

# Annual Report of the Finances for the Diocese of Covington – June 30, 2022

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, 2022, and 2021. 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 present fairly, in all material respects, the financial position of the Diocese of Covington and the related affiliates. An unmodified opinion is the highest level of assurance given by a public accounting firm.

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

Urban Catholic Education (ACUE) school operations, and the Diocesan-wide self-funded health insurance program. Various religious orders, lay societies, religious organizations which operate within the Diocese, parishes, parish elementary schools, secondary schools and other related institutions are not included in the accompanying financial information.

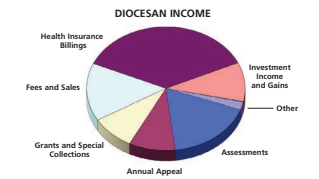
## Results of Operations

During this past fiscal year, total revenues decreased from the prior year by 24.2%. This is almost entirely due to decreased investment returns. Total expenses remained relatively flat, with offsetting increases in Curia programmatic expenses and decreases in grants.

## Operating Revenue

During the fiscal year ended June 30, 2022, the Diocese received operating revenue from the following sources which it used to fund its various ministries and services.

Health insurance billings	\$ 10,286,895
Assessments	4,936,669
Fees and sales	4,234,855
Diocesan/Parish Annual Appeal	2,694,801
Grants and special collections	2,513,012
Investment income/(losses)	(2,887,418)
Other	594,519
<b>Total Operating Revenue</b>	<b>\$ 22,943,333</b>



• Assessments are comprised of two differing taxes on the parishes of the Diocese. A 6.75 % tax on the income of the parishes provided \$2,825,572 of income to fund the administrative offices of the Diocese. A 5% tax on the parishes of Kenton, Campbell, Boone, and Mason counties provided \$2,111,097 of support for the secondary and urban schools of the Diocese.

• The Diocesan/Parish Annual Appeal for 2021 (ended on March 31, 2022; adjusted to fiscal year ended June 30, 2022) raised an amount totaling \$3,948,787. Of this amount \$1,283,986 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 seminarian education and 3) bequests received by the Diocese.

• Fees and sales represent the following for the 2022 fiscal year:

ACUE tuition and fees	\$ 1,957,177
Cemetery fees and sales	1,178,141
Retreat Center fees and sales	319,155
Newspaper ads and subscriptions	284,743
Education office fees	233,747
Departmental fees and fundraising	261,892
<b>Total Fees and Sales</b>	<b>\$ 4,234,855</b>

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

• Investment income (loss) 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	\$ 10,717,567
Program expenses	8,946,882
Episcopal administration	1,988,874
Secondary school grants	1,500,000
Diocesan Grants	1,171,459
Priest post-employment benefits	751,677
Fundraising expenses	422,534
Interest expense	335,436
Other expenses	212,518
<b>Total Operating Expense</b>	<b>\$ 26,098,947</b>

• Health insurance claims and administration are the hospital and doctor bills and the prescription drugs costs for employees and their dependents 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	\$ 3,416,335
Diocesan properties	947,604
Cemeteries	934,163
St. Anne's Retreat Center	876,294
Community and pastoral services	706,412
Education and formation	656,382
Messenger	675,779
Seminary studies, vocations and deacon formation	469,459
Messenger	602,906
Clergy	274,454
<b>Total Program Expenses</b>	<b>\$ 8,998,882</b>



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

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

Cathedral operations	\$ 299,750
Priest Retirement Fund	250,000
Catholic Charities	199,800
Inner city grants	87,000
Holy See	22,000
Parishes and schools	16,255
Mission outreach	4,506
Other grants	16,618
<b>Total Grants</b>	<b>\$ 1,171,459</b>

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

## Donor Restricted Assets

At June 30, 2022 the Diocese holds net assets which are donor restricted or endowed. Donor restricted assets are subject to a specific purpose or the passage of time. For endowed assets, only the income may be used for the intended purpose of the endowment, the principal may not be expended. These funds are classified as follows:

<b>Restricted for a Specific Purpose/Time Period</b>	
Diocesan Annual Appeal	\$ 2,513,595
ACUE	1,626,728
Other Restrictions	708,087
<b>Total</b>	<b>\$ 4,848,410</b>

## Endowed Assets

Educational	2,485,218
Accumulated Net Appreciation	1,566,058
Property maintenance	942,286
Diocesan Annual Appeal	52,504
Social concerns	16,376
ACUE	3,200
<b>Total</b>	<b>\$ 5,065,742</b>

