Consolidated Financial Statements for

ROMAN CATHOLIC DIOCESE OF COVINGTON, OFFICES OF THE CURIA

Years Ended June 30, 2024 and 2023

With Independent Auditor's Report

DEANDORTON

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INDEPENDENT AUDITOR'S 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, 2024 and 2023, 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, 2024 and 2023, 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 Auditor's 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.

Other Matter

As described in the notes to the financial statements, during 2024, Roman Catholic Diocese of Covington, Offices of the Curia adopted FASB ASC 326, *Credit Losses*. Our opinion is not modified with respect to that matter.

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.

Auditor's 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 auditor's 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 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.

Prior Period Financial Statements

The consolidated financial statements as of June 30, 2023, were audited by VonLehman & Company Inc., who merged with Dean Dorton Allen Ford, PLLC as of January 1, 2024.

Dean Dorton Allen Ford, PLLC

Fort Wright, Kentucky
October 17, 2024

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

ASSETS

	June 30, 2024	June 30, 2023
Assets		
Cash	$ 7,267,439	$ 7,781,847
Restricted Cash for Perpetual Care Fund	21,360	22,727
Accounts Receivable, Net of Allowance for Credit Losses 2024: $180,403, 2023: $186,020	646,751	639,141
Loans Receivable, Net of Allowance for Credit Losses 2024: $692,602, 2023: $649,430	8,182,498	4,429,950
Notes Receivable	6,193,686	6,072,189
Unconditional Promises to Give, Net	1,832,724	1,937,065
Cemetery Property Held for Sale	314,621	342,133
Investments	25,106,016	23,054,314
Restricted Investments for Perpetual Care Fund	3,293,757	3,194,904
Property and Equipment, Net	12,234,134	12,654,988
Other Assets	667,611	763,477
Right of Use Assets - Operating Leases	128,999	-
Total Assets	$ 65,889,596	$ 60,892,735

LIABILITIES AND NET ASSETS

	2024	2023
Liabilities		
Accounts Payable and Accrued Expenses	$ 1,958,853	$ 1,903,846
Claims and Reserve for Incurred but not Reported Benefit Claims	1,100,000	799,279
Special Collections Payable	543,602	584,120
Pledges Payable, Net	442,030	542,381
Deposits Payable	11,951,477	10,409,043
Notes Payable, Net	6,212,374	6,057,254
Advances and Deferred Receipts	3,318,108	3,387,008
Priest Postretirement Liability	4,337,775	4,378,907
Operating Lease Liabilities	128,162	-
Total Liabilities	29,992,381	28,061,838
Net Assets		
Without Donor Restrictions	24,583,367	21,953,731
With Donor Restrictions	11,313,848	10,877,166
Total Net Assets	35,897,215	32,830,897
Total Liabilities and Net Assets	$ 65,889,596	$ 60,892,735

See accompanying notes.

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

	Year Ended June 30, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Parish Assessments	$ 6,181,618	$ -	$ 6,181,618
Diocesan Parish Annual Appeal	-	2,700,959	2,700,959
Dividends and Interest, Net	1,096,889	79,317	1,176,206
Grants and Special Collections	5,753	394,432	400,185
Realized Gains on Investments	1,079,966	562,102	1,642,068
Unrealized Gains on Investments	400,259	145,290	545,549
Contributions and Bequests	243,517	1,363,972	1,607,489
Self-Insurance Premium Retention	414,365	-	414,365
Fees and Sales	3,204,139	-	3,204,139
Health Insurance Billings	11,657,540	-	11,657,540
Other Income	64,750	-	64,750
Total Revenue, Support, and Gains	24,348,796	5,246,072	29,594,868
Net Assets Released From Restrictions	4,809,390	(4,809,390)	-
Total Revenue, Support, Gains, and Reclassifications	29,158,186	436,682	29,594,868
Expenses			
Programs	8,599,486	-	8,599,486
Fundraising	481,299	-	481,299
Management and General Episcopal Administration	1,830,799	-	1,830,799
Settlements, Legal Fees and Counseling Related to Sexual Abuse	55,177	-	55,177
Grants Made by Diocese	1,192,163	-	1,192,163
Interest	565,138	-	565,138
Priest Post Employment Benefits	264,438	-	264,438
Secondary School Grants	1,652,001	-	1,652,001
Health Insurance Claims and Administration	11,797,715	-	11,797,715
Contributions and Assessments	90,334	-	90,334
Total Expenses	26,528,550	-	26,528,550
Change in Net Assets	2,629,636	436,682	3,066,318
Net Assets, Beginning of Year	21,953,731	10,877,166	32,830,897
Net Assets, End of Year	$ 24,583,367	$ 11,313,848	$ 35,897,215

