

Annual report of the finances for the Diocese of Covington – June 30, 2021

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, 2021 and 2020. 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.

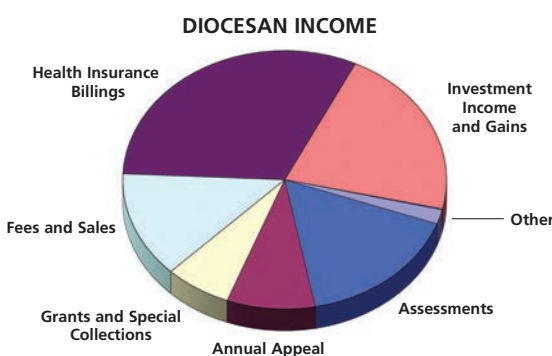
Results of Operations

During this past fiscal year, total revenues increased from the prior year by 5.9 percent. This was mostly due to increased investment returns experienced during the robust equities market. Total expenses decreased by 7.3 percent, primarily due to decreases in programmatic Curia expenses.

Operating Revenue

During the fiscal year ended June 30, 2021 the Diocese received operating revenue from the following sources which it used to fund its various ministries and services.

Health insurance billings	\$ 9,272,151
Investment income and gains	6,324,970
Assessments	4,838,918
Fees and sales	3,927,063
Diocesan/Parish Annual Appeal	2,596,590
Grants and special collections	1,955,286
Other	563,574
Total Operating Revenue	\$ 29,478,572



Assessments are comprised of two differing taxes on the parishes of the Diocese. A 6.75 percent tax on the income of parishes provided \$2,789,962 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 \$2,048,956 of support for the secondary and urban schools of the Diocese.

The Diocesan/Parish Annual Appeal for 2020 (ended on March 31, 2021; adjusted to fiscal year ended June 30, 2021) raised an amount totaling \$3,473,446. Of this amount \$876,856 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 2021 fiscal year:

ACUE tuition and fees	\$ 1,823,377
Cemetery fees and sales	1,376,551
Departmental fees and fundraising	261,218
Education office fees	257,865
Newspaper ads and subscriptions	181,963
Retreat Center fees and sales	26,089
Total Fees and Sales	\$ 3,927,063

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

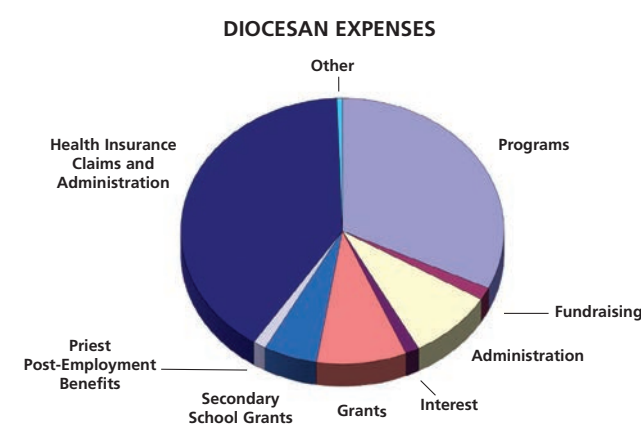
During the fiscal year ended June 30, 2021 the Diocese incurred programmatic costs, grant-making and departmental expenses as follows:

Health insurance claims/administration	\$ 10,546,595
Program expenses	8,418,279
Grants	2,371,264
Episcopal administration	2,260,226
Secondary school grants	1,402,636
Fundraising expenses	395,065
Interest expense	356,682
Priest post-employment benefits	347,887
Other expenses	148,495
Total Operating Expense	\$ 26,247,129

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	\$ 3,188,937
Diocesan properties	993,436
Cemeteries	876,790
St. Anne's Retreat Center	681,279
Seminary studies, vocations and deacon formation	621,567
Messenger	602,906
Community and pastoral services	587,124
Education and formation	540,889
Clergy	325,351
Total Program Expenses	\$ 8,418,279



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, schools and other Diocesan institutions from the Annual Appeal and from other Diocesan revenues as follows:

