Annual Report of the Finances for the Diocese of Covington – June 30, 2023

he annual report of the Diocese of Covington shows the financial position and results of operation of the Diocese for the years ended June 30, 2023, and 2022. 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

January 202

Dear Brothers and Sisters in Christ,
Blessings in this New Year!

I am pleased to present you with the audited financial statements for the Diocese of

Covington for the fiscal year ending June 30, 2023. As you review these reports, you will see that an independent public accounting firm has again issued an unmodified opinion that these statements present an accurate and thorough picture of Diocesan finances for the year. This is the highest level of assurance attainable. The Diocesan Finance Council reviewed these statements in December 2023. Now it is your turn to review them for yourself.

I take this opportunity to express my gratitude to the members of the Diocesan Finance Council and the staff of the Diocesan Finance Office. Their advice and diligence promote sound management of the resources you entrust to the Church. In doing so, they improve our ability to serve Christ and his mission.

We first encounter Christ and our hearts are moved with joy. This encounter with Christ changes us, so that we are directed toward sharing the good news of God's love with others and to caring for our neighbor. To achieve these ends, we entrust our time, talent, and treasure to the Church for carrying out Jesus' mission. I am grateful to God for the inspiration and grateful to you for your faithfulness and love. I trust that you will find in these columns the story of how we are working together to teach, heal, and sanctify, through the proclamation of God's kingdom of love.

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 in the joy of Christ,

Bishop John Iffert Diocese of Covington Urban Catholic Education (ACUE) school operations, and the Diocesan-wide self-funded employee health insurance program.

Various religious orders, lay societies, religious organizations which operate within the Diocese, parishes, parish elementary schools, secondary schools and other related institutions are not included in the accompanying financial information.

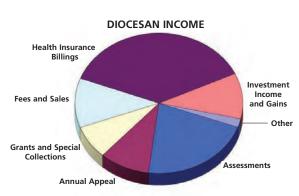
Results of Operations

During this past fiscal year, total revenues increased from the prior year by 22.6%. This is due mostly to increased investment income and gains. Total expenses increased a modest 5.4% due entirely to the increase in health insurance claims/administration of the diocesan self-funded health care program..

Operating Revenue

During the fiscal year ended June 30, 2023, the Diocese received operating revenue from the following sources which it used to fund its various ministries and services.

Health insurance billings	\$ 10,216,284
Assessments	5,873,547
Fees and sales	3,118,339
Investment income/(losses)	2,890,901
Diocesan/Parish Annual Appeal	2,660,387
Grants and special collections	2,106,566
Other	537,611
Total Operating Revenue	\$ 27,403,635



 Parish assessments are comprised of three taxes on the parishes of the Diocese. The first two are applied to assessable income, which is defined by diocesan policy and includes offertory, fundraising, school tuition, and beguest income. A 6.75 % tax on the assessable income of all parishes provided \$2,942,830 of income to fund the administrative offices of the Diocese. A 5% tax on the assessable income of the parishes of Kenton, Campbell, Boone, and Mason counties provided \$2,200,529 of support for the secondary and urban schools of the Diocese. Lastly, in lieu of operating individual inner-city schools as parochial schools, the parishes of the inner-city core of the Diocese provide a subsidy to the Diocese to operate those schools as a consortium under the auspices of the Alliance for Catholic Urban Education (ACUE). This subsidy amounted to \$730,188.

• The Diocesan/Parish Annual Appeal for 2022 (ended on March 31, 2023; adjusted to fiscal year ended June 30, 2023) raised an amount totaling \$4,182,958. Of this amount \$1,522,571 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 2023 fiscal year:

ACUE tuition and fees	\$ 1,077,886
Cemetery fees and sales	1,051,146
Newspaper ads and subscriptions	292,907
Education office fees	256,360
Retreat Center fees and sales	191,936
Departmental fees and fundraising	248,104
Total Fees and Sales	\$ 3,118,339

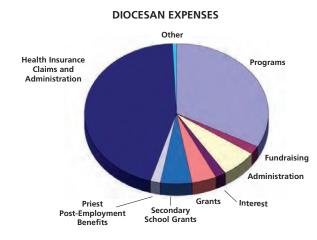
• Health insurance billings are premiums the Diocese and its entities charge themselves to fund the self-insured medical fund. This fund pays for the health insurance claims from doctors, hospitals and prescription drugs for Diocesan employees and covered dependents..

