

Annual report of the finances for the Diocese of Covington – June 30, 2019

The annual report of the Diocese of Covington shows the financial position and results of operation of the Diocese for the years ended June 30, 2019 and 2018. The financial statements of the Diocese of Covington are audited by the certified public accounting firm of VonLehman & Company, Inc. The auditors' report on the financial statements includes an unmodified opinion that the statements fairly present, in all material respects, the financial position of the Diocese of Covington and the related affiliates. An unmodified opinion is the highest level of assurance given by a public accounting firm.

The financial information presented herein includes the Diocese of Covington Curia offices which are fiscally responsible to, and under the direct control of, the Bishop of the Diocese. This includes the central administrative offices, program offices and departments of the Diocese, its cemeteries and retreat centers, the Diocesan/Parish Annual Appeal, seminarian recruitment and education, the care for elderly and infirmed priests, the Diocesan-wide secondary school

support program, the Alliance for Urban Catholic Education (ACUE) school operations, and the Diocesan-wide self-funded health insurance program.

Various religious orders, lay societies, religious organizations which operate within the Diocese, parishes, parish elementary schools, secondary schools and other related institutions are not included in the accompanying financial information.

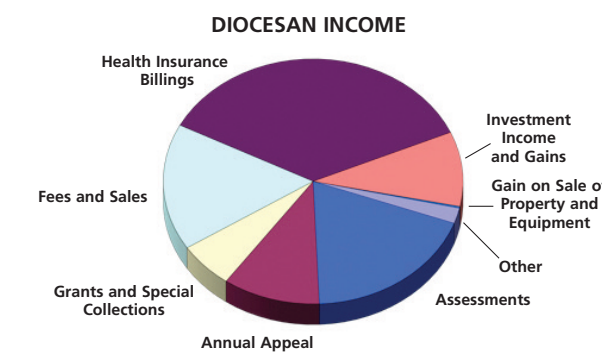
Results of Operations

During this past fiscal year, total revenues decreased from the prior year by 5.2 percent. This was mostly attributable to a non-recurring, prior year gain on sale of diocesan property. Total expenses increased by approximately 3 percent, primarily due to an increase in the Diocese's health insurance claims expense and diocesan grants.

Operating Revenue

During the fiscal year ended June 30, 2019 the Diocese received operating revenue from the following sources which it used to fund its various ministries and services.

Assessments	\$ 4,813,386
Diocesan/Parish Annual Appeal	2,697,727
Grants and special collections	1,544,919
Fees and sales	4,276,809
Health insurance billings	9,196,146
Investment income/losses	2,520,694
Gain on Sale of Property/Equipment	55,794
Other	526,221
Total Operating Revenue	\$ 25,631,696



Assessments are comprised of two differing taxes on the parishes of the Diocese. A 6.75 percent tax on the income of parishes provided \$2,763,420 of income to fund the administrative offices of the Diocese. A 5 percent tax on the parishes of Kenton, Campbell, Boone and Mason counties provided \$2,049,966 of support for the secondary and urban schools of the Diocese.

The Diocesan/Parish Annual Appeal for 2018 (ended on March 31, 2019; adjusted to fiscal year ended June 30, 2019) raised an amount totaling \$3,930,212. Of this amount \$1,232,485 was returned to parishes for use in local ministries.

Grants, special collections and contributions represent: 1) grant monies received which are distributed to Diocesan parishes and missions, 2) the seminary collection used for pay for seminarian education and 3) bequests received by the Diocese.

Fees and sales represent the following for the 2019 fiscal year:

ACUE tuition and fees	\$ 2,074,475
Cemetery fees and sales	955,915
Retreat Center fees and sales	408,253
Departmental fees and fundraising	347,755
Education office fees	263,736
Newspaper ads and subscriptions	226,675
Total Fees and Sales	\$ 4,276,809

Health insurance billings are premiums the Diocese and its entities charge themselves to fund the self-insured medical fund. This fund pays for the health insurance claims from doctors, hospitals and prescription drugs for Diocesan employees and covered dependents.

