

**ROMAN CATHOLIC DIOCESE OF COVINGTON,
OFFICES OF THE CURIA**

June 30, 2020

*CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT*

**ROMAN CATHOLIC DIOCESE OF COVINGTON, OFFICES OF THE CURIA
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INDEPENDENT AUDITORS' REPORT

Diocesan Finance Council
Roman Catholic Diocese of Covington, Offices of the Curia
Covington, Kentucky

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Roman Catholic Diocese of Covington, Offices of the Curia (the Diocese) (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Roman Catholic Diocese of Covington, Offices of the Curia as of June 30, 2020 and 2019, and the changes in its consolidated net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in the notes to the consolidated financial statements, during 2020, Roman Catholic Diocese of Covington, Offices of the Curia adopted Accounting Standards Update (ASU) No 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* and ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. Our opinion is not modified with respect to these matters.

VonLehman & Company Inc.

Fort Wright, Kentucky
October 13, 2020

**ROMAN CATHOLIC DIOCESE OF COVINGTON, OFFICES OF THE CURIA
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

ASSETS

| | June 30, | |
|--|----------------------|----------------------|
| | 2020 | 2019 |
| Assets | | |
| Cash | \$ 6,640,294 | \$ 5,858,331 |
| Accounts Receivable, Net | 802,454 | 438,873 |
| Loans Receivable, Net | 3,144,051 | 2,433,913 |
| Notes Receivable, Net | 14,128,437 | 13,358,707 |
| Unconditional Promises to Give, Net | 2,943,603 | 1,970,601 |
| Cemetery Property Held for Sale | 457,302 | 180,066 |
| Investments | 24,322,535 | 31,151,986 |
| Restricted Investments for Perpetual Care Fund | 2,941,534 | 2,878,783 |
| Property and Equipment, Net | 13,280,516 | 13,476,281 |
| Other Assets | 904,281 | 592,102 |
| | Total Assets | \$ 72,339,643 |
| | \$ 69,565,007 | \$ 72,339,643 |

LIABILITIES AND NET ASSETS

| | | |
|--|--------------------------|----------------------|
| Liabilities | | |
| Accounts Payable and Accrued Expenses | \$ 1,040,437 | \$ 1,009,185 |
| Reserve for Incurred but not Reported Benefit Claims | 835,482 | 784,336 |
| Special Collections Payable | 662,163 | 608,737 |
| Pledges Payable, Net | 147,317 | 239,788 |
| Deposits Payable | 11,043,654 | 13,960,618 |
| Notes Payable, Net | 14,132,540 | 13,330,010 |
| Advances and Deferred Receipts | 4,163,107 | 4,417,311 |
| Priest Postretirement Liability | 4,090,074 | 4,066,299 |
| | Total Liabilities | 38,416,284 |
| | 36,114,774 | 38,416,284 |
| Net Assets | | |
| Without Donor Restrictions | 24,123,226 | 25,093,998 |
| With Donor Restrictions | 9,327,007 | 8,829,361 |
| | Total Net Assets | 33,923,359 |
| | 33,450,233 | 33,923,359 |
| Total Liabilities and Net Assets | \$ 69,565,007 | \$ 72,339,643 |
| | \$ 69,565,007 | \$ 72,339,643 |

See accompanying notes.

**ROMAN CATHOLIC DIOCESE OF COVINGTON, OFFICES OF THE CURIA
CONSOLIDATED STATEMENT OF ACTIVITIES**

| | Year Ended June 30, 2020 | | |
|---|----------------------------------|-------------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenues, Support, Gains and Reclassifications | | | |
| Parish Assessments | \$ 4,981,629 | \$ - | \$ 4,981,629 |
| Diocesan Parish Annual Appeal | - | 2,648,847 | 2,648,847 |
| Dividends and Interest, Net | 727,558 | 202,506 | 930,064 |
| Grants and Special Collections | 20,555 | 405,979 | 426,534 |
| Realized Gains on Investments | 1,415,591 | - | 1,415,591 |
| Unrealized Losses on Investments | (442,055) | - | (442,055) |
| Contributions and Bequests | 320,560 | 1,402,360 | 1,722,920 |
| Self-Insurance Premium Retention | 410,213 | - | 410,213 |
| Fees and Sales | 4,136,627 | - | 4,136,627 |
| Health Insurance Billings | 9,340,182 | - | 9,340,182 |
| Payroll Protection Program Revenue, Net | 2,056,718 | - | 2,056,718 |
| Other Income | 213,950 | - | 213,950 |
| Net Assets Released From Restrictions | 4,162,046 | (4,162,046) | - |
| | 27,343,574 | 497,646 | 27,841,220 |
| Expenses | | | |
| Programs | 10,430,310 | - | 10,430,310 |
| Fundraising | 484,249 | - | 484,249 |
| Management and General | | | |
| Episcopal Administration | 2,205,191 | - | 2,205,191 |
| Settlements, Legal Fees and Counseling Related to Sexual Abuse | 106,596 | - | 106,596 |
| Grants Made by Diocese | 1,958,158 | - | 1,958,158 |
| Interest | 632,424 | - | 632,424 |
| Priest Post Employment Benefits | 607,141 | - | 607,141 |
| Depreciation | - | - | - |
| Secondary School Grants | 1,956,472 | - | 1,956,472 |
| Health Insurance Claims and Administration | 9,806,120 | - | 9,806,120 |
| Contributions and Assessments | 127,685 | - | 127,685 |
| Other | - | - | - |
| | 28,314,346 | - | 28,314,346 |
| Change in Net Assets | (970,772) | 497,646 | (473,126) |
| Net Assets, Beginning of Year | 25,093,998 | 8,829,361 | 33,923,359 |
| Net Assets, End of Year | \$ 24,123,226 | \$ 9,327,007 | \$ 33,450,233 |

See accompanying notes.

**ROMAN CATHOLIC DIOCESE OF COVINGTON, OFFICES OF THE CURIA
CONSOLIDATED STATEMENT OF ACTIVITIES**

| | Year Ended June 30, 2019 | | |
|---|----------------------------------|-------------------------------|---------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenues, Support, Gains and Reclassifications | | | |
| Parish Assessments | \$ 4,813,386 | \$ - | \$ 4,813,386 |
| Diocesan Parish Annual Appeal | - | 2,697,727 | 2,697,727 |
| Dividends and Interest, Net | 700,466 | 220,756 | 921,222 |
| Grants and Special Collections | 73,154 | 433,590 | 506,744 |
| Realized Gains on Investments | 780,404 | - | 780,404 |
| Unrealized Gains on Investments | 815,874 | - | 815,874 |
| Contributions and Bequests | 101,850 | 936,325 | 1,038,175 |
| Self-Insurance Premium Retention | 456,236 | - | 456,236 |
| Fees and Sales | 4,280,003 | - | 4,280,003 |
| Health Insurance Billings | 9,196,146 | - | 9,196,146 |
| Gain on Sale of Property and Equipment and Other Assets | 55,794 | - | 55,794 |
| Other Income | 69,985 | - | 69,985 |
| Net Assets Released From Restrictions | 4,166,923 | (4,166,923) | - |
| | 25,510,221 | 121,475 | 25,631,696 |
| Expenses | | | |
| Programs | 9,885,146 | - | 9,885,146 |
| Fundraising | 419,118 | - | 419,118 |
| Management and General Episcopal Administration | 1,894,905 | - | 1,894,905 |
| Settlements, Legal Fees and Counseling Related to Sexual Abuse | 53,083 | - | 53,083 |
| Grants Made by Diocese | 1,498,314 | - | 1,498,314 |
| Interest | 689,029 | - | 689,029 |
| Priest Post Employment Benefits | (67,330) | - | (67,330) |
| Secondary School Grants | 1,546,060 | - | 1,546,060 |
| Health Insurance Claims and Administration | 10,569,405 | - | 10,569,405 |
| Contributions and Assessments | 172,537 | - | 172,537 |
| | 26,660,267 | - | 26,660,267 |
| Change in Net Assets | (1,150,046) | 121,475 | (1,028,571) |
| Net Assets, Beginning of Year | 26,244,044 | 8,707,886 | 34,951,930 |
| Net Assets, End of Year | \$ 25,093,998 | \$ 8,829,361 | \$ 33,923,359 |

See accompanying notes.

