

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

COMBINED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Years Ended June 30, 2021 and 2020

(With Independent Auditor's Report Thereon)

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Riney Hancock CPAs
PSC

INDEPENDENT AUDITOR'S REPORT

Diocesan Finance Council
Roman Catholic Diocese of Owensboro

We have audited the accompanying combined financial statements of the Roman Catholic Diocese of Owensboro (Chancery and Certain Entities) (Diocese) (a nonprofit organization), which comprise the combined statements of financial position as of June 30, 2021 and 2020, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

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Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Roman Catholic Diocese of Owensboro (Chancery and Certain Entities) as of June 30, 2021 and 2020, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statements of financial position and the combining statements of activities on pages 31-34 are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Ringhamock CPAs PC

Owensboro, Kentucky
December 29, 2021

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

COMBINED STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 5,254,434	\$ 2,942,316
Investments	43,877,352	35,944,585
Real estate held for investment	544,355	811,889
Accounts receivable:		
Due from parishes	327,793	378,742
Other	459,451	242,993
Grants	149,315	44,386
Notes	8,936,764	9,660,881
Loans receivable	3,896,608	3,927,719
Accrued interest receivable	500	11,346
Prepaid expenses	11,440	7,137
Inventories	57,943	89,723
Beneficial interests in trusts	223,802	210,110
Cemetery property	47,771	67,211
Property and equipment, net	5,574,943	5,785,268
Total assets	\$ 69,362,471	\$ 60,124,306
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 543,208	\$ 541,479
Due to related party	156,756	4,883
Deferred revenue	1,909,910	1,804,614
Accrued interest payable	12,621	10,815
Deposits payable	15,336,215	15,944,369
Collections payable	14,219	27,465
Notes payable	8,936,764	9,660,881
Interest rate swap	67,453	131,086
Accrued retirement obligations	690,216	766,285
Pledge payable	15,000	40,000
Total liabilities	27,682,362	28,931,877
Net assets:		
Without donor restrictions:		
Undesignated	20,843,138	15,433,058
Board designated	17,617,956	12,928,566
Legally mandated	992,832	813,509
	39,453,926	29,175,133
With donor restrictions	2,226,183	2,017,296
Total net assets	41,680,109	31,192,429
Total liabilities and net assets	\$ 69,362,471	\$ 60,124,306

See Notes to Combined Financial Statements

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

COMBINED STATEMENTS OF ACTIVITIES

Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and gains:						
Parish assessments	\$ 3,115,239	\$ -	\$ 3,115,239	\$ 3,227,502	\$ -	\$ 3,227,502
Contributions and bequests	2,112,707	1,540,714	3,653,421	307,449	1,843,378	2,150,827
Investment return	8,992,664	25,762	9,018,426	2,354,465	(6,745)	2,347,720
Change in value of beneficial interests in trusts	-	13,692	13,692	-	626	626
Change in value of interest rate swap	63,633	-	63,633	(47,586)	-	(47,586)
Interest income on loans	163,338	-	163,338	193,645	-	193,645
Rental income	119,474	-	119,474	114,638	-	114,638
Income on real estate investments	1,337,374	-	1,337,374	27,575	-	27,575
Grants	2,366,432	240,881	2,607,313	779,370	108,412	887,782
Program and service fee income	6,699,242	-	6,699,242	6,897,938	-	6,897,938
Gain (loss) on disposal of property and equipment	4,495	-	4,495	(89,842)	-	(89,842)
Other income	1,254,791	-	1,254,791	62,250	-	62,250
Net assets released from restrictions	1,612,162	(1,612,162)	-	1,991,416	(1,991,416)	-
Total revenue, support and gains	27,841,551	208,887	28,050,438	15,818,820	(45,745)	15,773,075
Expenses and losses:						
Salaries and wages	3,573,236	-	3,573,236	3,708,518	-	3,708,518
Payroll taxes	238,366	-	238,366	245,532	-	245,532
Employee benefits	6,602,454	-	6,602,454	5,806,391	-	5,806,391
Other employee assistance	8,326	-	8,326	9,181	-	9,181
Retired priests benefits	468,447	-	468,447	576,403	-	576,403
Professional and technical fees	541,345	-	541,345	525,000	-	525,000
Travel and auto expense	132,102	-	132,102	251,433	-	251,433
Postage and printing	180,926	-	180,926	190,064	-	190,064
Advertising	2,942	-	2,942	6,166	-	6,166
Insurance	102,217	-	102,217	96,976	-	96,976
Telephone and utilities	176,241	-	176,241	189,459	-	189,459
Repairs and maintenance	85,649	-	85,649	145,145	-	145,145
Supplies	114,043	-	114,043	199,123	-	199,123
Miscellaneous	64,576	-	64,576	58,155	-	58,155
Books, materials, subscriptions and dues	96,920	-	96,920	98,598	-	98,598
Assessments	88,704	-	88,704	79,660	-	79,660
Program services expense	1,815,398	-	1,815,398	1,638,126	-	1,638,126
Professional development expense	5,629	-	5,629	31,891	-	31,891
Depreciation expense	258,224	-	258,224	267,919	-	267,919
Interest expense	233,195	-	233,195	309,824	-	309,824
Grants, subsidies, and other direct aid	2,764,090	-	2,764,090	1,415,336	-	1,415,336
Bad debt expense	9,728	-	9,728	11,524	-	11,524
Total expenses and losses	17,562,758	-	17,562,758	15,860,424	-	15,860,424
Change in net assets	10,278,793	208,887	10,487,680	(41,604)	(45,745)	(87,349)
Net assets, beginning of year	29,175,133	2,017,296	31,192,429	29,216,737	2,063,041	31,279,778
Net assets, end of year	\$ 39,453,926	\$ 2,226,183	\$ 41,680,109	\$ 29,175,133	\$ 2,017,296	\$ 31,192,429