Investment income is the accumulation of interest,

dividends, realized and unrealized gains/(losses) on investments held by the Diocese.

Operating Expense

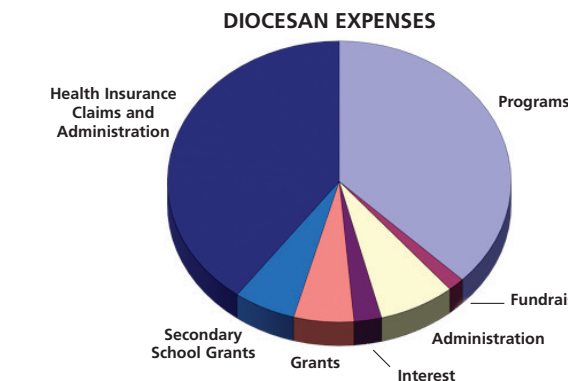
During the fiscal year ended June 30, 2019 the Diocese incurred programmatic costs, grant-making and departmental expenses as follows:

Health insurance claims/administration	\$ 10,569,405
Program expenses	9,885,146
Episcopal administration	1,894,905
Secondary school grants	1,546,060
Grants	1,498,314
Interest expense	689,029
Fundraising expenses	419,118
Other expenses	158,290
Total Operating Expense	\$ 26,660,267

Health insurance claims and administration are the hospital and doctor bills and the prescription drugs costs for employees and their dependants who receive coverage under the Diocesan self-insured health insurance plan.

Program expenses represent expenditures for carrying out the various ministries for the Diocese. These expenses include personnel salaries and benefits as well as direct expenses of the ministry. Program expenses are categorized as follows:

ACUE expenses	\$ 3,797,142
Seminary studies, vocations and deacon formation	1,211,033
Cemeteries	927,269
Diocesan properties	865,066
St. Anne's Retreat Center	856,797
Community and pastoral services	811,170
Education and formation	755,649
Messenger	661,020
Total Program Expenses	\$ 9,885,146



Secondary school grants are made to the Diocesan urban and secondary schools for operating, scholarship and capital purposes from the secondary school assessment of parishes.

Grants are made to various parishes, school and other Diocesan institutions from the Annual Appeal and from other Diocesan revenues as follows:

Cathedral operations	\$ 427,106
Priest Retirement Fund	279,800
Catholic Charities	250,000
Inner city grants	229,500
Parishes and schools	127,820
Educational assistance	80,000
Holy See	22,000
Mission outreach	20,073
Other grants	62,015
Total Grants	\$ 1,498,314

Priest post-employment benefits are the actuarially calculated cost of insurance for all retired priests as well as the costs of nursing care and assistance to infirmed priests.

Donor Restricted Assets

At June 30, 2019 the Diocese holds net assets which are donor restricted or endowed. Donor restricted assets are subject to a specific purpose or the passage of time. For endowed assets, only the income may be used for the intended purpose of the endowment, the principal may not be expended. These funds are classified as follows:

Restricted for a Specific Purpose/Time Period

Diocesan Annual Appeal	\$ 2,679,405
ACUE	744,029
Other Restrictions	584,349
Total	\$ 4,007,783

Endowed Assets

Educational	2,485,216
Accumulated Net Appreciation	1,321,898
Property Maintenance	942,386
Diocesan Annual Appeal	52,504
Social concerns	16,374
ACUE	3,200
Total	\$ 4,821,578

Total Donor Restricted Assets **\$ 8,829,361**

Special Collections

The people of the Diocese of Covington have been extremely generous with their support of various agencies and relief efforts in our country and around the world. The following table is a listing of these Special Collections.

Religious Retirement Collection	\$ 160,429
Mission Cooperative (ACUE)	159,185
International and domestic needs	118,576
Holy Father collection for worldwide charities (Peter's Pence)	56,666
Statewide pregnancy counseling (Opportunities for Life)	48,484
Other special collections	10,055
Total Special Collections	\$ 553,395

Respectfully Submitted,

Dale Henson
Dale Henson, CPA
Chief Financial Officer
Diocese of Covington



January 2020

My dear Friends,

Praised be Jesus Christ!

