ARMSTRONG & REIST CPAs, LLP t Street

South Bend Indiana 46601

Independent Auditor's Report

To the Council
Diocese of Northern h of the Episcopal Church, Inc.
South Bend, Indiana

We have audited the accompanying statement of financial position (cash basis) of Diocese of Northern Indiana of the Episcopal Church, Inc. as of December 31, 2002 and the relate4 (cash basis) statements of activities and change in net assets for the year then ended. These fmancial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

. . . . these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The Diocese also did not record capital assets and the related depreciation prior to January 1, 1994.

In our opinion, except for the effects of not recording capital assets and related depreciation, the financial statements of Diocese of Northern Indiana of the Episcopal Church, Inc. present fairly, in all material respects, the financial position as of December 31, 2002, and its support, revenue, expenses, and changes in net assets for the year then ended on the basis of accounting described in Note 1.

ARMSTRONG, REIST CPAs, LLP

May 22, 2003

(more detailed audit information available at the Diocesan Office)

DIOCESE OF NORTHERN INDIANA OF THE EPISCOPAL CHURCH, INC.

STATEMENTS OF FINANCIAL POSITION - CASH BASIS

December 31, 2002 with comparative totals for 2001

ASSETS	Unrestricted	Temporarily Restricted	Permanently Restricted	2002 Total All Funds	2001 Total All Funds
Cash	33,208	63,762		96,970	114,965
Investments (at market)	482,451	295,368	$ 301,683	1,079,502	1,091,364
Property and Equipment					
Buildings	546,614			546,614	546,614
Equipment	22,735			22,735	18,908
Total cost	569,349			569,349	565,522
Accumulated depreciation	(41,674)			(41,674)	(23,570)
Net Property and Equipment	527,675			527,675	541,952
Life insurance - Cash Value	51,864			51,864	48,095
Total Assets	1,095,198	359,130	301,683	1,756,011	1,796,376

LIABILiTIES AND NET ASSETS

NetAssets	1,095,198	359,130	301,683	1,756,011	1,796,376
Total Liabilities andNet Assets	1,095,198	359,130	301,683	1,756,011	1,796,376

DIOCESE OF NORTHE1tN INDIANA OF THE EPISCOPAL CHURCH, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS - CASH BASIS

For the year ended December 31, 2002 with comparative totals for 2001

	- - - - Unrestricted - - - -				2002	2001
	Currently Expendable	Endowment	Temporarily Restricted	Pennanently Restricted	All Funds	All Funds Total
SUPPORT AND REVENUE						
Parishes and missions	597,814	$				597,814 $ 589,384
Conferences and rental – Wawasee	26,120				26,120	26,950
Contributions			54,872	613	55,485	39,738
Inveatmentincome	386	27,649	(39,192)		(11,157)	41,473
Miscellaneous	8,013				8,013	3,035
Late payments from parishes	27,148				27,148	22,320
Net assets released from restrictions:	94,650		(94,650)			
Total Support and Revenue	754,131	27,649	(78,970)	613	703,423	722,900
EXPENSES						
Program services	242,174				242,174	218,934
General and administrative	501,614				501,614	447,236
Total Expenses	743,788					743,788 666,170
Increase (Decrease) in Net Assets Before Board Designations	10,343	27,649	(78,970)	613	(40,365)	56,730
Designations by the governing board:						
Investment returns utilized for current operations	115,996	(115,996)				
Held for Iong-terminvestment	(133,126)	133,126				
Increase (Decrease) in Net Assets	(6,787)	44,779	(78,970)	613	(40,365)	56,730
Net Assets - Beginning	623,469	433,737		435,360	303,810	1,796,376 1,739,646
Prior Period Adjustments			2,740	(2,740)		
NetAssets-Ending						

616,682 478,516 359,130 301,683
1,756,011 1,796,376