

# Annual report of the finances for the Diocese of Covington – June 30, 2020

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, 2020 and 2019. 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, parish elementary schools, secondary schools and other related institutions are not included in the accompanying financial information.

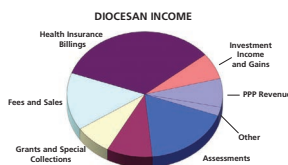
### Results of Operations

During this past fiscal year, total revenues increased from the prior year by 8.6%. This was mostly due to the Paycheck Protection Program funding for which the Diocese qualified due to the COVID-19 pandemic and the shutdown of our parishes. Total expenses increased by approximately 6.2%, primarily due to increases in diocesan grants and priest post-employment benefits.

### Operating Revenue

During the fiscal year ended June 30, 2020 the Diocese received operating revenue from the following sources which it used to fund its various ministries and services.

Assessments	\$ 4,981,629
Diocesan/Parish Annual Appeal	2,648,847
Grants and special collections	2,149,454
Fees and sales	4,136,627
Health insurance billings	9,340,182
Investment income/losses	1,903,600
Paycheck Protection Program	2,056,718
Other	624,163
<b>Total Operating Revenue</b>	<b>\$ 27,841,220</b>



• Assessments are comprised of two differing taxes on the parishes of the Diocese. A 6.75 % tax on the income of parishes provided \$2,848,521 of income to fund the administrative offices of the Diocese. A 5 % tax on the parishes of Kenton, Campbell, Boone and Mason counties provided \$2,133,108 of support for the secondary and urban schools of the Diocese.

• The Diocesan/Parish Annual Appeal for 2019 (ended on March 31, 2020; adjusted to fiscal year ended June 30, 2020) raised an amount totaling \$3,549,513. Of this amount \$900,695 was returned to parishes as rebates 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 2020 fiscal year:

ACUE tuition and fees	\$ 2,015,173
Cemetery fees and sales	870,589
Retreat Center fees and sales	515,107
Departmental fees and fundraising	308,517
Education office fees	252,748
Newspaper ads and subscriptions	174,093
<b>Total Fees and Sales</b>	<b>\$ 4,136,627</b>

• 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

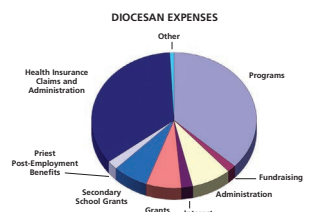
During the fiscal year ended June 30, 2020 the Diocese incurred programmatic costs, grant-making and departmental expenses as follows:

Program expenses	\$ 10,430,310
Health insurance claims/administration	9,806,120
Episcopal administration	2,205,191
Grants	1,938,158
Secondary school grants	1,956,472
Interest expense	632,424
Priest post-employment benefits	607,141
Fundraising expenses	484,249
Other expenses	234,281
<b>Total Operating Expense</b>	<b>\$ 28,314,346</b>

• 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	\$ 3,907,983
Seminary studies, vocations and deacon formation	1,021,016
Cemeteries	921,109
Diocesan properties	953,497
St. Anne's Retreat Center	942,391
Community and pastoral services	848,944
Education and formation	731,653
Clergy	476,309
Messenger	626,798
<b>Total Program Expenses</b>	<b>\$ 10,430,310</b>



• 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:

Parishes and schools	\$ 629,456
Cathedral operations	446,480
Priest Retirement Fund	275,000
Catholic Charities	250,000
Inner city grants	212,500
Educational assistance	85,000
Holy See	22,000
Mission outreach	7,131
Other grants	30,581
<b>Total Grants</b>	<b>\$ 1,958,158</b>

• 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.