**ROMAN CATHOLIC DIOCESE OF COVINGTON, OFFICES OF THE CURIA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

| | Programs | | | | | | | | | | Fundraising | Management and General | Other | Total |
|--|---------------------|---------------------|-------------------|-------------------|------------------------|-------------------|-------------------|-------------------------|-------------------|----------------------|-------------------|---------------------------|----------------------|----------------------|
| | ACUE | Education | Seminary | Clergy | Community/ Pastoral | Retreat Center | Messenger | Facility and Project | Cemeteries | Total | | | | |
| Salaries | \$ 3,259,992 | \$ 712,794 | \$ 149,640 | \$ 288,451 | \$ 615,911 | \$ 628,818 | \$ 303,074 | \$ 308,004 | \$ 464,639 | \$ 6,731,323 | \$ 280,774 | \$ 1,448,267 | \$ - | \$ 8,460,364 |
| Events, Masses, Receptions | 58,533 | 152,679 | 91,481 | 54,914 | 104,306 | 400 | - | 3,079 | 2,211 | 467,603 | 3,338 | 94,615 | - | 565,556 |
| Supplies, Books, Subscriptions | 15,640 | 38,449 | 171,281 | 1,937 | 21,139 | 60,315 | 16,943 | 112,427 | 33,920 | 472,051 | 1,338 | 15,975 | - | 489,364 |
| Telecommunications | 50,991 | 2,578 | 1,019 | 280 | 1,684 | 5,999 | 2,064 | 19,584 | 6,179 | 90,378 | 1,116 | 12,474 | - | 103,968 |
| Postage | 15,109 | 642 | 368 | 200 | 3,168 | 55 | 144,074 | 179 | 276 | 164,071 | 769 | 10,414 | - | 175,254 |
| Printing | 6,030 | 2,689 | 38 | 103 | 5,783 | - | 128,544 | 116 | 1,090 | 144,393 | 5,338 | 10,266 | - | 159,997 |
| Building and Property Expenses | 290,260 | 54,163 | 6,124 | 4,692 | 74,444 | 140,776 | 26,604 | (23,828) | 253,836 | 827,071 | 18,276 | 138,330 | - | 983,677 |
| Travel/Fuel | 10 | 1,821 | 13,204 | 1,469 | 8,812 | 42 | 1,459 | 16,420 | 287 | 43,524 | 107 | 84,789 | - | 128,420 |
| Professional Fees, Dues, and Services | 194,243 | 500 | 2,480 | 66,438 | 12,067 | 21,923 | 3,316 | 15,122 | 14,810 | 330,899 | 1,785 | 253,490 | - | 586,174 |
| Cost of Sales | - | - | - | - | - | - | - | - | 52,688 | 52,688 | - | - | - | 52,688 |
| Other | 11,389 | 15,995 | - | - | - | 4,186 | 720 | 1,328 | 113 | 33,731 | - | 24,949 | - | 58,680 |
| Donor Maintenance | - | - | - | - | - | - | - | - | - | - | 171,408 | - | - | 171,408 |
| Insurance | - | - | - | - | 1,630 | 26,308 | - | 54,318 | 24,651 | 106,907 | - | 106,662 | - | 213,569 |
| Grants | - | - | - | - | - | - | - | - | - | - | - | - | 1,958,158 | 1,958,158 |
| Interest | - | - | - | - | - | - | - | - | - | - | - | - | 632,424 | 632,424 |
| Bad Debt | - | 38,706 | 2,106 | - | - | - | - | - | (4,044) | 36,768 | - | 4,500 | - | 41,268 |
| Tuition/Room and Board | - | - | 293,892 | 58,455 | - | - | - | - | - | 352,347 | - | - | - | 352,347 |
| Priest Post Employment Benefits | - | - | - | - | - | - | - | - | - | - | - | - | 607,141 | 607,141 |
| Depreciation | 5,786 | - | - | - | - | 53,569 | - | 446,748 | 70,453 | 576,556 | - | 460 | - | 577,016 |
| Secondary School | - | - | - | - | - | - | - | - | - | - | - | - | 1,956,472 | 1,956,472 |
| Health Insurance | - | - | - | - | - | - | - | - | - | - | - | - | 9,806,120 | 9,806,120 |
| Contributions and Assessments | - | - | - | - | - | - | - | - | - | - | - | - | 127,685 | 127,685 |
| Settlements, Legal Fees, and Counseling Related to Sexual Abuse | - | - | - | - | - | - | - | - | - | - | - | - | 106,596 | 106,596 |
| Total Expenses by Function | \$ 3,907,983 | \$ 1,021,016 | \$ 731,633 | \$ 476,939 | \$ 848,944 | \$ 942,391 | \$ 626,798 | \$ 953,497 | \$ 921,109 | \$ 10,430,310 | \$ 484,249 | \$ 2,205,191 | \$ 15,194,596 | \$ 28,314,346 |

See accompanying notes.

ROMAN CATHOLIC DIOCESE OF COVINGTON, OFFICES OF THE CURIA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

| | Programs | | | | | | | | | | Fundraising | Management and General | Other | Total |
|--|---------------------|-------------------|-------------------|-------------------|------------------------|-------------------|-------------------|-------------------------|-------------------|---------------------|-------------------|---------------------------|----------------------|----------------------|
| | ACUE | Education | Seminary | Clergy | Community/ Pastoral | Retreat Center | Messenger | Facility and Project | Cemeteries | Total | | | | |
| Salaries | \$ 2,984,663 | \$ 575,405 | \$ 117,424 | \$ 223,613 | \$ 488,032 | \$ 504,357 | \$ 317,095 | \$ 245,747 | \$ 352,477 | \$ 5,808,813 | \$ 235,580 | \$ 1,213,625 | \$ - | \$ 7,258,018 |
| Events, Masses, Receptions | 99 | 84,002 | 89,637 | 66,302 | 152,930 | - | 464 | 976 | 394,410 | 4,972 | 111,464 | - | - | 510,846 |
| Supplies, Books, Subscriptions | 20,851 | 41,495 | 191,041 | 910 | 69,371 | 81,457 | 16,894 | 82,260 | 24,493 | 528,772 | 2,193 | 19,263 | - | 550,228 |
| Telecommunications | 79,046 | 2,768 | 976 | 280 | 2,078 | 4,568 | 2,752 | 22,382 | 6,730 | 121,580 | 1,433 | 11,514 | - | 134,527 |
| Postage | 16,418 | 2,577 | 1,188 | 186 | 4,406 | - | 149,006 | 194 | 260 | 174,235 | 1,562 | 19,684 | - | 195,481 |
| Printing | 22,306 | 3,439 | 5 | 205 | 9,816 | - | 141,652 | 898 | 80 | 178,401 | 2,400 | 12,780 | - | 193,581 |
| Building and Property Expenses | 330,235 | 38,460 | 4,836 | 3,732 | 64,681 | 161,196 | 25,146 | (31,644) | 239,389 | 836,031 | 14,652 | 111,807 | - | 962,490 |
| Travel/Fuel | 1,105 | 3,099 | 3,007 | 3,060 | 9,141 | 6 | 3,770 | 17,684 | 1,395 | 42,267 | 164 | 37,361 | - | 79,792 |
| Professional Fees, Dues, and Services | 262,372 | 3,162 | 3,432 | 87,786 | 8,805 | 21,554 | 4,493 | 17,099 | 25,635 | 434,338 | 425 | 221,610 | - | 656,373 |
| Cost of Sales | - | - | - | - | - | - | - | - | 73,885 | 73,885 | - | - | - | 73,885 |
| Other | 9,964 | 1,242 | 2,431 | - | 518 | 7,335 | 212 | - | - | 21,702 | - | 45,922 | - | 67,624 |
| Donor Maintenance | - | - | - | - | - | - | - | - | - | - | 155,737 | - | - | 155,737 |
| Insurance | 6,052 | - | - | - | 1,392 | 26,577 | - | 57,264 | 29,562 | 120,847 | - | 89,533 | - | 210,380 |
| Grants | - | - | - | - | - | - | - | - | - | - | - | - | 1,498,314 | 1,498,314 |
| Interest | - | - | - | - | - | - | - | - | - | - | - | - | 689,029 | 689,029 |
| Bad Debt | 62,496 | - | - | - | - | - | - | - | 120,644 | 183,140 | - | - | - | 183,140 |
| Tuition/Room and Board | - | - | 327,552 | 83,430 | - | - | - | - | - | 410,982 | - | - | - | 410,982 |
| Priest Post Employment Benefits | - | - | - | - | - | - | - | - | - | - | - | - | (67,330) | (67,330) |
| Depreciation | 1,535 | - | - | - | - | 49,747 | - | 452,718 | 51,743 | 555,743 | - | 342 | - | 556,085 |
| Secondary School | - | - | - | - | - | - | - | - | - | - | - | - | 1,546,060 | 1,546,060 |
| Health Insurance | - | - | - | - | - | - | - | - | - | - | - | - | 10,569,405 | 10,569,405 |
| Contributions and Assessments | - | - | - | - | - | - | - | - | - | - | - | - | 172,537 | 172,537 |
| Settlements, Legal Fees, and Counseling Related to Sexual Abuse | - | - | - | - | - | - | - | - | - | - | - | - | 53,083 | 53,083 |
| Total Expenses by Function | \$ 3,797,142 | \$ 755,649 | \$ 741,529 | \$ 469,504 | \$ 811,170 | \$ 856,797 | \$ 661,020 | \$ 865,066 | \$ 927,269 | \$ 9,885,146 | \$ 419,118 | \$ 1,894,905 | \$ 14,461,098 | \$ 26,660,267 |