**Total Donor Restricted Assets** **\$9,914,152**

## 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.

Kentucky Tornado Relief	\$ 423,186
International and domestic needs	155,353
Religious Retirement Collection	150,325
Mission Cooperative (ACUE)	131,959
Holy Father collection for worldwide charities (Peter's Pence)	63,755
Opportunities for Life	20,803
Other special collections	8,200
<b>Total Special Collections</b>	<b>\$ 994,181</b>

Respectfully Submitted,

*John C. Illert*  
 Bishop of Covington

January 2023  
 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 who, for love of Christ and His Church, do amazing things to carry out 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 present 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, 2022). This is the highest level of assurance attainable. The Diocesan Finance Council reviewed these statements and audit reports and accepted them in October 2022. 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. Illert*  
 Most Rev. John C. Illert  
 Bishop of Covington

Roman Catholic Diocese of Covington, Diocesan Curia CONSOLIDATED STATEMENTS OF FINANCIAL POSITION			
	2022	2021	
<b>Assets</b>			
Cash and Cash Equivalents	\$ 7,996,699	\$ 7,370,219	
Restricted Cash for Perpetual Care Fund	23,409	24,250	
Accounts Receivable, Net	655,838	646,961	
Loans Receivable, Net	3,491,849	3,198,356	
Notes Receivable, Net	8,938,883	11,781,658	
Unconditional Promises to Give, Net	1,572,247	1,677,597	
Cemetery Property Held for Sale	385,858	409,556	
Investments	24,786,021	28,463,758	
Restricted Investments for Perpetual Care Fund	3,109,313	3,025,798	
Property and Equipment, Net	13,080,525	13,186,956	
Other Assets	548,208	789,895	
<b>Total Assets</b>	<b>\$4,589,660</b>	<b>\$5,572,028</b>	
<b>Liabilities</b>			
Accounts Payable and Accrued Expenses	1,935,903	2,048,591	
Claims and Reserves for Incurred but not Reported Benefit Claims	537,778	673,300	
Special Collections Payable	733,894	730,305	
Pledges Payable, Net	642,322	751,919	
Deposits Payable	11,417,733	10,940,043	
Notes Payable, Net	8,833,263	11,787,451	
Advances and Deferred Receipts	3,108,219	2,895,972	
Priest Postemployment Liability	4,354,406	4,045,781	
<b>Total liabilities</b>	<b>\$1,663,508</b>	<b>\$3,890,362</b>	
<b>Net Assets</b>			
Without Donor Restrictions	23,011,910	26,657,398	
With Donor Restrictions	9,914,152	10,284,280	
<b>Total Net Assets</b>	<b>\$32,926,062</b>	<b>\$36,941,678</b>	
<b>Total Liabilities and Net Assets</b>	<b>\$4,589,660</b>	<b>\$5,572,028</b>	

See accountants' report and accompanying notes.