Roman Catholic Diocese of Covington, Diocesan Curia CONSOLIDATED STATEMENTS OF FINANCIAL POSITION			
	2020	2019	
<b>Assets</b>			
Cash and Cash Equivalents	\$ 8,640,294	\$ 5,858,331	
Accounts Receivable, Net	902,454	438,973	
Loans Receivable, Net	3,146,051	2,433,913	
Notes Receivable, Net	14,128,437	13,558,707	
Unconditional Promises to Give, Net	2,983,003	1,070,501	
Cemetery Property Held for Sale	457,302	180,088	
Investments	24,222,535	31,151,580	
Restricted Investments for Perpetual Care Fund	2,941,534	2,878,783	
Property and Equipment, Net	13,280,516	13,476,281	
Other Assets	654,291	592,332	
<b>Total Assets</b>	<b>69,565,007</b>	<b>72,339,643</b>	
<b>Liabilities</b>			
Accounts Payable and Accrued Expenses	1,040,437	1,009,185	
Reserve for Incurred but not Reported Benefit Claims	835,482	784,338	
Special Collections Payable	682,183	608,737	
Pledges Payable, Net	147,517	239,788	
Deposits Payable	11,043,854	13,860,818	
Notes Payable, Net	14,132,540	13,230,010	
Advances and Deferred Receipts	4,163,107	4,417,311	
Priest Postemployment Liability	4,090,074	4,066,299	
<b>Total liabilities</b>	<b>38,114,774</b>	<b>38,418,284</b>	
<b>Net Assets</b>			
Without Donor Restrictions	24,123,228	25,003,908	
With Donor Restrictions	9,327,007	8,829,361	
<b>Total Net Assets</b>	<b>33,450,235</b>	<b>33,833,269</b>	
<b>Total Liabilities and Net Assets</b>	<b>\$ 69,565,007</b>	<b>\$ 72,339,643</b>	


See accountants' report and accompanying notes.

Roman Catholic Diocese of Covington, Diocesan Curia CONSOLIDATED STATEMENTS OF ACTIVITIES					
Year Ended June 30	Without Donor Restrictions		With Donor Restrictions		Total
	2020	2019	2020	2019	
<b>Revenues, Gains and Other Support</b>					
Parish Assessments	\$ 4,981,629	\$ -	\$ 4,981,629	\$ 4,813,398	
Diocesan Parish Annual Appeal	-	2,648,847	2,648,847	2,697,727	
Dividends and Interest	727,558	202,595	930,054	921,222	
Grants and Special Collections	20,555	405,979	426,534	506,744	
Realized Gains on Investments	1,415,591	-	1,415,591	730,446	
Unrealized Gains / (Losses) on Investments	(442,855)	-	(442,855)	815,874	
Contributions and Bequests	320,980	1,402,380	1,723,360	1,038,178	
Self-Insurance Premium Reversion	419,213	-	419,213	458,238	
Fees and Sales	4,136,627	-	4,136,627	4,280,003	
Health Insurance Billings	9,340,182	-	9,340,182	9,196,146	
Paycheck Protection Program Revenue, Net	2,056,718	-	2,056,718	-	
Gain on Sale of Property and Equipment	-	-	-	55,784	
Other Income	213,860	-	213,860	69,985	
Net Assets Released From Restrictions	4,162,046	(4,162,046)	-	-	
<b>Total revenue, Gains and Other Support</b>	<b>27,343,574</b>	<b>497,646</b>	<b>27,841,220</b>	<b>25,651,696</b>	
<b>Expenses</b>					
Programs	10,430,310	-	10,430,310	9,885,148	
Fundraising	484,249	-	484,249	419,118	
Management and General:					
Episcopal Administration	2,205,191	-	2,205,191	1,894,905	
Settlements, Legal Fees and Counseling	106,596	-	106,596	53,083	
Related to Sexual Abuse	1,958,158	-	1,958,158	1,498,314	
Grants Made by Diocese:					
Interest	632,424	-	632,424	689,029	
Priest Post Employment Benefits	607,141	-	607,141	(67,330)	
Secondary School Grants	1,956,472	-	1,956,472	1,546,000	
Health Insurance Claims and Administration	9,806,120	-	9,806,120	10,560,405	
Contributions and Assessments	127,885	-	127,885	123,637	
<b>Total Expenses</b>	<b>28,314,346</b>	<b>-</b>	<b>28,314,346</b>	<b>28,660,267</b>	
<b>Change in Net Assets</b>	<b>(970,772)</b>	<b>497,646</b>	<b>(473,126)</b>	<b>(1,028,571)</b>	
<b>Net Assets at Beginning of Year</b>	<b>25,003,998</b>	<b>8,829,361</b>	<b>33,833,359</b>	<b>34,861,900</b>	
<b>Net Assets at End of Year</b>	<b>\$ 24,123,228</b>	<b>\$ 9,327,007</b>	<b>\$ 33,450,235</b>	<b>\$ 33,833,359</b>	

See accountants' report and accompanying notes.