See accompanying notes.

**ROMAN CATHOLIC DIOCESE OF COVINGTON, OFFICES OF THE CURIA
CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Years Ended June 30, | |
|---|-----------------------------|---------------------|
| | 2020 | 2019 |
| Cash Flows From Operating Activities | | |
| 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 Issuance 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 | - | (25,394) |
| Interest Credited Directly to Deposits | 201,494 | 209,499 |
| Changes in | | |
| Accounts Receivable, Net | (363,581) | 117,306 |
| Unconditional Promises to Give, Net | (973,002) | - |
| Cemetery Property Held for Sale | (277,236) | 34,653 |
| Other Assets | (312,179) | (12,426) |
| Accounts Payable, Accrued Expenses and Other Liabilities | (238,222) | (662,783) |
| Reserve for Incurred but not Reported Benefit Claims | 51,146 | 122,350 |
| | (2,683,528) | (2,212,538) |
| Cash Flows From Investing Activities | | |
| Purchase of Property and Equipment | (432,731) | (737,233) |
| Proceeds From Sale of Property and Equipment | - | 46,458 |
| Purchase of Investments | (4,864,975) | (12,805,442) |
| Sales and Maturities of Investments | 12,605,211 | 11,903,532 |
| Issuance of New Loans | (23,144) | (12,710) |
| Payments Received on Loans | 63,006 | 302,227 |
| | 7,347,367 | (1,303,168) |
| Cash Flows From Financing Activities | | |
| New Deposits Received | 1,080,768 | 1,922,296 |
| Withdrawals of Deposits | (4,949,226) | (632,715) |
| Proceeds From Notes Payable | 3,611,474 | 4,413,216 |
| Disbursement of Notes Receivable | (3,624,892) | (4,413,216) |
| | (3,881,876) | 1,289,581 |
| Cash (Used) Provided by Financing Activities | | |
| | (3,881,876) | 1,289,581 |
| Net Change in Cash and Cash Equivalents | 781,963 | (2,226,125) |
| Cash, Beginning of Year | 5,858,331 | 8,084,456 |
| Cash, End of Year | \$ 6,640,294 | \$ 5,858,331 |

See accompanying notes.

**ROMAN CATHOLIC DIOCESE OF COVINGTON, OFFICES OF THE CURIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles of Consolidation

Roman Catholic Diocese of Covington, Offices of the Curia (the Diocese) is a nonprofit entity, founded and existing under the laws of the Commonwealth of Kentucky and commencing operations in 1853. The Diocese provides programs and services to various parishes, schools and religious organizations in the Northern Kentucky area.

The accompanying consolidated financial statements include the assets, liabilities and financial activities of all offices and organizations providing services at the diocesan level of administration, which are fiscally responsible to and controlled by the Bishop of the Diocese as those terms are defined in relevant accounting literature. The consolidated financial statements include the central administrative and program offices and departments of the Diocese, Cemeteries, Messenger, St. Anne's Retreat Center, Diocesan Parish Annual Appeal, Secondary School Fund, Self-Insured Health Insurance Program and Alliance for Catholic Urban Education (ACUE). All significant inter-organizational balances and transactions have been eliminated for purpose of this presentation.

Various religious orders, lay societies and religious organizations which operate within the Diocese, but which are governed by their own boards of directors, such as Catholic Charities, Thomas More University, St. Elizabeth Hospital, Diocesan Catholic Children's Home, and parishes and their related institutions and high schools, are not included in the accompanying consolidated financial statements.

The Diocese's viability is dependent on contributions, the financial sustainability of its parishes, schools and institutions, and the ability to collect on its contracts with customers.

Use of Estimates

The process of preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Certain estimates relate to unsettled transactions and events as of the date of the consolidated financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

Accounts, Loans, and Notes Receivable

Accounts, loans, and notes receivable are stated at their contractual outstanding balances, net of any allowance for doubtful accounts. Accounts are considered past due if any portion of an account has not been paid in full within the contractual terms of the account or the anticipated due date. The Diocese begins to assess its ability to collect receivables that are over 90 days past due and provides an adequate allowance for doubtful accounts based on the Diocese's collection history, the financial stability and recent payment history of the grantors and clients, and other pertinent factors.

Receivables are written off as uncollectible after the Diocese has used reasonable collection efforts and deems them uncollectible. Based on these criteria, the Diocese has estimated an allowance for doubtful accounts of \$128,828 and \$916,312 at June 30, 2020 and 2019, respectively, for accounts receivable, an allowance for doubtful accounts of \$718,632 at both June 30, 2020 and 2019 for loans receivable, and no allowance for doubtful accounts has been provided at either June 30, 2020 and 2019 for notes receivable since the Diocese does not expect any material losses.

Promises to Give

The Diocese records unconditional promises to give that are expected to be collected at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statements of activities. The Diocese determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. Based on these criteria, the Diocese has estimated an allowance for uncollectible promises to give of \$57,614 at both June 30, 2020 and 2019.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cemetery Property Held for Sale

Cemetery property held for sale consists of developed mausoleum, niche and lawn crypt properties and is stated at the lower of average cost, which includes construction costs, or net realizable value.

Investments

Investments if purchased are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statements of financial position. Investment return is segregated and reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less any external and direct internal investment expenses. Cash equivalents and other securities and investments held in brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC) in the event of broker-dealer failure, up to \$500,000 of protection for each brokerage account with a limit of \$250,000 for claims of uninvested cash balances. The SIPC insurance does not protect against market losses on investments.

The Diocese maintains pooled investment accounts. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual funds based on the relationship of the fair value of the interest of each fund to the total fair value of the pooled investment accounts, as adjusted for additions to or reductions from those accounts.

