Roman Catholic Diocese of Covington, Offices of the Curia

June 30, 2023

Consolidated Financial Statements and Independent Auditors' Report

810 Wright's Summit Parkway, Suite 300, Fort Wright, KY 41011
9987 Carver Road, Suite 120, Blue Ash, OH 45242
5975 Castle Creek Parkway North Drive, Suite 400, Indianapolis, IN 46250

859.331.3300
513.891.5911
317.469.0169

VLCPA.COM

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VonLehman
CPA & ADVISORY FIRM

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Roman Catholic Diocese of Covington, Offices of the Curia (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Roman Catholic Diocese of Covington, Offices of the Curia as of June 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Roman Catholic Diocese of Covington, Offices of the Curia and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Roman Catholic Diocese of Covington, Offices of the Curia's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Roman Catholic Diocese of Covington, Offices of the Curia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Roman Catholic Diocese of Covington, Offices of the Curia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

VonLehman & Company Inc.

Fort Wright, Kentucky
October 17, 2023

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

ASSETS

	June 30, 2023	June 30, 2022
Assets		
Cash	$ 7,781,847	$ 7,996,699
Restricted Cash for Perpetual Care Fund	22,727	23,409
Accounts Receivable, Net	639,141	655,838
Loans Receivable, Net	4,429,950	3,491,849
Notes Receivable, Net	6,072,189	8,939,883
Unconditional Promises to Give, Net	1,937,065	1,572,247
Cemetery Property Held for Sale	342,133	385,858
Investments	23,054,314	24,786,021
Restricted Investments for Perpetual Care Fund	3,194,904	3,109,313
Property and Equipment, Net	12,654,988	13,080,535
Other Assets	763,477	548,008
Total Assets	$ 60,892,735	$ 64,589,660

LIABILITIES AND NET ASSETS

	2023	2022
Liabilities		
Accounts Payable and Accrued Expenses	$ 1,903,846	$ 1,935,903
Claims and Reserve for Incurred but not Reported Benefit Claims	799,279	537,778
Special Collections Payable	584,120	733,894
Pledges Payable, Net	542,381	642,302
Deposits Payable	10,409,043	11,417,733
Notes Payable, Net	6,057,254	8,933,263
Advances and Deferred Receipts	3,387,008	3,108,319
Priest Postretirement Liability	4,378,907	4,354,406
Total Liabilities	28,061,838	31,663,598
Net Assets		
Without Donor Restrictions	21,953,731	23,136,301
With Donor Restrictions	10,877,166	9,789,761
Total Net Assets	32,830,897	32,926,062
Total Liabilities and Net Assets	$ 60,892,735	$ 64,589,660

See accompanying notes.

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

	Year Ended June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Parish Assessments	$ 5,873,547	$ -	$ 5,873,547
Diocesan Parish Annual Appeal	-	2,660,387	2,660,387
Dividends and Interest, Net	867,678	54,239	921,917
Grants and Special Collections	17,421	450,695	468,116
Realized Gains on Investments	971,886	378,799	1,350,685
Unrealized Gains on Investments	442,969	175,330	618,299
Contributions and Bequests	233,422	1,405,028	1,638,450
Self-Insurance Premium Retention	471,172	-	471,172
Fees and Sales	3,118,339	-	3,118,339
Health Insurance Billings	10,216,284	-	10,216,284
Other Income	66,439	-	66,439
Total Revenue, Support, and Gains	22,279,157	5,124,478	27,403,635
Net Assets Released From Restrictions	4,037,073	(4,037,073)	-
Total Revenue, Support, Gains, and Reclassifications	26,316,230	1,087,405	27,403,635
Expenses			
Programs	9,025,763	-	9,025,763
Fundraising	513,435	-	513,435
Management and General Episcopal Administration	1,757,579	-	1,757,579
Settlements, Legal Fees and Counseling Related to Sexual Abuse	86,351	-	86,351
Grants Made by Diocese	1,200,328	-	1,200,328
Interest	505,336	-	505,336
Priest Post Employment Benefits	486,830	-	486,830
Secondary School Grants	1,518,601	-	1,518,601
Health Insurance Claims and Administration	12,302,514	-	12,302,514
Contributions and Assessments	102,063	-	102,063
Total Expenses	27,498,800	-	27,498,800
Change in Net Assets	(1,182,570)	1,087,405	(95,165)
Net Assets, Beginning of Year	23,136,301	9,789,761	32,926,062
Net Assets, End of Year	$ 21,953,731	$ 10,877,166	$ 32,830,897

See accompanying notes.