• 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, 2023 the Diocese incurred programmatic costs, grant-making and departmental expenses as follows:

Health insurance claims/administration	\$ 12,302,514
Program expenses	9,025,763
Episcopal administration	1,757,579
Secondary school grants	1,518,601
Diocesan Grants	1,200,328
Priest post-employment benefits	486,830
Fundraising expenses	513,435
Interest expense	505,336
Other expenses	188,414
Total Operating Expense	\$ 27,498,800



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Assets
Cash and Cash Equivalents
Restricted Cash for Perpetual Care Fund
Accounts Receivable, Net

Unconditional Promises to Give, Ne

testricted Investments for Perpetual Care Fund

Accounts Payable and Accrued Expenses
Claims and Reserve for Incurred but not Reported Br

Cemetery Property Held for Sale

Property and Equipment, Net

Special Collections Payable

Advances and Deferred Receipts

Deposits Payable, Notes Payable, Net

Total Net Assets

Total Liabilities and Net Assets

See accountants' report and accompanying note

Loans Receivable, Net Notes Receivable, Net • Health insurance claims and administration are the hospital and doctor bills and the prescription drugs costs for employees and their dependants who receive coverage under the Diocesan self-insured health insurance plan.

• Program expenses represent expenditures for carrying out the various ministries for the Diocese. These expenses include personnel salaries and benefits as well as direct expenses of the ministry. Program expenses are categorized as follows:

ACUE expenses	\$3,566,332
Diocesan properties	870,761
Cemeteries	960,532
St. Anne's Retreat Center	578,976
Community and pastoral services	678,954
Catholic Schools	751,716
Messenger	774,064
Seminary studies, vocations	
and deacon formation	450,467
Clergy	393,961
Total Program Expenses	\$ 9,025,763

• 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:

om other Diocesan revenues as follows:	
Priest Retirement Fund	\$275,000
Cathedral operations	266,992
Catholic Charities	250,000
Inner city grants	222,500
Educational assistance	100,000
Parishes and schools	43,105
Holy See	22,000
Other grants	20,731
Total Grants	\$1,200,328

• 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

As of June 30, 2023, 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:

Restricted for a Specific Purpose/Time Period

Diocesan Annual Appeal ACUE Other Restrictions	\$ 2,670,873 2,090,772 732,644
	\$ 5,494,289
Endowed Assets	
Educational	2,485,218
Accumulated Net Appreciation	1,883,195
Property maintenance	942,386
Diocesan Annual Appeal	52,504
Social concerns	16,374
ACUE	3,200
	\$ 5,382,877
Total Donor Restricted Assets	\$ 10,877,166

2022

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

\$ 332,026
189,282
166,299
160,293
56,843
17,472
1,481
\$ 923,696

Respectfully Submitted,

Dale Henson, CPA Chief Financial Officer Diocese of Covington

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ATED STATEMENTS OF FINANCIAL POSITION	CONSOLIDATED STATEMENTS OF ACTIVITIES