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	971,863	378,799	1,350,662
Unrealized Gains on Investments	442,992	175,330	618,322
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 FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

	Programs												
	ACUE	Education	Seminary	Clergy	Community/ Pastoral	Messenger	Facility and Project	Cemeteries	Total	Fundraising	Management and General	Other	Total
Salaries	$ 2,511,856	$ 586,219	$ 90,577	$ 169,819	$ 544,650	$ 294,148	$ 246,837	$ 329,941	$ 4,774,047	$ 276,368	$ 1,241,567	$ -	$ 6,291,982
Events, Masses, Receptions	33,729	266,078	101,999	55,114	95,384	-	3,197	-	555,501	3,963	100,895	-	660,359
Supplies, Books, Subscriptions	35,942	68,449	78,242	31,871	13,943	19,258	18,758	27,160	293,623	5,738	38,288	-	337,649
Telecommunications	40,398	1,949	160	1,377	1,360	1,713	31,061	6,147	84,165	1,737	10,400	-	96,302
Postage	5,340	151	989	311	2,395	251,574	359	477	261,596	1,944	5,306	-	268,846
Printing	19,611	2,619	15,105	189	2,149	214,106	375	187	254,341	4,775	6,228	-	265,344
Building and Property Expenses	282,911	32,256	5,196	59,189	62,325	19,800	50,379	259,162	771,218	13,896	137,689	-	922,803
Travel/Fuel	-	2,894	9,018	4,601	8,008	3,222	10,897	985	39,625	3,408	22,165	-	65,198
Professional Fees, Dues, and Services	257,169	33,437	8,740	34,230	49,296	20,373	35,725	29,179	468,149	34,038	161,299	-	663,486
Cost of Sales	-	-	-	-	-	-	-	99,834	99,834	-	-	-	99,834
Other	11,345	-	-	-	-	213	645	800	13,003	585	9,873	-	23,461
Donor Maintenance	-	-	-	-	-	-	-	-	-	134,847	-	-	134,847
Insurance	12,242	-	-	8,379	1,976	-	81,749	39,528	143,874	-	53,290	-	197,164
Grants	-	-	-	-	-	-	-	-	-	-	-	1,192,163	1,192,163
Interest	-	-	-	-	-	-	-	-	-	-	-	565,138	565,138
Credit Loss (Recovery) Expense	-	-	-	-	-	-	-	(9,589)	(9,589)	-	43,338	-	33,749
Tuition/Room and Board	-	-	126,052	6,940	-	-	-	-	132,992	-	-	-	132,992
Priest Post Employment Benefits	-	-	-	-	-	-	-	-	-	-	-	264,438	264,438
Depreciation	54,678	-	-	51,087	-	-	505,130	106,212	717,107	-	461	-	717,568
Secondary School	-	-	-	-	-	-	-	-	-	-	-	1,652,001	1,652,001
Health Insurance	-	-	-	-	-	-	-	-	-	-	-	11,797,715	11,797,715
Contributions and Assessments	-	-	-	-	-	-	-	-	-	-	-	90,334	90,334
Settlements, Legal Fees, and Counseling Related to Sexual Abuse	-	-	-	-	-	-	-	-	-	-	-	55,177	55,177
Total Expenses by Function	$ 3,265,221	$ 994,052	$ 436,078	$ 423,107	$ 781,486	$ 824,407	$ 985,112	$ 890,023	$ 8,599,486	$ 481,299	$ 1,830,799	$ 15,616,966	$ 26,528,550

See accompanying notes.