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

	Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Parish Assessments	$ 5,629,681	$ -	$ 5,629,681
Diocesan Parish Annual Appeal	-	2,664,801	2,664,801
Dividends and Interest, Net	645,809	38,509	684,318
Grants and Special Collections	20,145	391,852	411,997
Realized Gains on Investments	575,854	176,167	752,021
Unrealized Losses on Investments	(3,253,326)	(1,070,431)	(4,323,757)
Contributions and Bequests	902,718	1,198,297	2,101,015
Self-Insurance Premium Retention	502,666	-	502,666
Fees and Sales	3,541,843	-	3,541,843
Health Insurance Billings	10,286,895	-	10,286,895
Gain on Disposal of Property and Equipment	22,480	-	22,480
Other Income	69,373	-	69,373
Total Revenue, Support, and Gains	18,944,138	3,399,195	22,343,333
Net Assets Released From Restrictions	3,633,714	(3,633,714)	-
Total Revenue, Support, Gains, and Reclassifications	22,577,852	(234,519)	22,343,333
Expenses			
Programs	8,998,882	-	8,998,882
Fundraising	422,534	-	422,534
Management and General Episcopal Administration	1,988,874	-	1,988,874
Settlements, Legal Fees and Counseling Related to Sexual Abuse	111,651	-	111,651
Grants Made by Diocese	1,171,459	-	1,171,459
Interest	335,436	-	335,436
Priest Post Employment Benefits	751,677	-	751,677
Secondary School Grants	1,500,000	-	1,500,000
Health Insurance Claims and Administration	10,717,567	-	10,717,567
Contributions and Assessments	100,867	-	100,867
Total Expenses	26,098,947	-	26,098,947
Change in Net Assets	(3,521,095)	(234,519)	(3,755,614)
Net Assets, Beginning of Year	26,657,396	10,024,280	36,681,676
Net Assets, End of Year	$ 23,136,301	$ 9,789,761	$ 32,926,062

See accompanying notes.

ROMAN CATHOLIC DIOCESE OF COVINGTON, OFFICES OF THE CURIA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Programs													
	ACUE	Education	Seminary	Clergy	Community/ Pastoral	Retreat Center	Messenger	Facility and Project	Cemeteries	Total	Fundraising	Management and General	Other	Total
Salaries	$ 2,747,635	$ 586,828	$ 106,356	$ 141,163	$ 467,223	$ 306,692	$ 280,321	$ 234,702	$ 320,967	$ 5,191,887	$ 243,148	$ 1,190,658	$ -	$ 6,625,693
Events, Masses, Receptions	43,177	26,889	91,081	60,281	87,358	324	-	239	7,904	317,253	27,067	66,281	-	410,601
Supplies, Books, Subscriptions	62,791	47,539	86,134	14,476	10,359	30,944	17,764	53,258	63,664	386,929	2,294	38,448	-	427,671
Telecommunications	47,510	2,068	160	2,806	1,251	4,360	2,178	22,253	6,372	88,958	1,621	11,169	-	101,748
Postage	3,681	273	5,130	9	2,065	-	219,419	124	561	231,262	5,684	6,126	-	243,072
Printing	8,676	2,139	23,905	1,445	3,535	-	210,976	234	156	251,066	2,554	18,397	-	272,017
Building and Property Expenses	286,074	34,586	4,800	51,231	53,023	148,415	21,774	(10,301)	284,642	874,244	12,828	121,599	-	1,008,671
Travel/Fuel	17	5,034	10,647	15,326	3,375	46	2,543	17,976	403	55,367	106	19,688	-	75,161
Professional Fees, Dues, and Services	285,298	46,310	8,639	49,948	48,938	12,959	18,871	34,271	39,509	544,743	24,528	167,018	-	736,289
Cost of Sales	-	-	-	-	-	-	-	-	96,069	96,069	-	-	-	96,069
Other	15,113	-	-	-	-	100	218	-	1,025	16,456	-	25,943	-	42,399
Donor Maintenance	-	-	-	-	-	-	-	-	-	-	193,605	-	-	193,605
Insurance	12,848	-	-	1,342	1,827	17,829	-	66,854	33,768	134,468	-	160,995	-	295,463
Grants	-	-	-	-	-	-	-	-	-	-	-	-	1,200,328	1,200,328
Interest	-	-	-	-	-	-	-	-	-	-	-	-	505,336	505,336
Bad Debt Recovery	-	-	-	-	-	-	-	-	(608)	(608)	-	(69,203)	-	(69,811)
Tuition/Room and Board	-	-	113,615	5,910	-	-	-	-	-	119,525	-	-	-	119,525
Priest Post Employment Benefits	-	-	-	-	-	-	-	-	-	-	-	-	486,830	486,830
Depreciation	53,512	-	-	50,024	-	57,307	-	451,151	106,100	718,094	-	460	-	718,554
Secondary School	-	-	-	-	-	-	-	-	-	-	-	-	1,518,601	1,518,601
Health Insurance	-	-	-	-	-	-	-	-	-	-	-	-	12,302,514	12,302,514
Contributions and Assessments	-	50	-	-	-	-	-	-	-	50	-	-	102,063	102,113
Settlements, Legal Fees, and Counseling Related to Sexual Abuse	-	-	-	-	-	-	-	-	-	-	-	-	86,351	86,351
Total Expenses by Function	$ 3,566,332	$ 751,716	$ 450,467	$ 393,961	$ 678,954	$ 578,976	$ 774,064	$ 870,761	$ 960,532	$ 9,025,763	$ 513,435	$ 1,757,579	$ 16,202,023	$ 27,498,800