Property and Equipment

Property and equipment are stated at cost, or if donated, at fair value on the date of donation, and depreciated over the estimated useful lives of the related asset. Depreciation is computed using the straight-line method for financial reporting purpose. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized for items in excess of \$1,000. The Curia building, in Covington, Kentucky is the single most significant asset in this category.

The useful lives of property and equipment for purposes of computing depreciation are:

| | |
|----------------------------|---------------|
| Land Improvements | 15 Years |
| Buildings and Improvements | 30 – 40 Years |
| Furniture and Equipment | 3 – 10 Years |

Loan Closing Costs

Loan closing costs associated with the issuance of long term debt are capitalized and amortized over the life of the associated debt using the straight-line method. The respective long term debt is presented on the consolidated statements of financial position, net of the unamortized loan closing costs.

Long-Lived Assets

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are measured based on the fair value of the asset, and long-lived assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell. Long-lived assets were measured for impairment, and no adjustments were deemed necessary during both the years ended June 30, 2020 and 2019.

Reserve for Incurred but not Reported Benefit Claims

The reserve for incurred but not reported benefit claims represents an estimated aggregate liability expected to be incurred, based upon actual claims data and estimates of claims incurred but not yet reported for the self-insured health care program.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The Diocese has designated, from net assets without donor restrictions, net assets for parish and school health insurance, support of secondary schools, inner city school funds, offertory program, parish and school loan programs, annuity funds, and seminarian programs.

Net Assets With Donor Restrictions – Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Diocese reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Guarantees

The Diocese guarantees certain third-party debt of unconsolidated affiliated schools and parishes. The guarantee terms generally range from 3 to 20 years. The Diocese has not recognized a liability for the fair value of the guarantees provided as of both June 30, 2020 and 2019. At June 30, 2020 and 2019, the total outstanding balances on guaranteed loans were approximately \$881,303 and \$429,071, respectively.

Revenue and Revenue Recognition

Revenue from Contracts with Customers

Revenue is measured as the amount of consideration expected to be received in exchange for transferring goods or providing service. The Diocese recognizes contract revenue for financial reporting purposes over time and at a point in time. Depending on the terms of the contract, the Diocese may defer the recognition of revenue and record a contract liability when a future performance obligation has not yet occurred.

Revenue from fees for pre-need sales of cemetery property held for sale, advances on subscriptions and retreats and other advance payments are deferred and recognized over periods to which the fees relate.

All Diocesan parishes pay annual assessments to the Diocese to provide for the operating budget of the Diocese. Revenue from parish assessments is recognized when earned. The Diocese bills its parishes in advance based on prior assessable income calculations. Payments received in advance are held as advances and deferred receipts until earned.

The Diocese recognizes revenues from special events, gifts and grants from its fundraising activities and incurs related expenses as presented in the consolidated statements of functional expenses

Service revenue is recognized over time utilizing an input method and aligns with when services are provided. Typically, revenue is recognized in the amount of the invoices since that amount corresponds directly to the value of the Diocese's performance to date as the Diocese bills the customer a predetermined rate for each type of service performed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from the sale of products is recognized when obligations under the terms of a contract with the customer are satisfied, which generally occurs with the transfer of the product to the customer. Determining when control transfers requires management to make judgments that affect the timing of revenue recognized. The Diocese believes that this method provides a faithful depiction of the transfer of control of its products.

Revenue from Contributions

The Diocese recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Diocese's federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, no conditional contributions, for which no amounts had been received in advance, have been recognized in the accompanying consolidated financial statements at both June 30, 2020 and 2019.

Paycheck Protection Program Funding

In April 2020, the Diocese received funding in the amount of \$10,000,000, under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization. The loans and accrued interest are forgivable within a 24-week period as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains other designated thresholds. The unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral of payments until the date that the lender receives the forgiveness amount from the SBA. The Diocese intends to use the proceeds for purposes consistent with the PPP. The Diocese accounts for the PPP Funding in accordance with ASC 958-605 *Revenue Recognition for Nonprofit Entities*. Revenue is recognized as eligible expenses and other conditions are substantially met or incurred. The Diocese obtained the funding on behalf of all their entities and processed it as a flow through transaction. The amount that flowed through the Diocese to their consolidated entities was \$7,943,282 at June 30, 2020. As such, at June 30, 2020 the Diocese has recognized revenue of \$2,056,718 as it has determined eligible expenses and other conditions have been met to satisfy the conditions.

Donated Materials, Equipment and Services

Donations of materials and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Donated services are recognized as contributions if the services a) create or enhance nonfinancial assets or b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Diocese.

The Diocese has significant time contributed to its mission through volunteers. However, the consolidated statements of activities does not reflect the value of these services as they do not meet recognition criteria required under U.S. GAAP.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy and office expenses, property and liability insurance expenses, information technology expenses, and computer expenses which are allocated on a square footage basis, workers compensation insurance and telephone expense which is allocated on the basis of number of employees, and some salaries and wages and benefits which are allocated on the basis of estimates of time.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee Benefit Plans

The Diocese participates with other employers in a multi-employer defined benefit pension plan covering all of its lay employees who elect to be members in the plan.

The Diocese also has two plans that cover its priests. One plan provides retirement income to qualified priests. The other plan provides post-retirement benefits such as health insurance and nursing benefits.

Income Tax Status

The Diocese is a Kentucky nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal and state income taxes on related income pursuant to the Internal Revenue Code.

The Diocese has adopted the provisions of the accounting pronouncement related to accounting for uncertainty in income taxes. The Diocese recognized no interest or penalties in the consolidated statements of activities for either of the years ended June 30, 2020 or 2019. If the situation arose in which the Diocese would have interest to recognize, it would recognize this as interest expense and penalties would be recognized in other expenses. Currently, the prior three years are open under Federal and state statute of limitations and remain subject to review and change. The Diocese is not currently under audit, nor has the Diocese been contacted by these jurisdictions.

Based on the evaluation of the Diocese's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for either of the years ended June 30, 2020 or 2019.

Recently Issued Significant Accounting Standard

Lease Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases that are not excluded by this standard. Such leases create an asset and liabilities that arise from leases that are not excluded by this standard. Such leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, *Elements of Financial Statements*, and therefore, recognition of those lease assets and lease liabilities to be recognized for most leases. The ASU is effective for nonpublic entities for years beginning after December 15, 2021.

Based on an evaluation of the current leases, management believes that the impact of this ASU on their consolidated financial statements will be immaterial.

Change in Accounting Principle

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Diocese has implemented Topic 606 and has adjusted the presentation in these consolidated financial statements accordingly.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Diocese has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying consolidated financial statements.

Collectively, the new Topic 606 and 958 will be referred to as the "new guidance."

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Diocese adopted the requirements of the new guidance as of July 1, 2019, utilizing the modified retrospective method of transition. However, the adoption of this new guidance did not result in the Diocese changing its policies for recognizing revenue and thus no cumulative adjustment to the Diocese’s net assets as of July 1, 2019 was necessary. The amounts reported in the consolidated financial statements for 2019 are the same amounts that would have been reported under the former guidance. The Diocese did apply the new guidance using the practical expedient provided in Topic 606 and 958 that allows the guidance to be applied only to contracts and contributions that weren’t complete as of July 1, 2019. The effects of applying this practical expedient were not significant to the consolidated financial statements.

NOTE 2 – LIQUIDITY

Financial assets available for general use and without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position are comprised of the following:

| | June 30, | |
|----------------------------|---------------|---------------|
| | 2020 | 2019 |
| Cash, Without Restrictions | \$ 6,621,926 | \$ 5,839,963 |
| Accounts Receivable, Net | 802,454 | 438,873 |
| Investments | 6,729,938 | 9,791,954 |
| | \$ 14,154,318 | \$ 16,070,790 |

The Diocese’s endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments are restricted for specific purposes. Donor-restricted endowment funds are not available for general use.