Each year at this time we present to the entire diocese a financial report in our diocesan newspaper, the *Messenger*. At the end of each fiscal year the finances of our diocese are audited by an independent public accounting firm.

Once again, the auditors have issued an unmodified opinion on the financial statements of our Diocese. This is the highest level of assurance attainable. Once the audit is complete, the financial statements are presented to our Diocesan Finance Council for review. This review and the subsequent acceptance by our Diocesan Finance Council occurred in October 2019. Accordingly, I am pleased to present to all parishioners of our diocese the financial statements of the Diocese of Covington as of 30 June 2019.

As we present this annual financial report, we thank God for the many good gifts He has bestowed on us all and I thank each of you for sharing those gifts of time, talent and treasure so that our mission of making known the Lord God can continue and thrive. Without the selfless giving of so many of our parishioners this would not be possible. In the end, everything we have comes from God. It is only fitting then that we return to Him — through our generosity to others — a share in His generous gifts to us.

I take this opportunity to express my gratitude to our Diocesan Finance Council and to the staff of our Diocesan Finance Office. Their guidance, assistance, expertise and hard work ensures that we use the gifts entrusted to us to continue the mission of the Church, the mission that was entrusted to the Apostles by Christ himself and which we strive to carry out each day.

As we begin a new year and a new decade I give thanks to God for each of you and assure you of my daily prayers. Please, pray for me and for our beloved Diocese of Covington.

Yours devotedly in the Lord,

Most Rev. Roger J. Foys

Most Rev. Roger J. Foys, D.D.
Bishop of Covington

Roman Catholic Diocese of Covington, Diocesan Curia CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30	2019	2018
Assets		
Cash and Cash Equivalents	\$ 5,858,331	\$ 8,084,456
Accounts Receivable, Net	445,795	831,247
Contributions Receivable, Net	1,963,679	1,695,533
Loans Receivable, Net	2,433,913	409,689
Notes Receivable, Net	13,358,707	13,602,775
Cemetery Property Held for Sale	180,066	214,719
Investments	31,151,986	28,714,548
Restricted Investments for Perpetual Care Fund	2,878,783	2,818,033
Property and Equipment, Net	13,476,281	13,343,000
Other Assets	592,102	579,676
Total Assets	72,339,643	70,293,676
Liabilities		
Accounts Payable and Accrued Expenses	1,009,185	1,487,361
Reserve for Incurred but not Reported Benefit Claims	784,336	661,986
Special Collections Payable	608,737	518,564
Pledges Payable, Net	239,788	177,160
Deposits Payable	13,960,818	10,198,038
Notes Payable, Net	13,330,010	13,464,119
Advances and Deferred Receipts	4,417,311	4,162,796
Priest Postretirement Liability	4,066,299	4,691,722
Total liabilities	38,416,284	35,341,746
Net Assets		
Without Donor Restrictions	25,093,998	26,244,044
With Donor Restrictions	8,829,361	8,707,886
Total Net Assets	33,923,359	34,951,930
Total Liabilities and Net Assets	\$ 72,339,643	\$ 70,293,676

See accountants' report and accompanying notes.

Roman Catholic Diocese of Covington, Diocesan Curia CONSOLIDATED STATEMENTS OF ACTIVITIES