ROMAN CATHOLIC DIOCESE OF COVINGTON, OFFICES OF THE CURIA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
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
Credit Loss 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 STATEMENTS OF CASH FLOWS

	Years Ended June 30, 2024	Years Ended June 30, 2023
Cash Flows From Operating Activities		
Change in Net Assets	$ 3,066,318	$ (95,165)
Reconciliation of Change in Net Assets with Cash Flows From Operating Activities		
Depreciation	717,568	718,554
Amortization of Debt Issuance Cost Included in Interest	15,163	15,163
Credit Loss Expense (Recovery)	33,749	(69,203)
Realized Gains on Investments	(1,642,068)	(1,350,685)
Unrealized Gains Losses on Investments	(545,549)	(618,299)
Interest Credited Directly to Deposits	187,400	150,842
Changes in		
Accounts Receivable, Net	1,813	16,697
Unconditional Promises to Give, Net	104,341	(364,818)
Cemetery Property Held for Sale	27,512	43,725
Other Assets	95,866	(215,469)
Right of Use Asset - Operating Leases	39,329	-
Accounts Payable, Accrued Expenses and Other Liabilities	(195,894)	21,438
Claims and Reserve for Incurred but not Reported Benefit Claims	300,721	261,501
Operating Lease Liabilities	(40,166)	-
Cash Provided (Used) by Operating Activities	2,166,103	(1,485,719)
Cash Flows From Investing Activities		
Purchase of Property and Equipment	(254,366)	(293,007)
Purchase of Investments	(10,556,528)	(4,420,667)
Proceeds From Sales and Maturities of Investments	10,593,590	8,035,767
Issuance of New Loans	(4,030,282)	(988,344)
Payments Received on Loans	234,562	119,446
Cash (Used) Provided by Investing Activities	(4,013,024)	2,453,195
Cash Flows From Financing Activities		
New Deposits Received	3,916,160	2,332,808
Withdrawals of Deposits	(2,561,126)	(3,492,340)
Payments on Notes Payable	(23,888)	(23,478)
Cash Provided (Used) by Financing Activities	1,331,146	(1,183,010)
Net Change in Cash and Cash Equivalents	(515,775)	(215,534)
Cash, Beginning of Year	7,804,574	8,020,108
Cash, End of Year	$ 7,288,799	$ 7,804,574

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 (closed effective December 31, 2022), 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 and Allowance for Credit Losses

The Diocese establishes allowances for credit losses on accounts, loans, and notes receivable. The allowance for credit losses is the Diocese's best estimate of the amount of probable credit losses in the Diocese's existing accounts, loans, and notes receivable and is based upon historical loss patterns, the number of days that billings are past due, and an evaluation of the potential risk of loss associated with specific accounts. The measurement of credit losses and subsequent changes in the allowance for credit losses are recorded in the consolidated statement of activities within program and management and general expenses as the amounts expected to be collected change.

The Diocese uses the aging method to estimate its expected credit losses on accounts, loans, and notes receivable. In order to estimate expected credit losses, the Diocese assesses recent historical experience, current economic conditions and any reasonable and supportable forecasts to identify risk characteristics that are shared within the financial asset. These risk characteristics are then used to bifurcate the aging method into risk pools. Historical credit loss for each risk pool is then applied to the current period aging in the identified risk pools to determine the needed reserve allowance. In the absence of current economic conditions and/or forecasts that may affect future credit losses, the Diocese has determined that recent historical experience provides the best basis for estimating credit losses.

The determination of past due status on accounts, loans, and notes receivable are based on the terms indicated on customer contracts and invoices. Accounts, loans, and notes are written off against the allowance when deemed uncollectible by management. Recoveries of accounts, loans, and notes receivable previously written off are recorded when received. The Diocese does not charge interest on its past due receivables.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2024 or 2023 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2024 or 2023.

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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,	
	2024	2023
Recognition		
At a Point in Time	$ 1,892,961	$ 1,096,836
Over a Period of Time	1,311,178	2,021,503
Total Revenue	$ 3,204,139	$ 3,118,339

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, 2024 and 2023.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2024 or 2023. 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, 2024 or 2023.

Adoption of New Accounting Standard

Effective July 1, 2023, the Diocese adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* and associated amendments. This standard creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the consolidated statement of activities as the amounts expected to be collected change.

The adoption of the new standard did not result in a cumulative-effect adjustment to the opening balance of net assets.