Roman Catholic Diocese of Covington, Diocesan Curia CONSOLIDATED STATEMENTS OF CASH FLOWS			
Year Ended June 30	2020	2019	
<b>Cash Flows From Operating Activities</b>			
Change in Net Assets	\$ (473,126)	\$ (1,028,571)	
Reconciliation of Change in Net Assets with Cash Flows From Operating Activities			
Depreciation	628,496	582,888	
Amortization of Debt Insurance Cost Included in Interest	46,218	46,218	
Realized Gains on Investments	(1,415,591)	(780,404)	
Unrealized Losses / (Gains) on Investments	442,055	(815,874)	
Gain on Sale of Property and Equipment	55,784	(25,394)	
Interest credited directly to deposits	201,494	209,499	
Changes in:			
Accounts and Contributions Receivable	(383,581)	117,306	
Unconditional Promises to Give, Net	(873,000)	-	
Cemetery Property Held for Sale	(277,338)	34,683	
Other Assets	(512,179)	(12,488)	
Accounts Payable, Accrued Expenses and Other Liabilities	(228,322)	(682,783)	
Reserve for Incurred but not Reported Benefit Claims	51,146	122,520	
<b>Cash Used by Operating Activities</b>	<b>(2,683,528)</b>	<b>(2,212,538)</b>	
<b>Cash Flows From Investing Activities</b>			
Purchases of Property and Equipment	(432,731)	(737,230)	
Proceeds From Sale of Property and Equipment	-	46,458	
Purchases of Investments	(4,864,975)	(12,805,442)	
Sales and Maturities of Investments	12,805,211	11,803,552	
Issuance of New Loans	(23,144)	(12,710)	
Payments Received on Loans	83,056	302,227	
<b>Cash Provided by Investing Activities</b>	<b>7,347,287</b>	<b>(1,303,188)</b>	
<b>Cash Flows From Financing Activities</b>			
New Deposits Received	1,080,769	1,922,296	
Withdrawals of Deposits	(4,949,226)	(632,715)	
Proceeds From Notes Payable	3,811,474	4,413,216	
Disbursement of Notes Receivable	(3,824,892)	(4,413,216)	
<b>Cash Used by Financing Activities</b>	<b>(3,881,765)</b>	<b>1,289,581</b>	
<b>Change in Cash and Cash Equivalents</b>	<b>781,993</b>	<b>(2,288,153)</b>	
<b>Cash, Beginning of Year</b>	<b>\$ 5,858,331</b>	<b>\$ 8,046,456</b>	
<b>Cash, End of Year</b>	<b>\$ 6,640,324</b>	<b>\$ 5,858,331</b>	

See accountants' report and accompanying notes.



January 2021

My dear Brothers and Sisters,

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 annual audit is complete, the financial statements are presented to our Diocesan Finance Council for their review. This review and the subsequent acceptance by our Diocesan Finance Council occurred in October 2020. Accordingly, I am pleased to present to all parishioners of our Diocese the financial statements of the Diocese of Covington as of June 2020.

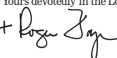
To say that the calendar year 2020 was an exceptional year is a great understatement! The COVID-19 pandemic has changed so much in all of our lives that we could never have imagined. Our lives were turned upside down and inside out. New protocols, guidelines, recommendations and restrictions became the order of the day. No longer could we take so many things that affect our daily lives for granted. We had to learn a new way of relating, a new way of working, a new way of living! So very much has changed in the course of nine or ten months that it is mind boggling.

And yet, through it all, the one thing that has not changed, the one constant in our lives, the one thing we can always depend on is our faith. The Lord is always with us. It is the Lord that has given us the strength to live our lives — although changed in many ways — these many months as we battle the pandemic. And we have seen in the constant support — materially and in other ways — of our parishioners that faith in action. Difficult times bring out the best — and unfortunately in some cases, the worst — in us. And we have observed that best in so very many of you. God bless you for that! Thank you for enabling the mission of the Church to continue, to thrive. God will certainly reward your generosity.

I take this opportunity to express my gratitude also to our Diocesan Finance Council and to the staff of our Diocesan Finance Office. Their diligence ensures that we use the gifts entrusted to us to continue the mission that Christ entrusted to His Apostles and which we endeavor to carry out each day.

As we begin the year 2021 I thank God for each of you and entrust you to His loving care. Be assured of my prayers. Please, pray for me and for our beloved Diocese of Covington.

Yours devotedly in the Lord,



Most Rev. Roger J. Foy, D.D., S.T.D.  
Bishop of Covington