22,727 639,141

60,892,735

23,409 655,838

3,491,849 8,939,883 1,572,247

13,080,535

1,935,903 537,778 733,894

642,302 11,417.733 8,933,263

3,108,319

4,354,406

28,061,838 31,663,598

32,830,897 32,926,062

\$ 60,892,735 \$ 64,589,660

64,589,660

Year Ended June 30		hout Donor estrictions	-	With Donor testrictions	Total	Total
Revenues, Gains and Other Support						
Parish Assessments	5	5.873,547	\$		\$ 5,873,547	\$ 5,629,68
Diocesan Parish Annual Appeal	-	5,0,0,017		2.660.387	2,660,387	2,664,80
Dividends and Interest		867.678		54.239	921,917	684,31
Grants and Special Collections		17,421		450,695	468,116	411,99
Realized Gains on Investments		971,886		378,799	1,350,685	752,02
Unrealized Gains / (Losses) on Investments		442,969		175,330	618,299	(4,323,75
Contributions and Bequests		233,422		1,405,028	1,638,450	2,101,01
Self-Insurance Premium Retention		471,172		1,400,020	471,172	502,66
Fees and Sales		3,118,339				3,541,84
1 1 T T T T T T T T T T T T T T T T T T					3,118,339	
Health Insurance Billings		10,216,284			10,216,284	10,286,89
Gain on Sale of Property and Equipment						22,48
Other Income	-	66,439			66,439	69,37
Total revenue, Gains and Other Support		22,279,157		5,124,478	27,403,635	22,343,33
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	22,343,33
Expenses						
Programs		9.025.763		1.5	9,025,763	8,998.88
Fundraising		513,435		-	513,435	422,53
Management and General:					- 1-11	
Episcopal Administration		1,757,579		1.41	1,757,579	1,988,87
Settlements, Legal Fees and Counseling		111-01-101-10			1,000,000	1,000,0
Related to Sexual Abuse		86,351			86,351	111,65
Grants Made by Diocese		1,200,328			1,200,328	1,171,45
Interest		505,336			505,336	335,43
Priest Post Employment Benefits		486.830			486.830	751,67
Secondary School Grants		1,518,601			1,518,601	1,500,00
Health Insurance Claims and Administration		12.302.514		-	12,302,514	10,717,56
Contributions and Assessments		102,063			102,063	
Contributions and Assessments		102,063	_		102,063	100,86
Total Expenses		27,498,800		-	27,498,800	26,098,94
Change in Net Assets		(1,182,570)		1,087,405	(95,165)	(3,755,61
Net Assets at Beginning of Year		23,136,301		9,789,761	32,926,062	36,681,67
Net Assets at End of Year	S	21,953,731	s	10,877,166	\$ 32,830,897	\$ 32,926,06

See accountants' report and accompanying note

5.25734			ar Ended June 30
			ish Flows From Operating Activities
\$ (3,755,614	(95,165)	\$	Change in Net Assets
			Reconciliation of Change in Net Assets with
			Cash Flows From Operating Activities
691,122	718,554		Depreciation
15,163	15,163		Amortization of Debt Issuance Cost Included in Interest
4,572	(69,203)		Bad Debt (Recovery) Expense
(752,021	1,350,685)	(Realized Gains on Investments
4,323,757	(618,299)		Unrealized Losses / (Gains) on Investments
(22,480	-		Gain on Sale of Property and Equipment
128,281	150,842		Interest credited directly to deposits
			Changes In
(13,449	16,697		Accounts and Contributions Receivable
105,350	(364,818)		Unconditional Promises to Give, Net
23,698	43,725		Cemetery Property Held for Sale
218,891	(215,469)		Other Assets
265,256	21,438		Accounts Payable, Accrued Expenses and Other Liabilities
(135,522	261,501	_	Claims and Reserve for Incurred but not Reported Benefit Claims
1,097,004	(1,485,719)	(Cash Provided by Operating Activities
			sh Flows from Investing Activities
(576,886	(293,007)		Purchases of Property and Equipment
24,665	8		Proceeds From Sale of Property and Equipment
(6,389,324	4,420,667)	(Purchases of Investments
6,441,810	8,035,767	100	Proceeds from Sales and Maturities of Investments
(517,682	(988,344)		ssuance of New Loans
224,219	119,446	_	Payments Received on Loans
(793,198	2,453,195	1	Cash (Used) / Provided by Investing Activities
			sh Flows from Financing Activities
3,146,484	2,332,808		New Deposits Received
(2,797,075	(3,492,340)	(Nithdrawals of Deposits
(27,576	(23,478)	-	Payments on Notes Payable
321,833	1,183,010)	(Cash Provided / (Used) by Financing Activities
625,639	(215,534)		Net change in Cash and Cash Equivalents
7,394,469	8,020,108	-	ish, Beginning of Year
	and a state of	5	Cash, End of Year

Roman Catholic Diocese of Covington, Diocesan Curia