Subsequent Events

The Diocese has evaluated subsequent events through October 17, 2024, which is the date the consolidated financial statements were available to be issued.

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, 2024	June 30, 2023
Cash, Without Restrictions	$ 5,430,910	$ 7,763,479
Accounts Receivable, Net	646,751	639,141
Loans Receivable, Net	2,624,542	-
Investments	7,603,952	6,798,148
	$ 16,306,155	$ 15,200,768

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 $3,293,757 and $3,194,904 at June 30, 2024 and 2023, respectively, and cash of $21,360 and $22,727 at June 30, 2024 and 2023, respectively, to be used for perpetual care and maintenance of Diocese cemeteries, and the Diocese held cash of $18,368 in both 2024 and 2023 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 $398,708 and $369,048 in 2024 and 2023, respectively, and cash paid by the Diocese for interest on deposits payable was $48,827 and $38,901 in 2024 and 2023, 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, 2024	June 30, 2023
Cash	$ 7,267,439	$ 7,781,847
Restricted Cash for Perpetual Care Fund	21,360	22,727
	$ 7,288,799	$ 7,804,574

NOTE 3 – CASH AND CASH FLOWS (Continued)

The Diocese had noncash operating, financing, and investing activities as follows:

	Years Ended June 30, 2024	Years Ended June 30, 2023
Non-Cash Increase (Decrease) in Notes Receivable, Net and Notes Payable, Net	$ 121,497	$ (2,867,694)
Right of Use Assets Obtained in Exchange for Operating Lease Liabilities	$ 168,328	$ -
Property and Equipment Financed Through Loan Payable	$ 42,348	$ -

NOTE 4 – CONTRACT BALANCES

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

	June 30, 2024	June 30, 2023
Accounts Receivable, Net		
Beginning of Year	$ 639,141	$ 655,838
End of Year	$ 646,751	$ 639,141
Advances and Deferred Receipts		
Beginning of Year	$ 3,387,008	$ 3,108,319
End of Year	$ 3,318,108	$ 3,387,008

NOTE 5 – ALLOWANCES FOR CREDIT LOSSES

The allowance for credit losses related to accounts receivable is as follows:

	Years Ended June 30, 2024	Years Ended June 30, 2023
Balance at Beginning of Year	$ 186,020	$ 188,908
Recovery of Expected Credit Losses	(9,423)	(608)
Writeoffs Charged Against the Allowance	3,806	(2,280)
Balance at End of Year	$ 180,403	$ 186,020

The allowance for credit losses related to loans receivable is as follows:

	2024	2023
Balance at Beginning of Year	$ 649,430	$ 718,633
Provision (Recovery) of Expected Credit Losses	43,172	(69,203)
Balance at End of Year	$ 692,602	$ 649,430

NOTE 5 – ALLOWANCES FOR CREDIT LOSSES (Continued)

Estimating credit losses based on risk characteristics requires significant judgment by the Diocese. Significant judgments include but are not limited to assessing current economic conditions and the extent to which they would be relevant to the existing characteristics of the Diocese's financial assets, the estimated life of financial assets and the level of reliance on historical experience in light of economic conditions. The Diocese reviews and updates, when necessary, its historical risk characteristics that are meaningful to estimating credit losses, any new risk characteristics that arise in the natural course of business and the estimated life of its financial assets.

NOTE 6 – 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, 2024	June 30, 2023
Amounts Promised		
Within One Year	$ 508,083	$ 694,709
One to Five Years	1,429,718	1,345,000
Less Present Value Discount	(105,077)	(102,644)
Unconditional Promises to Give, Net	$ 1,832,724	$ 1,937,065

Unconditional promises to give are reflected at the present value of future cash flows using discount rates ranging from 3.6% to 5.4% for unconditional promises to give due in more than one year.

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 7 – CEMETERY PROPERTY HELD FOR SALE

Developed burial spaces available for sale at June 30, 2024 and 2023, 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	
	2024	2023	2024	2023	2024	2023
Graves	2,743	2,962	246	272	$ 1,340	$ 1,340
Mausoleum Crypts	19	37	20	28	$ 5,250	$ 5,250
Lawn Crypts	37	39	2	-	$ 3,650	$ 3,650
Mausoleum Niches	-	-	-	-	$ 1,130	$ 1,130
Columbarium Niches	1,366	1,463	97	99	$ 2,050	$ 2,050

NOTE 8 – 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, 2024 and 2023.