See accompanying notes.

ROMAN CATHOLIC DIOCESE OF COVINGTON, OFFICES OF THE CURIA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Programs													
	ACUE	Education	Seminary	Clergy	Community/ Pastoral	Retreat Center	Messenger	Facility and Project	Cemeteries	Total	Fundraising	Management and General	Other	Total
Salaries	$ 2,653,208	$ 578,506	$ 122,631	$ 134,519	$ 480,331	$ 517,730	$ 253,737	$ 330,196	$ 330,409	$ 5,401,267	$ 230,271	$ 1,139,136	$ -	$ 6,770,674
Events, Masses, Receptions	32,361	30,899	71,973	15,394	111,685	6,124	-	741	8,851	278,028	1,077	238,112	-	517,217
Supplies, Books, Subscriptions	33,400	20,899	113,043	18,612	9,870	70,452	18,977	76,859	36,335	398,447	3,622	23,302	-	425,371
Telecommunications	56,110	2,053	198	3,929	916	6,975	2,600	18,249	6,720	97,750	1,648	12,310	-	111,708
Postage	3,212	279	5,254	19	2,891	28	193,648	837	576	206,744	471	7,107	-	214,322
Printing	13,429	2,924	16,203	3,064	12,660	-	161,109	457	1,263	211,109	5,575	21,698	-	238,382
Building and Property Expenses	276,434	59,200	7,200	38,723	76,870	176,503	35,840	(41,851)	259,156	888,075	25,955	163,173	-	1,077,203
Travel/Fuel	60	1,691	1,473	4,833	2,758	70	1,587	21,277	2,651	36,400	403	23,791	-	60,594
Professional Fees, Dues, and Services	264,564	1,931	1,353	10,967	6,734	19,902	3,706	39,700	28,006	376,863	1,660	187,191	-	565,714
Cost of Sales	-	-	-	-	-	-	-	-	129,236	129,236	-	-	-	129,236
Other	22,861	-	-	-	-	310	3	-	509	23,683	-	124,608	-	148,291
Donor Maintenance	-	-	-	-	-	-	-	-	-	-	151,852	-	-	151,852
Insurance	-	-	-	-	1,697	22,690	-	46,128	30,091	100,606	-	47,986	-	148,592
Grants	-	-	-	-	-	-	-	-	-	-	-	-	1,171,459	1,171,459
Interest	-	-	-	-	-	-	-	-	-	-	-	-	335,436	335,436
Bad Debt	-	-	-	-	-	-	4,572	-	-	4,572	-	-	-	4,572
Tuition/Room and Board	-	-	130,131	25,309	-	-	-	-	-	155,440	-	-	-	155,440
Priest Post Employment Benefits	-	-	-	-	-	-	-	-	-	-	-	-	751,677	751,677
Depreciation	60,696	-	-	19,085	-	55,510	-	455,011	100,360	690,662	-	460	-	691,122
Secondary School	-	-	-	-	-	-	-	-	-	-	-	-	1,500,000	1,500,000
Health Insurance	-	-	-	-	-	-	-	-	-	-	-	-	10,717,567	10,717,567
Contributions and Assessments	-	-	-	-	-	-	-	-	-	-	-	-	100,867	100,867
Settlements, Legal Fees, and Counseling Related to Sexual Abuse	-	-	-	-	-	-	-	-	-	-	-	-	111,651	111,651
Total Expenses by Function	$ 3,416,335	$ 698,382	$ 469,459	$ 274,454	$ 706,412	$ 876,294	$ 675,779	$ 947,604	$ 934,163	$ 8,998,882	$ 422,534	$ 1,988,874	$ 14,688,657	$ 26,098,947