Thomas More University	\$ 777,949
Cathedral operations	671,789
Priest Retirement Fund	250,000
Catholic Charities	250,000
Inner city grants	212,500
Parishes and schools	94,721
Educational assistance	75,000
Holy See	22,000
Mission outreach	5,119
Other grants	12,186
Total Grants	\$ 2,371,264

Roman Catholic Diocese of Covington, Diocesan Curia CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
June 30	2021	2020
Assets		
Cash and Cash Equivalents	\$ 7,394,469	\$ 6,640,294
Accounts Receivable, Net	654,502	802,454
Loans Receivable, Net	3,190,845	3,144,051
Notes Receivable, Net	11,781,658	14,128,437
Unconditional Promises to Give, Net	1,677,597	2,843,803
Cemetery Property Held for Sale	409,556	457,302
Investments	28,493,758	24,322,535
Restricted Investments for Perpetual Care Fund	3,025,798	2,941,534
Property and Equipment, Net	13,196,956	13,280,516
Other Assets	766,899	904,281
Total Assets	70,572,038	69,565,007
Liabilities		
Accounts Payable and Accrued Expenses	1,141,540	1,040,437
Reserve for Incurred but not Reported Benefit Claims	673,300	835,482
Special Collections Payable	730,305	662,163
Pledges Payable, Net	751,919	147,317
Deposits Payable	10,940,943	11,043,854
Notes Payable, Net	11,767,451	14,132,540
Advances and Deferred Receipts	3,803,023	4,163,107
Priest Postretirement Liability	4,082,781	4,090,074
Total liabilities	33,890,362	36,114,774
Net Assets		
Without Donor Restrictions	26,657,396	24,123,226
With Donor Restrictions	10,024,280	9,327,007
Total Net Assets	36,681,676	33,450,233
Total Liabilities and Net Assets	\$ 70,572,038	\$ 69,565,007

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	Total
Revenues, Gains and Other Support				
Parish Assessments	\$ 4,838,918	\$ -	\$ 4,838,918	\$ 4,981,629
Diocesan Parish Annual Appeal	-	2,596,590	2,596,590	2,648,847
Dividends and Interest	625,068	30,020	655,088	930,064
Grants and Special Collections	-	344,013	344,013	426,534
Realized Gains on Investments	1,057,551	303,841	1,361,392	1,415,591
Unrealized Gains / (Losses) on Investments	3,409,503	898,987	4,308,490	(442,055)
Contributions and Bequests	491,039	1,120,234	1,611,273	1,722,920
Self-Insurance Premium Retention	501,776	-	501,776	410,213
Fees and Sales	3,927,083	-	3,927,083	4,136,627
Health Insurance Billings	9,272,151	-	9,272,151	9,340,182
Paycheck Protection Program Revenue, Net	-	-	-	2,056,718
Gain on Sale of Property and Equipment	28,926	-	28,926	-
Other Income	32,872	-	32,872	213,950
Net Assets Released From Restrictions	4,864,659	(4,864,659)	-	-
Total revenue, Gains and Other Support	29,049,546	429,026	29,478,572	27,841,220
Expenses				
Programs	8,418,279	-	8,418,279	10,430,310
Fundraising	395,065	-	395,065	484,249
Management and General:				
Episcopal Administration	2,260,226	-	2,260,226	2,205,191
Settlements, Legal Fees and Counseling	-	-	-	106,596
Related to Sexual Abuse	20,031	-	20,031	1,958,158
Grants Made by Diocese	2,371,264	-	2,371,264	356,682
Interest	356,682	-	356,682	632,424
Priest Post Employment Benefits	347,887	-	347,887	607,141
Secondary School Grants	1,402,636	-	1,402,636	1,956,472
Health Insurance Claims and Administration	10,546,595	-	10,546,595	9,806,120
Contributions and Assessments	128,464	-	128,464	127,695
Total Expenses	26,247,129	-	26,247,129	28,314,346
Change in Net Assets	2,802,417	429,026	3,231,443	(473,126)
Net Assets at Beginning of Year	23,854,979	9,595,254	33,450,233	33,923,359
Net Assets at End of Year	\$ 26,657,396	\$ 10,024,280	\$ 36,681,676	\$ 33,450,233

See accountants' report and accompanying notes.