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.

NOTE 8 – FAIR VALUE MEASUREMENTS (Continued)

The following were measured at fair value as of June 30, 2024 and 2023:

	Investments at Fair Value			
June 30, 2024	Level 1	Level 2	Level 3	Total
Common Stocks	$ 5,128,954	$ -	$ -	$ 5,128,954
Commercial Paper, Short-Term U.S. Treasury and Agency Obligations	-	6,859,030	-	6,859,030
Corporate Bonds	-	6,756,659	-	6,756,659
Total Assets in Fair Value Hierarchy	$ 5,128,954	$ 13,615,689	$ -	18,744,644
Investments Measured at Net Asset Value (a)				9,655,129
Total Investments				$ 28,399,773

	Investments at Fair Value			
June 30, 2023	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

(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, 2024 and 2023.

June 30, 2024	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently) Eligible)	Redemption Notice Period
Alternative Investments	$ 9,655,129	N/A	Daily or Monthly	0 - 90 Days

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

NOTE 8 – FAIR VALUE MEASUREMENTS (Continued)

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 9 – PROPERTY AND EQUIPMENT

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

	June 30, 2024	June 30, 2023
Land Improvements	$ 1,830,585	$ 1,762,085
Buildings and Improvements	15,891,860	15,763,505
Furniture and Equipment	2,539,046	2,457,603
	20,261,491	19,983,193
Less Accumulated Depreciation	8,027,357	7,328,205
Total Property and Equipment, Net	$ 12,234,134	$ 12,654,988

In April 2024, the Diocese entered into an asset sale agreement to sell property, which is on the books of the Diocese at a net book value of $1,376,438. The sales price is $2,700,000, and there is a due diligence period of two years, with an additional option to extend for one year. During the due diligence period, the contract can be terminated at any time. No amounts have been recorded related to this sale during the year ended June 30, 2024.

NOTE 10 – OTHER ASSETS

Included in other assets, the self-insurance fund holds a 3.5% ownership investment of $406,295 and $363,180 as of June 30, 2024 and 2023, 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 11 – LOANS RECEIVABLE AND DEPOSITS PAYABLE

Loans receivable and deposits payable consists of the following:

	June 30, 2024	June 30, 2023
Loans Receivable		
Loans receivable From parishes, schools and other Diocesan institutions; due on demand; unsecured; interest ranging from 0.0% to 5.5% per annum; net of allowance of $692,602 and $649,430 at June 30, 2024 and 2023, respectively.	$ 7,478,618	$ 3,910,642
Loan receivable From an individual for Seminary school. The loan does not charge interest and there is no formal terms for repayment.	36,339	21,778
Accumulated interest due on loan receivable From a school and a parish. Interest is calculated at a simple interest rate of 4% on a principal balance of $3,000,000 for the school at both June 30, 2024 and 2023, and interest is calculated at the prevailing deposit and loan interest rate on a principal balance of $1,100,000 and $500,000 at June 30, 2024 and 2023, respectively.	667,541	497,530
Total Loans Receivable, Net	$ 8,182,498	$ 4,429,950
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.	$ 11,951,477	$ 10,409,043

NOTE 12 – 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.

NOTE 12 – NOTES PAYABLE (Continued)

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. In June 2023, the Diocese extended the syndication to call for the issuance of term loan notes for St. Timothy, with a drawable amount not to exceed $1,000,000 (together, the "notes"). The notes are dated as of May 1, 2016, May 1, 2018, June 1, 2019, and June 6, 2023, 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, 2024 and 2023, the adjustable interest rate on the bonds was 5.80% and 5.66%, respectively. At June 30, 2024 and 2023, the interest rate on the term bonds was 6.78% and 6.61%, 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 unrelated third parties to finance the purchase of tractors. The final payments are due in April 2025 and March 2028, and the notes are due in monthly principal payments of $931 and $882. The notes are collateralized by the tractors purchased.