See accompanying notes.

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

	Years Ended June 30,	
	2023	**2022**
Cash Flows From Operating Activities		
Change in Net Assets	$ (95,165)	$ (3,755,614)
Reconciliation of Change in Net Assets with Cash Flows From Operating Activities		
Depreciation	718,554	691,122
Amortization of Debt Issuance Cost Included in Interest	15,163	15,163
Bad Debt (Recovery) Expense	(69,203)	4,572
Realized Gains on Investments	(1,350,685)	(752,021)
Unrealized (Gains) Losses on Investments	(618,299)	4,323,757
Gain on Sale of Property and Equipment	-	(22,480)
Interest Credited Directly to Deposits	150,842	128,281
Changes in		
Accounts Receivable, Net	16,697	(13,449)
Unconditional Promises to Give, Net	(364,818)	105,350
Cemetery Property Held for Sale	43,725	23,698
Other Assets	(215,469)	218,891
Accounts Payable, Accrued Expenses and Other Liabilities	21,438	265,256
Claims and Reserve for Incurred but not Reported Benefit Claims	261,501	(135,522)
Cash (Used) Provided by Operating Activities	(1,485,719)	1,097,004
Cash Flows From Investing Activities		
Purchase of Property and Equipment	(293,007)	(576,886)
Proceeds from Sale of Property and Equipment	-	24,665
Purchase of Investments	(4,420,667)	(6,389,324)
Proceeds from Sales and Maturities of Investments	8,035,767	6,441,810
Issuance of New Loans	(988,344)	(517,682)
Payments Received on Loans	119,446	224,219
Cash Provided (Used) by Investing Activities	2,453,195	(793,198)
Cash Flows From Financing Activities		
New Deposits Received	2,332,808	3,146,484
Withdrawals of Deposits	(3,492,340)	(2,797,075)
Payments on Notes Payable	(23,478)	(27,576)
Cash (Used) Provided by Financing Activities	(1,183,010)	321,833
Net Change in Cash and Cash Equivalents	(215,534)	625,639
Cash, Beginning of Year	8,020,108	7,394,469
Cash, End of Year	$ 7,804,574	$ 8,020,108

See accompanying notes.

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 the purposes 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 $186,020 and $188,908 at June 30, 2023 and 2022, respectively, for accounts receivable, an allowance for doubtful accounts of $649,430 and $718,632 at June 30, 2023 and 2022, respectively for loans receivable, and no allowance for doubtful accounts has been provided at either June 30, 2023 or 2022 for notes receivable since the Diocese does not expect any material losses.

Cemetery Property Held for Sale

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 uncollectable 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 uncollectable. Based on these criteria, no allowance for uncollectible promises to give has been provided at either June 30, 2023 or 2022 since the Diocese does not expect any material losses.

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 $5,000. 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 either of the years ended June 30, 2023 or 2022.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 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 the 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 guaranteed certain third-party debt of an unconsolidated affiliated parish, which was not included in the consolidated statement of financial position at June 30, 2022. The total outstanding balance on the guaranteed loan was $434,581 at June 30, 2022, and the loan balance was paid in full by the parish during the year ended June 30, 2023.

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 advertisement placements 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

The Diocese recognizes revenue at both a point in time and over time. A breakdown of fees and sales revenue recognized at a point in time and revenue recognized over time is as follows:

	Years Ended June 30, 2023	Years Ended June 30, 2022
Recognition		
At a Point in Time	$ 1,096,836	$ 1,076,319
Over a Period of Time	2,021,503	2,465,524
Total Revenue	$ 3,118,339	$ 3,541,843

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, 2023 and 2022.