The Diocese maintains funds designated for specific purposes. Although the Diocese does not intend to spend from these funds for general use purposes, these funds are available for general use purposes, if deemed necessary.

Certain financial assets are not available for general use due to regulatory requirements. The Diocese held investments of \$2,941,534 and \$2,878,783 at June 30, 2020 and 2019, respectively, to be used for perpetual care and maintenance of Diocese cemeteries, and the Diocese held cash of \$18,368 in both 2020 and 2019 to be used for claims against the Diocese. These amounts are not available for general use.

NOTE 3 – CASH AND CASH FLOWS

For purposes of the consolidated cash flows statements, cash includes cash on hand and cash held in checking accounts.

At various times throughout the year, the Diocese may have cash in financial institutions in excess of insured limits. The Federal Deposit Insurance Corporation (FDIC) insures account balances up to \$250,000 for each business depositor.

Cash paid for interest on notes payable was \$422,486 and \$453,249 in 2020 and 2019, respectively, and cash paid for interest on deposits payable was \$201,494 and \$207,859 in 2020 and 2019, respectively.

ROMAN CATHOLIC DIOCESES OF COVINGTON, OFFICES OF THE CURIA

NOTE 3 – CASH AND CASH FLOWS (Continued)

The Diocese had noncash financing or investing activities as follows:

| | Years Ended June 30, | |
|---|-----------------------|-----------------------|
| | 2020 | 2019 |
| Non-Cash Decrease in Notes Receivable, Net and Notes Payable, Net | \$ <u>(2,855,162)</u> | \$ <u>(4,657,284)</u> |
| Non-Cash Increase in Loans Receivable, Net and Deposits Payable, Net | \$ <u>750,000</u> | \$ <u>2,250,000</u> |

NOTE 4 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give represents the amounts due for the Diocesan Parish Annual Appeal (DPAA), the Diocesan Capital Campaign – Faith in Action 2000 and ACUE appeal. The DPAA begins April 1 of each year and pledges made may be paid in installments through March 31 of the following year. Unconditional promises to give are recorded in the consolidated financial statements at their historically collected rate and are discounted to present value where applicable.

Unconditional promises to give were as follows:

| | June 30, | |
|-------------------------------------|---------------------|---------------------|
| | 2020 | 2019 |
| Amounts Promised | | |
| Within One Year | \$ 1,642,457 | \$ 1,037,682 |
| One to Five Years | 1,376,000 | 1,000,000 |
| Less Present Value Discount | <u>(74,854)</u> | <u>(67,081)</u> |
| Unconditional Promises to Give, Net | \$ <u>2,943,603</u> | \$ <u>1,970,601</u> |

Included in contributions receivable is a pledge for \$1,000,000, which is past its original due date. The pledge is expected to be collected within one to five years and has been categorized as such in the table above. The Diocese maintains contact with the donor and estimates the pledge to be fully collectible. Events could occur that would change this estimate materially in the near term.

NOTE 5 – CEMETERY PROPERTY HELD FOR SALE

Developed burial spaces available for sale at June 30, 2020 and 2019, and burial spaces sold and the average sales prices (exclusive of plaques) for the years then ended, are as follows:

| | Developed Burial Spaces Available for Sale, Including Returned Spaces | | Number of Burial Spaces Sold | | Average Sales Price | |
|--------------------|--|-------|------------------------------------|------|------------------------|----------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Graves | 1,116 | 1,109 | 202 | 248 | \$ 1,338 | \$ 1,340 |
| Mausoleum Crypts | 152 | 159 | 14 | 31 | 4,401 | 4,400 |
| Lawn Crypts | 39 | 42 | 7 | 5 | 2,967 | 2,970 |
| Mausoleum Niches | 3 | 19 | 18 | 9 | 1,050 | 1,050 |
| Columbarium Niches | 1,741 | 0 | 71 | 0 | 3,830 | N/A |

NOTE 6 – FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Diocese has the ability to access.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for marketable securities measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

Common Stocks: Valued at closing price reported on the active market in which the individual securities are traded.

Corporate Bonds and Commercial Paper, Short-Term U.S. Treasury and Agency Obligations: Valued using a market approach on yields currently available on comparable securities of issuers with similar credit ratings.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Diocese are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Diocese are deemed to be actively traded.

The preceding methods described may provide a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Diocese believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the operating date.

The following were measured at fair value as of June 30, 2020:

| <u>June 30, 2020</u> | <u>Investments at Fair Value</u> | | | |
|--|----------------------------------|----------------------|----------------|----------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Common Stocks | \$ 4,401,754 | \$ - | \$ - | \$ 4,401,754 |
| Commercial Paper, Short-Term U.S. Treasury and Agency Obligations | - | 2,541,812 | - | 2,541,812 |
| Corporate Bonds | - | 8,853,969 | - | 8,853,969 |
| Total Assets in Fair Value Hierarchy | <u>\$ 4,401,754</u> | <u>\$ 11,395,781</u> | <u>\$ -</u> | 15,797,535 |
| Investments Measured at Net Asset Value (a) | | | | <u>11,466,534</u> |
| Total Investments | | | | <u>\$ 27,264,069</u> |

ROMAN CATHOLIC DIOCESES OF COVINGTON, OFFICES OF THE CURIA

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

The following were measured at fair value as of June 30, 2019:

| June 30, 2019 | Investments at Fair Value | | | |
|---|---------------------------|----------------------|-------------|-----------------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Common Stocks | \$ 4,757,226 | \$ - | \$ - | \$ 4,757,226 |
| Fixed Income Mutual Funds | 30,832 | - | - | 30,832 |
| Commercial Paper, Short-Term U.S. Treasury and Agency Obligations | - | 2,860,677 | - | 2,860,677 |
| Corporate Bonds | - | 11,852,706 | - | 11,852,706 |
| Total Assets in Fair Value Hierarchy | \$ 4,788,058 | \$ 14,713,383 | \$ - | 19,501,441 |
| Investments Measured at Net Asset Value (a) | | | | <u>14,529,328</u> |
| Total Investments | | | | \$ <u>34,030,769</u> |

(a) In accordance with FASB ASC Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position.

For both years ended June 30, 2020 and 2019, there were no significant transfers between Levels 1 and 2 and no transfers in or out of Level 3.

The following tables summarize investments for which fair value is measured using the net asset value per share practical expedient as of June 30, 2020 and 2019.

| June 30, 2020 | Fair Value | Unfunded Commitments | Redemption Frequency (If Currently Eligible) | Redemption Notice Period |
|-------------------------|---------------|----------------------|--|--------------------------|
| Alternative Investments | \$ 11,466,534 | N/A | Daily or Monthly | 0 - 90 Days |

| June 30, 2019 | Fair Value | Unfunded Commitments | Redemption Frequency (If Currently Eligible) | Redemption Notice Period |
|-------------------------|---------------|----------------------|--|--------------------------|
| Alternative Investments | \$ 14,529,328 | N/A | Daily or Monthly | 0 - 90 Days |

Risks and Uncertainties

The Diocese invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credits risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect account balances and amounts reported in the consolidated statements of financial position.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation consists of the following:

| | June 30, | |
|-------------------------------|---------------|---------------|
| | 2020 | 2019 |
| Land and Improvements | \$ 1,577,472 | \$ 1,357,749 |
| Buildings and Improvements | 15,188,645 | 15,155,038 |
| Furniture and Equipment | 2,032,127 | 1,850,834 |
| Construction in Progress | - | 56,031 |
| | 18,798,244 | 18,419,652 |
| Less Accumulated Depreciation | 5,517,728 | 4,943,371 |
| | \$ 13,280,516 | \$ 13,476,281 |

NOTE 8 – LOANS RECEIVABLE AND DEPOSITS PAYABLE

Loans receivable and deposits payable consists of the following:

| | | |
|---|----------------------|----------------------|
| Loans receivable from parishes, schools and other Diocesan institutions; due on demand; unsecured; interest ranging from 0.75% to 5.5% per annum; net of allowance of \$718,632 at both June 30, 2020 and 2019. | \$ <u>3,144,051</u> | \$ <u>2,433,913</u> |
| Deposits payable to parishes, schools and other Diocesan institutions - Deposit and Loan Fund; payable on demand; unsecured; interest of 2.25% per annum. | \$ <u>11,043,654</u> | \$ <u>13,960,618</u> |

NOTE 9 – OTHER ASSETS

Included in other assets, the self-insurance fund holds a 4.25% ownership investment of \$410,664 and \$419,516 as of June 30, 2020 and 2019, respectively, in Catholic Umbrella Pool II (CUP II). CUP II is a self-insurance arrangement for 62 Catholic diocesan entities. The investment is accounted for by the equity method, since the endeavor is with a captive insurance company, which is exclusively owned and utilized by the Catholic diocesan entities.