Roman Catholic Diocese of Covington, Diocesan Curia CONSOLIDATED STATEMENTS OF CASH FLOWS		
Year Ended June 30	2021	2020
Cash Flows From Operating Activities		
Change in Net Assets	\$ 3,231,443	\$ (473,126)
Reconciliation of Change in Net Assets with Cash Flows From Operating Activities		
Depreciation	645,727	628,496
Amortization of Debt Issuance Cost Included in Interest	46,219	46,218
Realized Gains on Investments	(1,361,392)	(1,415,591)
Unrealized Losses / (Gains) on Investments	(4,308,490)	442,055
Gain on Sale of Property and Equipment	(28,926)	(28,926)
Interest credited directly to deposits	127,209	201,494
Changes in		
Accounts and Contributions Receivable	147,952	(363,581)
Unconditional Promises to Give, Net	1,266,008	(973,002)
Cemetery Property Held for Sale	47,746	(277,236)
Other Assets	137,382	(312,178)
Accounts Payable, Accrued Expenses and Other Liabilities	406,470	(238,222)
Reserve for Incurred but not Reported Benefit Claims	(162,182)	51,146
Cash Used by Operating Activities	195,164	(2,683,528)
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(517,736)	(432,731)
Proceeds From Sale of Property and Equipment	40,379	-
Purchases of Investments	(8,408,141)	(4,864,975)
Sales and Maturities of Investments	9,822,536	12,605,211
Issuance of New Loans	(175,247)	(23,144)
Payments Received on Loans	128,453	63,006
Cash Provided by Investing Activities	890,244	7,347,367
Cash Flows from Financing Activities		
New Deposits Received	2,165,223	1,080,768
Withdrawals of Deposits	(2,396,043)	(4,949,226)
Payments on Notes Payable	(24,596)	-
Proceeds From Notes Payable	(75,817)	-
Disbursement of Notes Receivable	-	3,511,474
Cash Used by Financing Activities	(331,233)	(3,861,876)
Net change in Cash and Cash Equivalents	754,175	781,963
Cash, Beginning of Year	6,640,294	5,858,331
Cash, End of Year	\$ 7,394,469	\$ 6,640,294

See accountants' report and accompanying notes.



January 2022

Dear Brothers and Sisters in Christ,

I give thanks to God for you! I can't help but be struck by the generosity and faith of the Catholic people of the Diocese of Covington. I have met so many wonderful people doing so many amazing things for our Lord and the Church. Even during the pandemic you carry on with the work of evangelization, catechesis, and charity. You provide for the needs of the Church, even building and making investments for the future. You pray with devotion for me, your priests, and members of the community. You exercise care for your family and neighbors. Thank you for that faithful example!

As your pastor, I hope to match your generosity and stewardship with careful management of what you entrust to the Diocese. I want to affirm that professionalism and good judgment are the rule of the day in using the financial and temporal gifts that you offer sacrificially. Therefore, I am happy to continue the practice of presenting a financial report in our Diocesan newspaper, the *Messenger*.

You will see that an independent public accounting firm has again issued an unmodified opinion on the Diocesan financial statements for the past fiscal year (ending June 30, 2021). This is the highest level of assurance attainable. The Diocesan Finance Council reviewed these statements and audit reports and accepted them in October 2021. Now it is your turn to review these statements for yourself.

These financial statements are more than just ledgers and balance sheets. They are a testament to the love and faith that each of you has for the kingdom of God here on Earth. It is that faith and love that sustains the Church. We invest more than our temporal goods in what we love most. For love, we lay down our lives. Thank you for your love for the mission of Jesus that is the essence of the Church. God will certainly reward you for your love, faith, and 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 this new year, 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 and gratefully in the Lord,

+ John C. Iffert

Most Rev. John C. Iffert
Bishop of Covington

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	\$ 151,028
Mission Cooperative (ACUE)	108,186
International and domestic needs	100,619
Holy Father collection for worldwide charities (Peter's Pence)	48,944
Natural Disaster Relief	90,127
Statewide pregnancy counseling (Opportunities for Life)	23,196
Other special collections	3,184
Total Special Collections	\$ 525,284

Respectfully Submitted,

Dale Henson

Dale Henson, CPA
Chief Financial Officer
Diocese of Covington