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 do 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 present 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, and property and liability insurance expenses which are allocated on a square footage basis, information technology expenses and computer expenses which are allocated based on the number of computers used by each cost center, 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, 2023 or 2022. 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 statutes 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, 2023 or 2022.

Reclassifications

Certain amounts in the prior period consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current year. The reclassifications had no impact on previously reported net assets. The reclassifications did result in an adjustment to the classification of net assets at June 30, 2022 as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Previously Reported at June 30, 2022	$ 23,011,910	$ 9,914,152	$ 32,926,062
Reclassification of Net Assets	124,391	(124,391)	-
	$ 23,136,301	$ 9,789,761	$ 32,926,062

Additionally, the Diocese reclassified revenue, previously reported as Fees and Sales to Parish Assessments on the consolidated statement of activities for the year ended June 30, 2022 totaling $693,012.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards

Lease Accounting Standard

Effective July 1, 2022, the Diocese adopted FASB ASC 842, *Leases*. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the consolidated statements of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term.

The Diocese elected to adopt FASB ASC 842, *Leases*, using the optional transition method that allows the Diocese to initially apply the new lease standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. As a result, the Diocese reporting for the comparative period presented in the consolidated financial statements is in accordance with FASB ASC 840.

The implementation of this standard did not have an impact to the Diocese's consolidated financial statements for the year ended June 30, 2023, as the Diocese does not have any material leasing arrangements.

NOTE 2 – LIQUIDITY

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

	June 30,	
	2023	2022
Cash, Without Restrictions	$ 7,763,479	$ 7,978,332
Accounts Receivable, Net	639,141	655,838
Loans Receivable, Net	-	113,157
Investments	6,798,148	7,703,890
	$ 15,200,768	$ 16,451,217

The Diocese's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is 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 $3,194,904 and $3,109,313 at June 30, 2023 and 2022, respectively, and cash of $22,727 and $23,409 at June 30, 2023 and 2022, respectively, to be used for perpetual care and maintenance of Diocese cemeteries, and the Diocese held cash of $18,368 in both 2023 and 2022 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 by parishes for interest on bond syndication notes payable was $369,048 and $182,2021 in 2023 and 2022, respectively, and cash paid by the Diocese for interest on deposits payable was $38,901 and $37,312 in 2023 and 2022, respectively.

The following provides a reconciliation of cash and restricted cash reported on the consolidated statements of cash flows to amounts reported in the consolidated statements of financial position:

	June 30,	
	2023	2022
Cash	$ 7,781,847	$ 7,996,699
Restricted Cash for Perpetual Care Fund	22,727	23,409
	$ 7,804,574	$ 8,020,108

The Diocese had noncash financing or investing activities as follows:

	Years Ended June 30,	
	2023	2022
Non-Cash Decrease in Notes Receivable, Net and Notes Payable, Net	$ 2,867,694	$ 2,821,775

NOTE 4 – CONTRACT BALANCES

Receivables and contract balances from contracts with customers were as follows:

	Years Ended June 30,	
	2023	2022
Accounts Receivable, Net		
Beginning of Year	$ 655,838	$ 646,961
End of Year	$ 639,141	$ 655,838
Advances and Deferred Receipts		
Beginning of Year	$ 3,108,319	$ 2,895,972
End of Year	$ 3,387,008	$ 3,108,319

NOTE 5 – 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, 2023	June 30, 2022
Amounts Promised		
Within One Year	$ 694,709	$ 506,454
One to Five Years	1,345,000	1,129,300
Less Present Value Discount	(102,644)	(63,507)
Unconditional Promises to Give, Net	$ 1,937,065	$ 1,572,247

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 6 – CEMETERY PROPERTY HELD FOR SALE

Developed burial spaces available for sale at June 30, 2023 and 2022, 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	
	2023	2022	2023	2022	2023	2022
Graves	2,962	3,234	272	253	$ 1,340	$ 1,338
Mausoleum Crypts	37	65	28	41	5,250	4,917
Lawn Crypts	39	39	0	10	3,650	3,400
Mausoleum Niches	0	0	0	2	1,130	1,050
Columbarium Niches	1,463	1,530	99	105	2,050	2,019

NOTE 7 – 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.

The following are descriptions of the valuation methodologies used for marketable securities measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

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.