NOTE 10 – NOTES PAYABLE AND NOTES RECEIVABLE

During 2016, the Diocese entered into a loan syndication facilitated by US Bank to consolidate the existing debt of the Diocesan entities and enable the Diocese to access additional funds to be used for future expansion or renovation of its churches, schools, and other facilities. Through this loan syndication, the Diocese will be the borrower and the individual parishes, schools, and institutions will be the account debtors to the Diocese. US Bank will serve as the administrative agent and the lenders will be a group mutually acceptable to the borrower and administrative agent.

In facilitating this syndication, the Diocese entered into a loan agreement on May 19, 2016 with the Kentucky Bond Development Corporation, a Kentucky nonprofit corporation, acting on behalf of local governments in the Commonwealth of Kentucky. The loan agreement called for the issuance of Educational Facilities Revenue Bonds, City of Park Hills Series 2016 A in the aggregate amount of \$7,128,783 and Educational Facilities Revenue Bonds, City of Alexandria, Edgewood and Newport Series 2016 B in the aggregate principal amount of \$8,129,250. In May 2019, the Diocese extended the syndication to call for Educational Facilities Revenue Bonds, City of Park Hills Series 2018 A in the aggregate principal amount of \$1,500,000 and in June 2019 to call for Educational Facilities Revenue Bonds, City of Erlanger, Series 2018 B in the aggregate principal amount of \$1,413,216 and Educational Facilities Revenue Bonds, City of Alexandria, Series 2019 in the aggregate principal amount of \$3,000,000 (together, the “notes”). The notes shall be dated as of May 1, 2016, May 1, 2018, and June 1, 2019, respectively and payable in amounts set forth in the respective promissory notes between the Diocese and parishes or schools, until the principal amount of the notes is paid in full. Accordingly, the Diocese has recognized off-setting notes receivable and payable for the loans made to each individual school and parish.

Notes payable related to the loan syndication as of June 30 are as follows:

| | June 30, | |
|--------------------------------------|---------------|---------------|
| | 2020 | 2019 |
| Series 2016 A Bonds | \$ 3,452,307 | \$ 4,193,094 |
| Series 2016 B Bonds | 1,742,350 | 2,467,982 |
| Series 2016 Term Bonds | 707,974 | 784,415 |
| Series 2018 A Bonds | 1,000,000 | 1,500,000 |
| Series 2018 B Bonds | 3,872,473 | 1,413,216 |
| Series 2019 Bonds | 2,400,000 | 3,000,000 |
| Series 2019B Bonds | 953,333 | - |
| Term Note | 50,322 | 63,741 |
| | 14,178,759 | 13,422,448 |
| Less Unamortized Debt Issuance Costs | (46,219) | (92,438) |
| | \$ 14,132,540 | \$ 13,330,010 |

Interest on all notes are to be equal to the payments of interest on the corresponding bonds, which shall bear interest at a rate equal to one-month LIBOR, plus 1.20% (0.67% at June 30, 2020). All notes are secured by the real property of the schools and general assets of the Diocese.

NOTE 10 – NOTES PAYABLE AND NOTES RECEIVABLE (Continued)

The individual promissory note receivables are as follows:

| | June 30, | |
|--|--------------|--------------|
| | 2020 | 2019 |
| SERIES 2016 A BONDS | | |
| Covington Latin School | | |
| Promissory note consisting of two loans payable in quarterly installments ranging from \$27,444 to \$157,995 with maturities ending on April 2022 and October 2030. Balloon payment of \$785,325 due upon April 1, 2022. | \$ 3,452,307 | \$ 4,193,094 |
| SERIES 2016 B BONDS | | |
| Bishop Brossart High School | | |
| Promissory note payable in quarterly installments ranging from \$147,610 to \$255,000 with a maturity date of November 1, 2022. This was paid off during the year ended June 30, 2020. | \$ - | \$ 156,574 |
| Newport Catholic High School | | |
| Promissory note payable in monthly installments ranging from \$10,694 to \$14,089 with a maturity date of May 1, 2029. | 1,493,350 | 1,662,408 |
| St. Pius X School | | |
| Promissory note payable in annual installments ranging from \$99,000 to \$150,000 with a maturity date of June 1, 2028. | 249,000 | 649,000 |
| Total Series 2016 B Bonds | \$ 1,742,350 | \$ 2,467,982 |
| SERIES 2016 TERM BONDS | | |
| St. Patrick Parish | | |
| Promissory note payable in quarterly installments ranging from \$4,495 to \$6,896 with a maturity date of January 21, 2028. | \$ 578,626 | \$ 640,257 |
| St. Joseph Parish, Cold Spring | | |
| Promissory note payable in monthly installments of \$4,381 with a maturity date of May 1, 2029. | 129,348 | 144,158 |
| Total Series 2016 Term Bonds | \$ 707,974 | \$ 784,415 |

NOTE 10 – NOTES PAYABLE AND NOTES RECEIVABLE (Continued)

| | June 30, | |
|---|----------------------|----------------------|
| | 2020 | 2019 |
| SERIES 2018 A TERM BONDS | | |
| Covington Catholic High School | | |
| Promissory note payable in annual installments of \$500,000 with a maturity date of May 2022. | \$ <u>1,000,000</u> | \$ <u>1,500,000</u> |
| SERIES 2018 B TERM BONDS | | |
| St. Henry District High School | | |
| Promissory note payable in monthly installments of \$16,409 with a maturity date of February 2040. | \$ <u>3,872,473</u> | \$ <u>1,413,216</u> |
| SERIES 2019 TERM BONDS | | |
| Bishop Brossart High School | | |
| Promissory note payable in quarterly installments of \$150,000 with a maturity date of May 31, 2024. | \$ <u>2,400,000</u> | \$ <u>3,000,000</u> |
| SERIES 2019 B TERM BONDS | | |
| Immaculate Heart of Mary Church | | |
| Promissory note payable in monthly installments of \$18,333 with a maturity date of November 1, 2024. | \$ <u>953,333</u> | \$ <u>-</u> |
| Notes Receivable Balance | \$ <u>14,128,437</u> | \$ <u>13,358,707</u> |
| Catholic Cemeteries Note Payable | | |
| Promissory note payable in monthly installments of \$1,118 with a maturity date of March, 2024. | \$ <u>50,322</u> | \$ <u>63,741</u> |
| Less: Debit Issuance Costs | \$ <u>46,219</u> | \$ <u>92,438</u> |
| Notes Payable Balance | \$ <u>14,132,540</u> | \$ <u>13,330,010</u> |

In connection with the St. Henry District High School term note, the school entered into an interest rate swap agreement to pay interest to the counterparty at a fixed rate, plus certain fees, on the notional amount and to receive interest from the counterparty at the floating index rate as defined in the agreement. The school paid or received the net interest amount monthly, with the monthly settlements included in interest expense. The swap agreement matured on January 1, 2018.

