have been excluded from the benefit obligation at June 30, 2025 and 2024.

The amounts expected to be recognized as components of net periodic benefit cost over the following fiscal year are as follows:

Actuarial gain	\$ (180,323)
Prior service cost	-
Net transition obligation	-

Administrative Offices of the Catholic Diocese of Belleville, Illinois and Related Entity
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE I | LEASES

The Diocese is a lessee in non-cancelable leasing agreements for real estate and copiers. The real estate lease and copier leases are operating leases.

The Diocese recognizes a right-of-use asset and lease liability for its operating leases at the commencement date equal to the present value of the contractual minimum lease payments over the lease term. The present value is calculated using the rate implicit in the lease, if known, or the risk-free rate. The discount rate used for the operating leases is primarily determined based on the risk-free rate.

The related lease payments are expensed on a straight-line basis over the lease term, including, as applicable, any free-rent period during which the Diocese has the right to use the asset. For leases with renewal options where the renewal is reasonably assured, the lease term, including the renewal period, is used to determine the appropriate lease classification and to compute periodic rental expense. Leases with initial terms shorter than 12 months are not recognized on the consolidated statement of financial position, and lease expense is recognized on a straight-line basis.

The Diocese leases its facility at 410 South Third Street, owned by St. Elizabeth's Hospital of the Hospital Sisters of the Third Order of St. Francis, and is subject to a lease originally dated June 9, 2023. This lease has monthly rental payments of \$ 416. Rent expense under this lease totaled approximately \$ 5,000 for the years ended June 30, 2025 and 2024.

The Diocese leases copiers, owned by Watts Copy Systems, Inc., and is subject to a lease originally dated May 28, 2023. This lease has monthly rental payments of \$ 241. Rent expense under this lease totaled \$ 2,886 and \$ 3,127 during the years ended June 30, 2025 and 2024, respectively.

Other information	<u>2025</u>	<u>2024</u>
Weighted average remaining lease term (in years)		
Operating leases	7.05	7.90
Weighted average discount rates		
Operating leases	3.79%	3.79%

Administrative Offices of the Catholic Diocese of Belleville, Illinois and Related Entity
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE I | LEASES

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of June 30, 2025:

2026	\$	7,878
2027		7,878
2028		7,639
2029		4,992
2030 and thereafter		<u>19,968</u>
Total lease payments		48,355
Less: Amounts representing accretion		<u>(5,820)</u>
Total lease liabilities	\$	<u>42,535</u>

NOTE J | NET ASSETS WITH DONOR RESTRICTIONS

The Diocese's net assets with donor restrictions consists of the following as of June 30:

	<u>2025</u>	<u>2024</u>
Program restrictions		
Immaculate Conception - Kaskaskia	\$ 300,557	\$ 300,557
Custodial accounts	4,471	4,525
SLU Scholarship	54,884	54,884
Tuition and technology assistance	558,692	549,180
Office of Worship	71,551	76,232
Hispanic Ministries	27,299	36,742
Faith Formation	4,000	4,000
Other	109,690	34,457
Time restrictions		
Annuities	<u>4,127</u>	<u>4,127</u>
	<u>\$ 1,135,271</u>	<u>\$ 1,064,704</u>

Administrative Offices of the Catholic Diocese of Belleville, Illinois and Related Entity
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE K | NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended June 30, 2025 and 2024, net assets were released from donor restrictions by incurring expenses satisfying the purpose or time stipulated by donors as follows:

	<u>2025</u>	<u>2024</u>
Purpose restriction accomplished		
Custodial accounts	\$ 55	\$ 25,255
Tuition and technology assistance	46,371	66,170
Office of Worship	20,931	17,426
Hispanic Ministries	62,682	55,143
Retired priests care	93,307	102,237
Faith Formation	16,250	16,250
Other	65,354	67,111
Time restrictions accomplished		
Annuities	-	<u>3,401</u>
	<u>\$ 304,950</u>	<u>\$ 352,993</u>

NOTE L | RETIREMENT PLAN

The Diocese maintains a defined contribution plan (Internal Revenue Code Sec. 403(b)) for the benefit of the lay employees of the Diocese who meet certain age and length of service requirements. The plan provides for employer contributions equal to 3% of compensation, plus a match of the first 2% of employee contributions for eligible participants. Employee contributions are permitted, but not mandatory. Contributions to the plan by the Diocese totaled \$ 71,383 and \$ 68,403 for the years ended June 30, 2025 and 2024, respectively.

NOTE M | RELATED-PARTY TRANSACTIONS

The Diocese received management fees of \$ 303,000 and \$ 262,000 from various agencies of the Catholic Diocese of Belleville for the years ending June 30, 2025 and 2024, respectively. Additionally, the Diocese had receivables due from various agencies of the Catholic Diocese of Belleville of \$ 5,040 as of June 30, 2025. No receivables were due from related parties at June 30, 2024. No payables were due to related parties at June 30, 2024. The Diocese had payables due to various agencies of the Catholic Diocese of Belleville of \$ 10,222 as of June 30, 2025.

Administrative Offices of the Catholic Diocese of Belleville, Illinois and Related Entity
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE N | CONCENTRATION OF CREDIT RISK

The Diocese maintains cash balances at several financial institutions. Accounts at the institutions are insured up to \$ 250,000 by the Federal Deposit Insurance Corporation. From time to time, account balances may exceed the insured limits. As of June 30, 2025, the Diocese has not experienced any losses in such accounts.

NOTE O | LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Diocese’s financial assets as of June 30. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	<u>2025</u>	<u>2024</u>
Financial assets		
Cash and cash equivalents	\$ 2,973,752	\$ 2,630,374
Accounts receivable	755,085	670,395
Investments	<u>6,978,544</u>	<u>6,197,981</u>
Financial assets at year-end	10,707,381	9,498,750
Less amounts unavailable for general expenditure within one year		
Collections held for transmittal	340,620	466,246
Annuities payable	147,715	163,146
Purpose restrictions	1,131,144	1,060,577
Time restrictions	<u>4,127</u>	<u>4,127</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 9,083,775</u>	<u>\$ 7,804,654</u>

The Diocese’s goal is to structure its financial assets to be available to meet the obligations to support the ministries and operating expenses of the Diocese. Cash in excess of near-term obligations is invested in short and long-term investments to generate additional income for program and general expenses. Under the amounts unavailable for general expenditure within one year, the amount listed as Purpose restrictions represents the complete amount restricted. It is unlikely all amounts will be used within one year.

Administrative Offices of the Catholic Diocese of Belleville, Illinois and Related Entity
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE P | CONTINGENCIES

The Diocese is involved in legal proceedings alleging sexual misconduct of certain priests or former priests. In regard to the pending litigation involving the Diocese, the Diocese does not believe sufficient information is available to determine the outcome of the proceedings; and therefore, a contingent liability cannot be estimated.