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, 2023:

	Investments at Fair Value			
	Level 1	Level 2	Level 3	Total
Common Stocks	$ 5,140,786	$ -	$ -	$ 5,140,786
Commercial Paper, Short-Term U.S. Treasury and Agency Obligations	-	3,073,920	-	3,073,920
Corporate Bonds	-	7,582,213	-	7,582,213
Total Assets in Fair Value Hierarchy	$ 5,140,786	$ 10,656,133	$ -	15,796,919
Investments Measured at Net Asset Value (a)				10,452,299
Total Investments				$ 26,249,218

NOTE 7 – FAIR VALUE MEASUREMENTS (Continued)

The following were measured at fair value as of June 30, 2022:

	Investments at Fair Value			
	Level 1	Level 2	Level 3	Total
Common Stocks	$ 5,203,681	$ -	$ -	$ 5,203,681
Commercial Paper, Short-Term U.S. Treasury and Agency Obligations	-	3,237,580	-	3,237,580
Corporate Bonds	-	8,269,480	-	8,269,480
Total Assets in Fair Value Hierarchy	$ 5,203,681	$ 11,507,060	$ -	16,710,741
Investments Measured at Net Asset Value (a)				11,184,593
Total Investments				$ 27,895,334

(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.

The following tables summarize investments for which fair value is measured using the net asset value per share practical expedient as of June 30, 2023 and 2022.

June 30, 2023	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently) Eligible)	Redemption Notice Period
Alternative Investments	$ 10,452,299	N/A	Daily or Monthly	0 - 90 Days

June 30, 2022	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently) Eligible)	Redemption Notice Period
Alternative Investments	$ 11,184,593	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 8 – PROPERTY AND EQUIPMENT

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

	June 30, 2023	June 30, 2022
Land Improvements	$ 1,762,085	$ 1,762,085
Buildings and Improvements	15,763,505	15,525,005
Furniture and Equipment	2,457,603	2,485,078
	19,983,193	19,772,168
Less Accumulated Depreciation	7,328,205	6,691,633
Total Property and Equipment, Net	$ 12,654,988	$ 13,080,535

NOTE 9 – OTHER ASSETS

Included in other assets, the self-insurance fund holds a 3.5% ownership investment of $363,180 and $429,967 as of June 30, 2023 and 2022, 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 – LOANS RECEIVABLE AND DEPOSITS PAYABLE

Loans receivable and deposits payable consists of the following:

	June 30, 2023	June 30, 2022
Loans Receivable		
Loans receivable from parishes, schools and other Diocesan institutions; due on demand; unsecured; interest ranging from0.0% to 5.0% per annum; net of allowance of $649,430 and $718,632 at June 30, 2023 and 2022, respectively.	$ 3,910,642	$ 3,087,097
Loan receivable from an individual for Seminary school. The loan does not charge interest and there is no formal terms for repayment.	21,778	27,222
Accumulated interest due on loan receivable from a school. Interest is calculated at a simple interest rate of 4% on a principal balance of $3,000,000 at both June 30, 2023 and 2022.	497,530	377,530
Total Loans Receivable, Net	$ 4,429,950	$ 3,491,849
Deposits Payable		
Deposits payable to parishes, schools and other Diocesan Institutions - Deposit and Loan Fund; payable on demand; unsecured; interest of 1.5% per annum.	$ 10,409,043	$ 11,404,483
St. Anne Retreat Center Deposits	-	13,250
Total Deposits Payable	$ 10,409,043	$ 11,417,733

NOTE 11 – NOTES PAYABLE

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 is the borrower, and the individual parishes, schools, and institutions are the account debtors to the Diocese. US Bank will serve as the administrative agent and the lenders are 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 are 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 (see Notes Receivable note for payment terms), until the principal amount of the notes are paid in full. Accordingly, the Diocese has recognized off-setting notes receivable and payable for the loans made to each individual school and parish.

The loan syndication agreements bear interest at an adjustable rate equal to the sum of the product of the LIBOR rate, the applicable factor, and the applicable spread. At June 30, 2023 and 2022, the adjustable interest rate on the bonds was 5.66% and 2.31%, respectively. At June 30, 2023 and 2022, the interest rate on the term bonds was 6.61% and 2.41%, respectively. All notes are secured by the general assets of the Diocese and the remaining capital campaign collections of the various projects raised for the purpose of the notes.