Debt issuance costs of \$210,996 have been recognized as a reduction to the face amount of the notes payable and will be amortized over a period of five years. Amortization of debt issuance costs of \$46,219 have been reported as interest expense for both 2020 and 2019, respectively.

NOTE 10 – NOTES PAYABLE AND NOTES RECEIVABLE (Continued)

The aggregate remaining maturities on the notes payable and receivable are as follows:

| Years Ending June 30, | |
|---------------------------|---------------|
| 2021 | \$ 2,281,197 |
| 2022 | 3,315,456 |
| 2023 | 1,755,461 |
| 2024 | 1,759,223 |
| 2025 | 1,002,491 |
| Thereafter | 4,064,931 |
| | 14,178,759 |
| Less Debit Issuance Costs | 46,219 |
| Total Payments | \$ 14,132,540 |

NOTE 11 – PLEDGES PAYABLE

The Diocese has recognized liabilities for promises to pay three Diocesan entities in future periods. Pledges payable at June 30 consisted of the following:

| | June 30, | |
|---------------------------|------------|------------|
| | 2020 | 2019 |
| Less than One Year | \$ 80,000 | \$ 95,000 |
| One to Five Years | 70,000 | 150,000 |
| | 150,000 | 245,000 |
| Less Unamortized Discount | (2,683) | (5,212) |
| | \$ 147,317 | \$ 239,788 |

NOTE 12 – ADVANCES AND DEFERRED RECEIPTS

Advances and deferred receipts consists of the following:

| | | |
|---|--------------|--------------|
| Reserve for Counseling Claims Related to Class Action Lawsuit Settlement | \$ 1,005,746 | \$ 1,107,250 |
| Deferred Parish Assessment Revenue | 2,627,876 | 2,711,561 |
| Other Advances | 359,644 | 303,977 |
| Deferred Revenue Related to Cemetery Markers, Plaques and Inscriptions to be Installed | 139,658 | 135,115 |
| Deferred Revenue Related to ACUE | 24,823 | 158,136 |
| Deferred Revenue for <i>Messenger</i> Newspaper | 5,360 | 1,272 |
| Benefit Obligation at End of Year | \$ 4,163,107 | \$ 4,417,311 |

NOTE 13 – ENDOWMENT FUNDS

The Diocese’s endowment consists of donor-restricted funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on existence or absence of donor-imposed restrictions.

The Diocese has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the contributed value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Diocese retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instruction at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund are classified as with donor restrictions net assets until those amounts are appropriated for expenditure by the Diocese in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Diocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Diocese and (7) the Diocese’s investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Diocese expects its endowment assets, over time, to produce an average rate of return of approximately 7.5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. The Diocese has a policy that allows for appropriating for expenditure each year up to 4.5% of the average of the past 36 months’ of month end total investment account value. In addition, the policy requires that the historic value of the endowment fund be preserved in order to appropriate funds for expenditure. In establishing this policy, the Diocese considered the long term expected return on its endowment and other invested assets. Accordingly, over the long term, the Diocese expects the current spending policy to allow its endowment to grow at an average of 3.0% annually. This is consistent with the Diocesan objective to maintain the purchasing power of the endowment assets held in perpetuity or for the specified term, as well as to provide additional real growth through new gifts and investment returns. The Diocese does not allow unspent or unappropriated distributions from prior years to carry over to the future years.

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|----------------------------------|----------------------------------|---|---|
| | <u> </u> | <u> </u> | <u> </u> |
| Donor Restricted Endowment Funds | \$ <u> </u> - | \$ <u> 4,854,267 </u> | \$ <u> 4,854,267 </u> |

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NOTE 13 – ENDOWMENT FUNDS (Continued)

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|----------------------------------|-------------------------------|---------------------|
| Endowment Net Assets, Beginning of Year | \$ - | \$ 4,821,578 | \$ 4,821,578 |
| Investment Return, Net | - | 167,689 | 167,689 |
| Appropriation of Endowment Assets Pursuant to Spending Policy | - | (135,000) | (135,000) |
| Endowment Net Assets, End of Year | <u>\$ -</u> | <u>\$ 4,854,267</u> | <u>\$ 4,854,267</u> |

Endowment net asset composition by type of fund as of June 30, 2019 is as follows:

| | | | |
|--|-------------|---------------------|---------------------|
| Donor Restricted Endowment Funds | \$ - | \$ 4,821,578 | \$ 4,821,578 |
| Endowment Net Asset Composition by Type of Fund | <u>\$ -</u> | <u>\$ 4,821,578</u> | <u>\$ 4,821,578</u> |

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

| | | | |
|--|-------------|---------------------|---------------------|
| Endowment Net Assets, Beginning of Year | \$ - | \$ 4,757,358 | \$ 4,757,358 |
| Investment Return, Net | - | 189,220 | 189,220 |
| Appropriation of Endowment Assets Pursuant to Spending Policy | - | (125,000) | (125,000) |
| Endowment Net Assets, End of Year | <u>\$ -</u> | <u>\$ 4,821,578</u> | <u>\$ 4,821,578</u> |

NOTE 14 – BISHOP DESIGNATED NET ASSETS

The Bishop designated net assets for the following purposes:

| | June 30, | |
|---|---------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| Funds to Pay for Parish and School Health Insurance | \$ 3,807,316 | \$ 4,200,440 |
| Funds to Support Secondary Schools | 1,375,967 | 1,981,421 |
| Inner City School Funds | 356,374 | 271,920 |
| Parish and School Loan Programs | (176,591) | (110,773) |
| Annuity Funds and Other | 7,906 | 465 |
| Over-spending on Seminarian Programs | <u>(1,084,956)</u> | <u>(1,084,956)</u> |
| | <u>\$ 4,286,016</u> | <u>\$ 5,258,517</u> |

Legally restricted net assets for cemetery endowed care are required by the Commonwealth of Kentucky to be held for the purpose of perpetual care and maintenance of Diocese cemeteries and amounted to \$2,941,534 and \$2,878,783 at June 30, 2020 and 2019, respectively. Only the income on these funds may be used for care and maintenance.

NOTE 15 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

| | June 30, | |
|---|--------------|--------------|
| | 2020 | 2019 |
| Subject to Expenditure for Specified Purpose | | |
| Diocesan Parish Annual Appeal | \$ 2,892,916 | \$ 2,679,405 |
| General Educational Need | 96,746 | 89,835 |
| ACUE | 1,031,303 | 744,029 |
| Other | 451,777 | 417,895 |
| | 4,472,742 | 3,931,164 |
| Subject to the Passage of Time | | |
| ACUE Pledges for the 2019-2020 School Year | - | 76,619 |
| Endowments | | |
| <i>Subject to Appropriation and Expenditure</i> | | |
| <i>When a Specified Event Occurs</i> | | |
| Accumulated Net Appreciation of | | |
| Endowment Funds | 1,354,583 | 1,321,898 |
| <i>Not Subject to Spending Policy or Appropriation:</i> | | |
| Educational Endowment | 2,485,218 | 2,485,216 |
| Property Maintenance Endowment | 942,386 | 942,386 |
| Diocesan Annual Appeal Endowment | 52,504 | 52,504 |
| Other Endowment | 16,376 | 16,374 |
| ACUE Endowment | 3,200 | 3,200 |
| Endowed Restricted Net Assets | 4,854,267 | 4,821,578 |
| Total Net Assets with Donor Restrictions | \$ 9,327,009 | \$ 8,829,361 |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

| | | |
|---|--------------|--------------|
| Satisfaction of Purpose Restrictions | | |
| Diocesan Parish Annual Appeal | \$ 2,429,330 | \$ 2,528,427 |
| Pastoral Ministry Seminarian Services | 287,973 | 478,235 |
| ACUE | 1,294,813 | 1,024,724 |
| Other | 14,930 | 10,537 |
| | 4,027,046 | 4,041,923 |
| Restricted-Purpose Distributions and Appropriations | | |
| General Educational Need | 135,000 | 125,000 |
| Total Net Assets Released From Restrictions | \$ 4,162,046 | \$ 4,166,923 |

NOTE 16 – EMPLOYEE BENEFIT PLAN

Lay Employees Defined Benefit Pension Plan

The Diocese participates in the Employees' Pension and Investment Plan of Diocese of Covington and Other Adopting Employers (the Lay Plan). The Diocese has a contributory multi-employer defined benefit pension plan covering all lay employees who are at least 21 years of age and work at least 15 hours per week and five or more months per year. The pension plan is considered to be a multi-employer plan because financial activity of parishes and other entities of the Diocese that contribute to this plan are not included in these consolidated financial statements. There are no separate valuation of plan benefits or segregation of plan assets specifically for the Office of the Curia. As a religious organization, the Diocese plans are not subject to the *Employee Retirement Income Security Act of 1974* (ERISA) or the *Pension Protection Act of 2006* (PPA).