See Notes to Combined Financial Statements

COMBINED STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

See Notes to Combined Financial Statements

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ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

COMBINED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 10,487,680	\$ (87,349)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	258,224	267,919
Bad debts written off	9,728	11,524
Realized (gain) loss on investments	(1,734,749)	55,239
Unrealized (gain) loss on investments	(6,710,940)	(1,691,293)
Loss (gain) on sale of real estate investments	(1,315,938)	-
Change in beneficial interests in trusts	(13,692)	(626)
Change in value of interest rate swap	(63,633)	47,586
Loss (gain) on disposal of property and equipment	(4,495)	89,842
Contribution of property and equipment	-	26,300
Decrease (increase) in operating assets:		
Accounts receivable	(280,166)	(17,203)
Notes receivable	31,111	1,024,775
Accrued interest receivable	10,846	(7,721)
Prepaid expenses	(4,303)	84,981
Inventories	31,780	(24,204)
Cemetery property	19,440	17,771
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	1,729	123,523
Due to related party	151,873	654
Deferred revenue	105,296	1,085,894
Accrued interest payable	1,806	10,815
Deposits payable	(608,154)	1,583,446
Collections payable	(13,246)	(11,901)
Accrued retirement obligations	(76,069)	(79,963)
Pledge payable	(25,000)	-
Net cash provided by (used in) operating activities	<u>259,128</u>	<u>2,510,009</u>
Cash flows from investing activities:		
Purchases of property and equipment	(47,899)	(118,877)
Proceeds from sale of property and equipment	4,495	34,447
Additions to real estate held for investment	-	(23)
Purchases of investments	(11,497,635)	(16,609,163)
Proceeds from sale of investments	12,010,557	15,457,360
Proceeds from sale of real estate investments	<u>1,583,472</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>2,052,990</u>	<u>(1,236,256)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	44,113	-
Repayment of long-term debt	(768,230)	(1,098,894)
Decrease in notes receivable	<u>724,117</u>	<u>1,098,894</u>
Net cash provided by (used in) financing activities	<u>-</u>	<u>-</u>
Net increase in cash	2,312,118	1,273,753
Cash and cash equivalents, beginning of year	<u>2,942,316</u>	<u>1,668,563</u>
Cash and cash equivalents, end of year	<u>\$ 5,254,434</u>	<u>\$ 2,942,316</u>
Supplemental Cash Flows Information:		
Cash paid for interest	<u>\$ 231,389</u>	<u>\$ 299,009</u>
Noncash operating transactions:		
Food commodities from the U.S. Department of Agriculture	<u>\$ 190,326</u>	<u>\$ 200,815</u>
Noncash investing transactions:		
Property and equipment disposed by contribution	<u>\$ -</u>	<u>\$ 26,300</u>

See Notes to Combined Financial Statements

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

1. Organization and Summary of Significant Accounting Policies

Nature of Organization

The Roman Catholic Diocese of Owensboro (Diocese) is a not-for-profit organization, founded under the laws of the Commonwealth of Kentucky and commencing operations in 1937. The Diocese provides support for the administration of pastoral, vocational, educational, and other services to the parishes of Western Kentucky.