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

	June 30, 2024	June 30, 2023
Syndicate Series 2016 A Bonds	$ 1,948,620	$ 2,332,080
Syndicate Series 2016 Term Bonds	361,146	458,351
Syndicate Series 2018 B Bonds	3,084,852	3,281,757
Syndicate Term Loans	799,067	-
Term Notes	49,015	30,555
	6,242,700	6,102,743
Less Unamortized Debt Issuance Costs	(30,326)	(45,489)
Total Notes Payable, Net	$ 6,212,374	$ 6,057,254

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 2024 and 2023.

NOTE 12 – NOTES PAYABLE (Continued)

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

Years Ending June 30,		
2025	$	814,401
2026		805,087
2027		805,087
2028		767,961
2029		581,176
Thereafter		2,468,988
		6,242,700
Less Debt Issuance Costs		30,326
Total Payments	$	6,212,374

NOTE 13 – NOTES RECEIVABLE

The individual promissory note receivables are as follows:

	June 30, 2024	June 30, 2023
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 in October 2030.	$ 1,948,620	$ 2,332,080
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.	289,622	372,371
St. Joseph Parish, Cold Spring		
Promissory note payable in monthly installments of \$4,381 with a maturity date of May 1, 2029.	71,525	85,981
Total Series 2016 Term Bonds	361,147	458,352
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.	3,084,852	3,281,757
SERIES 13MM DELAYED DRAW TERM		
St. Timothy Parish		
Promissory note payable in monthly installments of \$15,367 with a maturity date of November 2028.	799,067	-
Notes Receivable Balance	$ 6,193,686	$ 6,072,189

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

NOTE 14 – PLEDGES PAYABLE

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

	June 30, 2024	June 30, 2023
Less than One Year	$ 85,000	$ 105,000
One to Five Years	300,000	310,000
Over Five Years	75,000	150,000
	460,000	565,000
Less Unamortized Discount	(17,970)	(22,619)
Total Pledges Payable, Net	$ 442,030	$ 542,381

NOTE 15 – ADVANCES AND DEFERRED RECEIPTS

Advances and deferred receipts consist of the following:

	2024	2023
Deferred Parish Assessment Revenue	$ 2,949,015	$ 2,866,656
Other Advances	185,661	343,811
Deferred Revenue Related to Cemetery Markers, Plaques and Inscriptions to be Installed	168,853	163,402
Deferred Revenue Related to ACUE	13,272	12,736
Deferred Revenue for *Messenger* Newspaper	1,307	403
Total Advances and Deferred Receipts	$ 3,318,108	$ 3,387,008

NOTE 16 – LEASES

The Diocese has signed seven operating leases for office equipment and one operating lease for building space for which right of use assets were recorded on the consolidated statements of financial position. These leases expire on various dates through June 2028.

Lease right-of-use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Diocese uses its implicit rate when it is readily determinable. Since most of the Diocese's leases do not provide an implicit rate, to determine the present value of lease payments, management uses the Diocese's incremental borrowing rate based on the information available at lease commencement. The Dicoese's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Diocese will exercise the option.

Leases with a lease term of 12 months or less at inception are not recorded on the consolidated statements of financial position and are expensed on a straight-line basis over the lease term.

NOTE 16 – LEASES (Continued)

The components of lease expenses that are included in the consolidated statements of activities are as follows for the year ended June 30, 2024. The Diocese did not record lease expense for the year ended June 30, 2023.

		Year Ended June 30, 2024
Lease Expense		
Operating Lease Expense	$	44,425
Short-term Lease Expense		9,450
Total	$	53,875

The following summarizes the cash flow information, weighted average lease term, and discount rate related to operating leases as of and for the year ended June 30, 2024:

Other Information		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities		
Operating Cash Flows From Operating Leases	$	45,265
ROU Assets Obtained in Exchange for New Operating Lease Liabilities	$	168,328
Weighted-Average Remaining Lease Term in Years for Operating Leases		3.91
Weighted-Average Discount Rate for Operating Leases		5.16%

The maturities of operating lease liabilities are as follows:

Years Ending June 30,		
2025	$	40,268
2026		34,557
2027		33,907
2028		23,979
2029		9,452
Total Undiscounted Cash Flows		142,163
Less Present Value Discount		(14,001)
Total Lease Liabilities	$	128,162

NOTE 17 – 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.