The risks of participating in these multi-employer plans are different from the risks associated with single-employer plans in the following respects:

- a. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If the Diocese chooses to stop participating in the multi-employer plan, they may be required to pay those plans an amount based on the underfunded status of the plan.

Employees become eligible to participate after reaching age 21, provided the employee agrees to make the required contribution. Participating employees are required to contribute 3.5% of their annual compensation. The Diocese has an automatic enrollment policy for all eligible employees. The Dioceses has agreed to voluntarily contribute such additional amounts that are necessary to provide assets sufficient to meet the benefits to be paid to plan members. The total pension expense was \$228,958 and \$226,365 for the years ended June 30, 2020 and 2019, respectively. The Diocese contributions do not represent more than 5% of total contributions received by the Lay Plan. The plan year end is June 30. As of the most recent valuation date of July 1, 2019, the plan was 84% funded, the actuarial value of the plan assets was \$99,627,489 and the accumulated value of the plan benefits was \$118,575,644.

A participant who entered the Lay Plan before November 1, 2000 and who has attained the age of 65 and has completed at least 5 years of participation or 10 years of credited service or attained the age of 60 and has completed at least 30 years of credited service and 5 years of participation is eligible for retirement pension payable for life determined as 0.885% of prior service compensation multiplied by service credited from date of hire to participation plus 1.77% of annual compensation for each year of service from date of participation. Effective as of November 1, 2000, an employee will accrue benefits at 1.77% of annual compensation for each year of service from the date of participation. After reaching age 55 and completing 10 years of service, a participant may retire and elect to receive an immediate monthly benefit equal to the participant's accrued benefit reduced 0.5% for each month by which the participant's early retirement date preceded his normal retirement date.

Priests Retirement Plan

The Diocese maintains a qualified church plan covering Diocesan priests. The plan is exempt from most of the requirements of ERISA. The plan is not designed to be a defined benefit or defined contribution plan and operates as a separate trust under the sponsorship of the Diocese. The plan is administered by seven independent trustees who implement policies established by the Priest Senate and approved by the Bishop. The current policy is that any priest having spent his entire priesthood on assignment with the Diocese, its parishes, schools, or other institutions, with a minimum of twenty years of service is eligible for retirement benefits. The Diocesan Annual Appeal partially funded the Priest Retirement Plan in the amount of \$275,000 and \$279,800 for the years ended June 30, 2020 and 2019, respectively.

NOTE 17 – POSTRETIREMENT BENEFIT PLAN

The Diocese provides health care insurance and nursing benefits to retired priests. The health insurance benefits are noncontributory. Retired priests residing in nursing homes contributed \$425 per month toward the cost of nursing care. The Diocese policy is to fund expenses as they are incurred. Current accounting and reporting standards for postretirement benefits other than pensions require the Diocese to recognize the unfunded liability in its consolidated statements of financial position. The Diocese uses a June 30 measurement date for the Plan. Accrued postretirement benefit costs were \$4,090,074 and \$4,066,299 at June 30, 2020 and 2019, respectively.

The following table reconciles the change in accumulated benefit obligation and the amounts included in the consolidated statements of financial position as of June 30:

| | June 30, | |
|---|---------------------|---------------------|
| | 2020 | 2019 |
| Change in Projected Benefit Obligation | | |
| Benefit Obligation at Beginning of Year | \$ 4,066,299 | \$ 4,691,722 |
| Service Cost | 72,000 | 70,575 |
| Interest Costs | 175,000 | 183,469 |
| Benefits Paid | (323,225) | (309,306) |
| Actuarial Loss (Gain) | 100,000 | (570,161) |
| | <u>\$ 4,090,074</u> | <u>\$ 4,066,299</u> |

The Diocese recognizes postretirement health care expenses in its consolidated statements of activities. The components of the expense are:

| | Years Ended June 30, | |
|--|----------------------|-------------------|
| | 2020 | 2019 |
| Service Cost - Benefits Attributed to Service | | |
| During the Period | \$ 72,000 | \$ 70,575 |
| Interest Costs on Accumulated Post Retirement Benefit Obligation | 175,000 | 183,469 |
| | <u>\$ 247,000</u> | <u>\$ 254,044</u> |

For measurement purposes, a 6.0% annual rate of increase in the per capita cost of covered insurance and Medicare Part D costs and a 3.0% annual rate of increase in the per capita costs of covered nursing home costs are assumed. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 7.0%.

The following benefit payments are expected to be paid based on the last actuarial review of the plan in 2019:

| Years Ending June 30, | |
|--------------------------|---------------------|
| 2021 | \$ 302,043 |
| 2022 | 288,194 |
| 2023 | 256,184 |
| 2024 | 253,582 |
| 2025 | 245,697 |
| Thereafter | 2,744,374 |
| | <u>\$ 4,090,074</u> |

NOTE 18 – GRANTS MADE BY DIOCESE

| | Years Ended June 30, | |
|-------------------------------|----------------------|--------------|
| | 2020 | 2019 |
| Priest Retirement Fund | \$ 275,000 | \$ 279,800 |
| Catholic Charities | 250,000 | 250,000 |
| Cathedral Operating | 446,490 | 427,106 |
| Inner City | 212,500 | 229,500 |
| Parishes and Schools | 629,456 | 127,820 |
| School Lunch Program | 2,863 | (87,500) |
| Educational Assistance | 85,000 | 80,000 |
| DPAA Pledges from Contingency | 1,873 | 125,644 |
| Mission Outreach | 7,131 | 20,073 |
| Holy See | 22,000 | 22,000 |
| Miscellaneous | 25,845 | 23,871 |
| | \$ 1,958,158 | \$ 1,498,314 |

NOTE 19 – CONTINGENCIES

The Diocese is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolutions of these matters will not have a material adverse effect on the financial position or results of operations of the Diocese.

The Diocese's liability policies for some policy years have a \$50,000 per claim deductible that may apply to any pending lawsuits.

NOTE 20 – SELF-INSURANCE

The Diocese administers a self-insured medical health plan for clergy and eligible lay employees at parishes, schools and other agencies. The plan is funded by participant premium contributions and direct billings to parishes, schools and agencies based on the number of employees participating in the program. The self-insured program pays for the first \$150,000 of claims per individual per year to a maximum aggregate of 125% of total expected claims. Amounts in excess of these limits are insured with a general insurance carrier.

NOTE 21 – SUBSEQUENT EVENTS

The Diocese has evaluated subsequent events through October 13, 2020, which is the date the consolidated financial statements were available to be issued.

Prior to year-end, the World Health Organization announced a global health emergency later classified as a global pandemic as a result of the COVID-19 outbreak. The outbreak and response has impacted financial and economic markets across the World and within the United States. The full impact continues to evolve and as such, it is uncertain as to the full magnitude that the pandemic will have on the Diocese's financial condition, liquidity, and future results of operations. Management is actively monitoring the possible effects on every aspect of the Diocese.