Principles of Combination

The combined financial statements include the accounts of the Diocese of Owensboro Chancery and Certain Entities, which are under common control. Such entities are collectively referred to as the Diocese in the financial statements and related notes and include the McRaith Catholic Center (Chancery) and the following entities:

- Deposit and Loan Fund
- Charitable Trust Fund
- Diocesan Benefit Plan
- Bishop Soenneker Home
- Division of School and Community Nutrition
- Owensboro Catholic Cemeteries
- Owensboro Catholic League
- Gasper River Catholic Retreat Center

The Diocese made the decision during fiscal year 2019 to discontinue the operations of the Bishop Soenneker Home. As of June 30, 2020, the fund was closed by transferring all remaining balances to the Chancery.

All significant transactions among the entities included in the combined financial statements have been eliminated. The combined financial statements do not include parishes, schools, or other entities not under the control of the Chancery.

Basis of Presentation

The Diocese reports information regarding its financial position and activities on the accrual basis according to two classes of net assets: without donor restrictions and with donor restrictions.

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

1. Organization and Summary of Significant Accounting Policies, Continued

Cash, Cash Equivalents, and Restricted Cash

The Diocese considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors to be cash and cash equivalents. Cash and highly liquid financial instruments that have donor-imposed restrictions limiting its use is reported as restricted cash in the financial statements. The Diocese had no restricted cash at December 31, 2021 and 2020.

Investments

Investments are stated at fair value. Investments acquired by gift are recorded at the fair value on the date the gift was received. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statement of activities as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions. Investment return includes unrealized gains and losses, and is reported net of investment expenses.

Allowances for Uncollectible Receivables

Accounts and loans receivable are stated at face amount, less an allowance for doubtful accounts. No allowance for doubtful accounts was recorded as management considers all amounts to be collectible.

Revenue Recognition

The Diocese recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. ASU No. 2014-09 applies to exchange transactions that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

In addition, the Diocese follows ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 provides a framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction.

The Diocese generates the majority of its revenue from nonexchange transactions which are outside of the scope of Topic 606. The Diocese's significant revenue recognition policies are:

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

1. Organization and Summary of Significant Accounting Policies, Continued

Revenue Recognition, Continued

Parish assessments – Revenues from Parish assessments are recognized over time as the services are performed and the performance obligation is satisfied.

Contributions and bequests – Contributions and bequests, including unconditional contributions and bequests, are recognized in the period received. Conditional contributions and bequests, those with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend have been met.

Grants – The Diocese receives grants from governmental and private sources. A majority of these revenues are derived from nonreciprocal transactions, which are conditioned upon meeting certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Diocese has met performance requirements or incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to meeting performance requirements or incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

Program and service fee income:

Insurance premiums – Diocesan entities pay insurance premiums in exchange for centrally-administered health insurance, property insurance and workers compensation insurance. Revenues from insurance premiums are recognized over time which corresponds to the period of insurance coverage and the satisfaction of the performance obligation.

Sales of goods and services – Revenues from sales of goods and services primarily consist of cemetery-related sales. Revenues from cemetery-related sales are recognized at a point in time when the performance obligation has been satisfied.

Program fees – Revenues from program fees are recognized over time as services are rendered and the performance obligation is satisfied.

Contributions and Grants

Contributions and grants restricted by donors are reported 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 statement of activities as net assets released from restrictions.

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

1. Organization and Summary of Significant Accounting Policies, Continued

Inventories

Inventories, which consist of purchased and commodity food items utilized in the Division of School and Community Nutrition, are stated at the lower of cost or market determined by the first-in, first-out method.

Contributed Goods and Services

A substantial number of volunteers donate significant amounts of their time to benefit the mission and programs of the Diocese. However, the value of these services is not reflected in the combined financial statements as it does not meet the criteria for recognition.

The value of commodities (non-cash assistance) received in the Division of School and Community Nutrition and included in grant revenue in the statements of activities totaled \$190,326 and \$200,815 for the years ended June 30, 2021 and 2020, respectively.

Cemetery Property

Cemetery property consists of mausoleums, columbariums, lots, and lot development costs, stated at cost. As burial sites and vaults are sold, an allocated portion of the costs are expensed.

Property and Equipment

Property and equipment are carried at cost or at estimated fair market value at the date acquired, if donated. Assets donated with explicit restrictions regarding their use are reported as restricted support until such restrictions expire. Absent donor stipulations, contributions of property and equipment are recorded as revenue without donor restrictions. Acquisitions of property and equipment in excess of \$2,500 are capitalized. Depreciation expense is computed by the straight-line method over estimated useful lives of the related assets.