The Diocese also has two interest free term notes payable to an unrelated third party to finance the purchase of two tractors. The final payments are due in April 2024 and August 2025, and the notes are due in monthly principal payments of $1,118 and $931.

Notes payable related to the loan syndication and term notes are as follows:

	June 30, 2023	June 30, 2022
Series 2016 A Bonds	$ 2,332,080	$ 2,557,546
Series 2016 B Bonds	-	1,155,233
Series 2016 Term Bonds	458,351	548,441
Series 2018 B Bonds	3,281,757	3,478,663
Series 2019 Bonds	-	1,200,000
Term Notes	30,555	54,033
	6,102,743	8,993,916
Less Unamortized Debt Issuance Costs	(45,489)	(60,653)
Total Notes Payable, Net	$ 6,057,254	$ 8,933,263

Debt issuance costs of $210,996 were recognized as a reduction to the face amount of the notes payable and were amortized over a period of five years. During the year ended June 30, 2021, the Diocese recognized costs of $75,816 for an interest rate refinance that has been recognized as a reduction to the face amount of these notes and is amortized over a period of five years. Amortization of debt issuance costs of $15,163 have been reported as interest expense for both 2023 and 2022.

NOTE 11 – NOTES PAYABLE (Continued)

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

Years Ending June 30,		
2024	$	631,341
2025		619,414
2026		610,099
2027		610,099
2028		575,621
Thereafter		3,056,169
		6,102,743
Less Debt Issuance Costs		45,489
Total Payments	$	6,057,254

NOTE 12 – NOTES RECEIVABLE

The individual promissory note receivables are as follows:

	June 30, 2023	June 30, 2022
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 on April 1, 2022.	$ 2,332,080	$ 2,557,546
SERIES 2016 B BONDS		
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.	-	1,155,233
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.	372,371	448,004
St. Joseph Parish, Cold Spring Promissory note payable in monthly installments of $4,381 with a maturity date of May 1, 2029.	85,981	100,437
Total Series 2016 Term Bonds	458,352	548,441

(Continued)

NOTE 12 – NOTES RECEIVABLE (Continued)

	June 30, 2023	June 30, 2022
(Continued)		
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.	3,281,757	3,478,663
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.	-	1,200,000
Notes Receivable Balance	$ 6,072,189	$ 8,939,883

Interest charged on notes receivable is equal to the loan syndication interest payments due as described in the Notes Payable note disclosure.

NOTE 13 – PLEDGES PAYABLE

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

Less than One Year	$ 105,000	$ 105,000
One to Five Years	310,000	340,000
Over Five Years	150,000	225,000
	565,000	670,000
Less Unamortized Discount	(22,619)	(27,698)
Total Pledges Payable, Net	$ 542,381	$ 642,302

NOTE 14 – ADVANCES AND DEFERRED RECEIPTS

Advances and deferred receipts consist of the following:

Deferred Parish Assessment Revenue	$ 2,866,656	$ 2,811,029
Other Advances	343,811	133,455
Deferred Revenue Related to Cemetery Markers, Plaques and Inscriptions to be Installed	163,402	151,206
Deferred Revenue Related to ACUE	12,736	11,742
Deferred Revenue for *Messenger* Newspaper	403	887
Total Advances and Deferred Receipts	$ 3,387,008	$ 3,108,319

NOTE 15 – 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 funds 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 un-appropriated distributions from prior years to carry over to future years.

Endowment net asset composition by type of fund as of June 30, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Endowment Funds	$ -	$ 5,382,877	$ 5,382,877

NOTE 15 – ENDOWMENT FUNDS (Continued)

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	$ -	$ 5,065,742	$ 5,065,742
Investment Return, Net	-	467,135	467,135
Appropriation of Endowment Assets Pursuant to Spending Policy	-	(150,000)	(150,000)
Endowment Net Assets, End of Year	$ -	$ 5,382,877	$ 5,382,877

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Endowment Funds	$ -	$ 5,065,742	$ 5,065,742

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	$ -	$ 5,840,358	$ 5,840,358
Investment Loss, Net	-	(629,616)	(629,616)
Appropriation of Endowment Assets Pursuant to Spending Policy	-	(145,000)	(145,000)
Endowment Net Assets, End of Year	$ -	$ 5,065,742	$ 5,065,742