Year Ended June 30	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, Gains and Other Support				
Parish Assessments	\$ 4,813,386	-	\$ 4,813,386	\$ 4,779,124
Diocesan Parish Annual Appeal	-	2,697,727	2,697,727	2,422,315
Dividends and Interest	703,660	220,756	924,416	817,161
Grants and Special Collections	73,154	433,590	506,744	376,387
Realized Gains on Investments	780,404	-	780,404	255,075
Unrealized Gains on Investments	815,874	-	815,874	1,265,317
Contributions and Bequests	101,850	936,325	1,038,175	1,046,589
Self-Insurance Premium Retention	456,236	-	456,236	437,833
Fees and Sales	4,276,809	-	4,276,809	4,505,777
Health Insurance Billings	9,196,146	-	9,196,146	8,777,042
Gain on Sale of Property and Equipment	55,794	-	55,794	2,342,106
Other Income	69,985	-	69,985	19,698
Net Assets Released From Restrictions	4,166,923	(4,166,923)	-	-
Total revenue, Gains and Other Support	25,510,221	121,475	25,631,696	27,044,224
Expenses				
Programs	9,885,146	-	9,885,146	9,889,839
Fundraising	419,118	-	419,118	412,370
Management and General:				
Episcopal Administration	1,894,905	-	1,894,905	2,151,098
Settlements, Legal Fees and Counseling	53,083	-	53,083	56,031
Related to Sexual Abuse	-	-	-	-
Grants Made by Diocese	1,498,314	-	1,498,314	1,192,576
Interest	689,029	-	689,029	573,323
Priest Post Employment Benefits	(67,330)	-	(67,330)	841,793
Secondary School Grants	1,546,060	-	1,546,060	1,506,242
Health Insurance Claims and Administration	10,569,405	-	10,569,405	9,030,248
Contributions and Assessments	172,537	-	172,537	191,226
Total Expenses	28,660,267	-	28,660,267	25,844,746
Change in Net Assets	(1,150,046)	121,475	(1,028,571)	1,199,478
Net Assets at Beginning of Year	26,244,044	8,707,886	34,951,930	33,752,452
Net Assets at End of Year	\$ 25,093,998	\$ 8,829,361	\$ 33,923,359	\$ 34,951,930

See accountants' report and accompanying notes.

Roman Catholic Diocese of Covington, Diocesan Curia CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended June 30	2019	2018
Cash Flows From Operating Activities		
Change in Net Assets	\$ (1,028,571)	\$ 1,199,478
Reconciliation of Change in Net Assets with Cash Flows From Operating Activities		
Depreciation	582,888	548,691
Amortization of Debt Issuance Cost Included in Interest	46,218	46,222
Realized Gains on Investments	(780,404)	(255,075)
Unrealized Gains on Investments	(815,874)	(1,265,317)
Gain on Sale of Property and Equipment	(25,394)	(2,512,555)
Loss on Sale of Other Assets	-	170,449
Interest credited directly to deposits	209,499	185,532
Changes in:		
Accounts and Contributions Receivable	117,306	272,312
Cemetery Property Held for Sale	34,653	47,270
Other Assets	(12,428)	65,020
Accounts Payable, Accrued Expenses and Other Liabilities	(662,783)	732,757
Reserve for Incurred but not Reported Benefit Claims	122,350	110,113
Cash Used by Operating Activities	(2,212,538)	(655,103)
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(737,233)	(591,274)
Proceeds From Sale of Property and Equipment	46,458	2,642,444
Proceeds from Sale of Other Assets	-	604,551
Purchases of Investments	(12,805,442)	(168,487)
Sales and Maturities of Investments	11,903,532	2,564,466
Issuance of New Loans	(12,710)	(7,608)
Payments Received on Loans	302,227	125,518
Cash Provided by Investing Activities	(1,303,168)	5,369,610
Cash Flows from Financing Activities		
New Deposits Received	1,922,296	2,164,909
Withdrawals of Deposits	(632,715)	(3,921,181)
Proceeds From Notes Payable	4,413,216	2,870,250
Disbursement of Notes Receivable	(4,413,216)	(2,870,250)
Cash Used by Financing Activities	1,289,581	(1,756,272)
Net change in Cash and Cash Equivalents	(2,226,125)	2,958,235
Cash, Beginning of Year	8,084,456	5,126,221
Cash, End of Year	\$ 5,858,331	\$ 8,084,456

See accountants' report and accompanying notes.