Roman Catholic Diocese of Covington, Diocesan Curia CONSOLIDATED STATEMENTS OF ACTIVITIES				
Year Ended June 30	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenues, Gains and Other Support</b>				
Parish Assessments	\$ 4,936,669	\$ -	\$ 4,936,669	\$ 4,936,669
Diocesan Parish Annual Appeal	2,694,801	2,694,801	5,389,602	2,996,590
Dividends and Interest	645,809	38,509	684,318	655,088
Grants and Special Collections	27,795	304,202	411,997	344,013
Realized Gains on Investments	575,854	176,167	752,021	1,361,382
Unrealized Gains/(Losses) on Investments	(2,249,352)	(1,074,455)	(3,323,757)	4,308,490
Contributions and Bequests	777,941	1,303,074	2,101,015	1,611,273
Self-Insurance Premium Retention	502,866	-	502,866	501,778
Fees and Sales	4,234,855	-	4,234,855	3,927,093
Health Insurance Billings	10,286,895	-	10,286,895	9,272,151
Gain on Sale of Property and Equipment	22,485	-	22,485	29,909
Other Income	69,373	-	69,373	32,872
<b>Total revenue, Gains and Other Support</b>	<b>18,830,985</b>	<b>3,512,348</b>	<b>22,343,333</b>	<b>29,478,572</b>
<b>Net Assets Released From Restrictions</b>	<b>3,622,476</b>	<b>(3,622,476)</b>	<b>-</b>	<b>-</b>
<b>Total Revenue, Support, Gains, and Reclassifications</b>	<b>22,453,461</b>	<b>(110,128)</b>	<b>22,343,333</b>	<b>29,478,572</b>
<b>Expenses</b>				
Programs	8,998,882	-	8,998,882	8,418,279
Fundraising	422,534	-	422,534	395,085
Management and General	1,988,874	-	1,988,874	2,260,228
Settlements, Legal Fees and Counseling	-	-	-	-
Related to Sexual Abuse	111,851	-	111,851	20,031
Grants Made by Diocese	1,171,459	-	1,171,459	271,264
Interest	335,436	-	335,436	356,682
Priest Post Employment Benefits	751,677	-	751,677	347,887
Secondary School Grants	1,500,000	-	1,500,000	1,402,936
Health Insurance Claims and Administration	10,717,567	-	10,717,567	10,346,595
Contributions and Assessments	100,887	-	100,887	128,464
<b>Total Expenses</b>	<b>26,098,947</b>	<b>-</b>	<b>26,098,947</b>	<b>26,247,129</b>
<b>Change in Net Assets</b>	<b>(3,645,486)</b>	<b>(110,128)</b>	<b>(3,755,614)</b>	<b>3,231,443</b>
<b>Net Assets at Beginning of Year</b>	<b>26,657,398</b>	<b>10,284,280</b>	<b>36,941,678</b>	<b>33,450,233</b>
<b>Net Assets at End of Year</b>	<b>\$ 23,011,910</b>	<b>\$ 9,914,152</b>	<b>\$ 32,926,062</b>	<b>\$ 36,681,678</b>

See accountants' report and accompanying notes.

Roman Catholic Diocese of Covington, Diocesan Curia CONSOLIDATED STATEMENTS OF CASH FLOWS			
Year Ended June 30	2022	2021	
<b>Cash Flows From Operating Activities</b>			
Change in Net Assets	\$ (3,755,614)	\$ 3,231,443	
Reconciliation of Change in Net Assets with Cash Flows From Operating Activities			
Depreciation	691,122	645,727	
Amortization of Debt Issuance Cost Included in Interest	15,163	48,219	
Realized Gains on Investments	(752,021)	(1,361,382)	
Unrealized Losses/(Gains) on Investments	4,323,757	(4,308,490)	
Gain on Sale of Property and Equipment	(22,485)	(29,909)	
Interest credited directly to deposits	128,281	127,209	
<b>Changes in Accounts and Contributions Receivable</b>	<b>(8,877)</b>	<b>147,952</b>	
Unconditional Promises to Give, Net	103,350	1,369,008	
Cemetery Property Held for Sale	23,688	47,746	
Other Assets	218,891	137,382	
Accounts Payable, Accrued Expenses and Other Liabilities	285,256	408,470	
Claims and Reserve for Incurred but not Reported Benefit Claims	(135,522)	(162,182)	
<b>Cash Provided by Operating Activities</b>	<b>1,097,004</b>	<b>195,184</b>	
<b>Cash Flows From Investing Activities</b>			
Purchases of Property and Equipment	(578,868)	(517,738)	
Proceeds From Sale of Property and Equipment	24,685	40,279	
Purchases of Investments	(6,389,324)	(6,498,141)	
Proceeds From Sales and Maturities of Investments	6,441,810	8,822,538	
Issuance of New Loans	(97,682)	(175,247)	
Payments Received on Loans	224,219	129,453	
<b>Cash (Used) / Provided by Investing Activities</b>	<b>(793,198)</b>	<b>890,244</b>	
<b>Cash Flows From Financing Activities</b>			
New Deposits Received	3,146,464	2,165,223	
Withdrawals of Deposits	(2,797,075)	(2,396,043)	
Payments on Notes Payable	-	(24,599)	
Payments on Loan Costs	-	(7,637)	
<b>Cash Provided / (Used) by Financing Activities</b>	<b>321,633</b>	<b>(331,233)</b>	
<b>Net Change in Cash and Cash Equivalents</b>	<b>625,639</b>	<b>754,175</b>	
<b>Cash, Beginning of Year</b>	<b>7,394,469</b>	<b>6,640,294</b>	
<b>Cash, End of Year</b>	<b>\$ 8,020,108</b>	<b>\$ 7,394,469</b>	

See accountants' report and accompanying notes.