NOTE 16 – BISHOP DESIGNATED NET ASSETS

The Bishop designated net assets for the following purposes:

	June 30, 2023	June 30, 2022
Funds to Pay for Parish and School Health Insurance	$ 3,074,337	$ 4,087,889
Funds to Support Secondary Schools	2,099,729	1,805,535
Inner City School Funds	934,396	1,315,174
Parish and School Loan Programs	(921,148)	5,557
Annuity Funds and Other	7,705	(429)
Over-Spending on Seminarian Programs	(719,717)	(1,084,956)
Total Bishop Designated Net Assets	$ 4,475,302	$ 6,128,770

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 $3,217,631 and $3,132,722 at June 30, 2023 and 2022, respectively. The income on these funds may only be used for care and maintenance.

NOTE 17 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	June 30, 2023	June 30, 2022
Subject to Expenditure for Specified Purpose		
Diocesan Parish Annual Appeal	$ 2,670,873	$ 2,513,595
General Educational Need	278,324	273,999
ACUE	2,090,772	1,502,337
Other	454,320	434,088
	5,494,289	4,724,019
Endowments		
Subject to Appropriation and Expenditure When a Specified Event Occurs		
Accumulated Net Appreciation of Endowment Funds	1,883,195	1,566,058
Not Subject to Spending Policy or Appropriation		
Educational Endowment	2,485,218	2,485,218
Property Maintenance Endowment	942,386	942,386
Diocesan Annual Appeal Endowment	52,504	52,504
Other Endowment	16,374	16,376
ACUE Endowment	3,200	3,200
Endowed Restricted Net Assets	5,382,877	5,065,742
Total Net Assets with Donor Restrictions	$ 10,877,166	$ 9,789,761

NOTE 18 – 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 the 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).

NOTE 18 – EMPLOYEE BENEFIT PLAN (Continued)

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 Diocese 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 $227,405 and $223,410 for the years ended June 30, 2023 and 2022, 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, 2021, the plan was 101.6% funded, the actuarial value of the plan assets was $131,544,161 and the accumulated value of the plan benefits was $129,464,930.

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 be 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 for both the years ended June 30, 2023 and 2022.

NOTE 19 – 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 $4,378,907 and $4,354,406 at June 30, 2023 and 2022, respectively.

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

	June 30, 2023	June 30, 2022
Change in Projected Benefit Obligation		
Benefit Obligation at Beginning of Year	$ 4,354,406	$ 4,082,781
Service Cost	76,000	74,880
Interest Costs	174,176	157,604
Benefits Paid	(346,675)	(331,746)
Actuarial Loss	121,000	370,887
Benefit Obligation at End of Year	$ 4,378,907	$ 4,354,406

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

	Years Ended June 30, 2023	Years Ended June 30, 2022
Service Cost - Benefits Attributed to Service During the Period	$ 76,000	$ 74,880
Interest Costs on Accumulated Post Retirement Benefit Obligation	174,176	157,604
Total	$ 250,176	$ 232,484

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 for the fiscal year ending June 30, 2023:

Years Ending June 30,	
2024	$ 316,288
2025	275,159
2026	253,050
2027	234,110
2028	215,170
Thereafter	846,339
	$ 2,140,116

NOTE 20 – GRANTS MADE BY DIOCESE

	Years Ended June 30, 2023	2022
Priest Retirement Fund	$ 275,000	$ 275,000
Catholic Charities	250,000	250,000
Cathedral Operating	266,992	299,750
Inner City	222,500	199,800
Parishes and Schools	43,105	16,295
Educational Assistance	100,000	87,000
DPAA Pledges from Contingency	5,079	5,384
Mission Outreach	5,459	4,996
Holy See	22,000	22,000
Miscellaneous	10,193	11,234
Total Grants Made by Diocese	$ 1,200,328	$ 1,171,459

NOTE 21 – 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 22 – 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 $175,000 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 23 - SUBSEQUENT EVENTS

The Diocese has evaluated subsequent events through October 17, 2023, which is the date the consolidated financial statements were available to be issued.

Subsequent to year end, the Diocese entered into an agreement as part of the loan syndication to access additional funds to be used for expansion of St. Timothy School in the amount of $922,000. Through the loan syndication, the Diocese is the borrower and St. Timothy Parish is the debtor to the Diocese. As such, the Diocese will record off-setting notes receivable and payable for the loan.