NOTE 17 – ENDOWMENT FUNDS (Continued)

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, 2024 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Endowment Funds	$ -	$ 5,793,099	$ 5,793,099

Changes in endowment net assets for the year ended June 30, 2024 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	$ -	$ 5,382,877	$ 5,382,877
Investment Return, Net	-	570,222	570,222
Appropriation of Endowment Assets Pursuant to Spending Policy	-	(160,000)	(160,000)
Endowment Net Assets, End of Year	$ -	$ 5,793,099	$ 5,793,099

NOTE 17 – ENDOWMENT FUNDS (Continued)

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

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

NOTE 18 – BISHOP DESIGNATED NET ASSETS

The Bishop designated net assets for the following purposes:

	June 30, 2024	June 30, 2023
Funds to Pay for Parish and School Health Insurance	$ 3,723,303	$ 3,074,337
Funds to Support Secondary Schools	2,384,321	2,099,729
Inner City School Funds	1,671,441	934,396
Parish and School Loan Programs	(408,018)	(921,148)
Annuity Funds and Other	7,760	7,705
Over-Spending on Seminarian Programs	(330,221)	(719,717)
Total Bishop Designated Net Assets	$ 7,048,586	$ 4,475,302

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 $3,315,117 and $3,217,631 at June 30, 2024 and 2023, respectively. The income on these funds may only be used for care and maintenance.

NOTE 19 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	June 30, 2024	June 30, 2023
Subject to Expenditure for Specified Purpose		
Diocesan Parish Annual Appeal	$ 2,923,227	$ 2,670,873
General Educational Need	300,689	278,324
ACUE	1,763,910	2,090,772
Other	532,923	454,320
	5,520,749	5,494,289
Endowments		
Subject to Appropriation and Expenditure When a Specified Event Occurs		
Accumulated Net Appreciation of Endowment Funds	2,293,417	1,883,195
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	16,374
ACUE Endowment	3,200	3,200
Endowed Restricted Net Assets	5,793,099	5,382,877
Total Net Assets with Donor Restrictions	$ 11,313,848	$ 10,877,166

NOTE 20 – 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 20 – 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 $220,596 and $227,405 for the years ended June 30, 2024 and 2023, 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, 2023, the plan was 84.5% funded, the actuarial value of the plan assets was $120,781,527 and the accumulated value of the plan benefits was $142,861,450.

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, 2024 and 2023.

NOTE 21 – 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. Beginning in January 2023, retired priests residing in nursing homes contributed $1,375 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 $4,337,775 and $4,378,907 at June 30, 2024 and 2023, respectively.

NOTE 21 – POSTRETIREMENT BENEFIT PLAN (Continued)

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

	June 30, 2024	June 30, 2023
Change in Projected Benefit Obligation		
Benefit Obligation at Beginning of Year	$ 4,378,907	$ 4,354,406
Service Cost	76,000	76,000
Interest Costs	175,156	174,176
Benefits Paid	(316,288)	(346,675)
Actuarial Loss	24,000	121,000
Benefit Obligation at End of Year	$ 4,337,775	$ 4,378,907

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

	Years Ended June 30, 2024	Years Ended June 30, 2023
Service Cost - Benefits Attributed to Service During the Period	$ 76,000	$ 76,000
Interest Costs on Accumulated Post Retirement Benefit Obligation	175,156	174,176
Total	$ 251,156	$ 250,176

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, 2024:

Years Ending June 30,	
2025	$ 275,159
2026	253,050
2027	234,110
2028	215,170
2029	196,230
Thereafter	650,109
	$ 1,823,828

NOTE 22 – GRANTS MADE BY DIOCESE

	Years Ended June 30, 2024	2023
Priest Retirement Fund	$ 275,000	$ 275,000
Catholic Charities	262,500	250,000
Cathedral Operating	273,987	266,992
Inner City	212,500	222,500
Parishes and Schools	160	43,105
Educational Assistance	110,000	100,000
DPAA Pledges From Contingency	4,649	5,079
Mission Outreach	9,794	5,459
Holy See	22,000	22,000
Miscellaneous	21,573	10,193
Total Grants Made by Diocese	$ 1,192,163	$ 1,200,328

NOTE 23 – 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 24 – 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.