Derivative Instrument

The Diocese uses an interest-rate swap to mitigate interest-rate risk on a note payable. The related liability or asset is reported at fair value in the combined statements of financial position, and the change in the fair value of the swap is reflected in the combined statements of activities. The difference between amounts paid and received under this agreement are recognized in interest expense.

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

1. Organization and Summary of Significant Accounting Policies, Continued

Functional Expenses

The costs of providing the various programs, management and general, and fundraising activities have been summarized on a natural basis on the combined statements of activities. The combined statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Diocese are reported as expenses of those functional areas, while indirect costs that benefit multiple functional areas have been allocated among the programs and supporting services benefited. Payroll-related costs are allocated based on time and effort. Depreciation has not been allocated to program services.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Advertising

The Diocese expenses the costs of advertising as incurred.

Change in Accounting Principle

The Diocese adopted FASB ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended, during the year. Management believes the standard improves the usefulness and understandability of the Diocese's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Diocese recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

The Diocese adopted the provisions of FASB ASU No. 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework- Changes to the Disclosure Requirements for Fair Value Measurement* during the year. The amendments in this ASU modify the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. Adoption of this pronouncement had no material effect on the Diocese's current or previously issued financial statements.

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

1. Organization and Summary of Significant Accounting Policies, Continued

Reclassifications

Certain amounts in 2020 have been reclassified to conform with the 2021 presentation.

2. Liquidity and Availability of Funds

The financial assets of the Diocese available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	<u>2021</u>	<u>2020</u>
Chancery financial assets at year-end:		
Cash	\$ 1,721,738	\$ 973,420
Investments	19,883,205	15,422,544
Accounts receivable, excluding notes	596,276	407,042
Loans receivable	<u>55,597</u>	<u>67,695</u>
	22,256,816	16,870,701
Less amounts not available to be used within one year:		
Board designated financial assets	(487,859)	(487,683)
Donor restricted financial assets	(1,854,132)	(1,679,496)
Loans receivable not expected to be received within one year	<u>(43,391)</u>	<u>(15,876)</u>
Chancery financial assets available to meet general expenditures over the next twelve months	\$ <u>19,871,434</u>	\$ <u>14,687,646</u>

The net assets of all entities in the combined financial statements other than the Chancery are either board designated or legally mandated, and therefore are not available for general expenditures. As part of the Diocese's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

That plan includes a commitment not to expend amounts reflected as Board designated, and to invest excess cash as deemed prudent. In the event of unexpected liquidity needs, Board-designated funds could be made available for general expenditure, but only after appropriate Board approval.

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

3. Investments

Investments in securities are stated at fair value and consisted of the following at June 30:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 430,754	\$ 430,754	\$ 542,535	542,545
Corporate stocks	2,561,515	4,559,149	2,491,599	3,502,097
Exchange-traded funds and closed-end funds	21,443,314	26,619,515	21,504,760	22,899,785
Government securities	1,671,958	1,679,039	705,791	739,887
Mutual funds	7,698,053	10,588,895	7,344,012	8,260,271
	<u>\$ 33,805,594</u>	<u>\$ 43,877,352</u>	<u>\$ 32,588,697</u>	<u>35,944,585</u>

Real estate held for investment totaled \$544,355 and \$811,889 at June 30, 2021 and 2020, respectively, and represent donated properties which were recorded at fair value at the date of gift. Farming, logging, oil and mineral rights income generated from certain of these properties is recorded as distributed by the agents of the properties.

The following schedule summarizes investment return and its classification for the years ended June 30:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 763,838	\$ 2,084	\$ 765,922
Realized gains (losses)	1,727,106	7,643	1,734,749
Unrealized gains (losses)	6,694,495	16,445	6,710,940
Investment fees	(192,775)	(410)	(193,185)
	<u>\$ 8,992,664</u>	<u>\$ 25,762</u>	<u>\$ 9,018,426</u>

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 870,348	\$ 4,864	\$ 875,212
Realized gains (losses)	(58,014)	2,775	(55,239)
Unrealized gains (losses)	1,704,798	(13,505)	1,691,293
Investment fees	(162,667)	(879)	(163,546)
	<u>\$ 2,354,465</u>	<u>\$ (6,745)</u>	<u>\$ 2,347,720</u>

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

4. Deposit and Loan Fund

A deposit and loan fund is maintained for the benefit of parishes, schools, and certain other Catholic organizations across the Diocese. Deposit and Loan Fund deposits, as reflected in the combining statements of financial position, at June 30, 2021 and 2020, totaled \$15,336,215 and \$15,944,369, respectively. Depositors earned 1.5% and 2% on deposit balances during fiscal years 2021 and 2020, respectively, and may add or withdraw funds on demand.

Deposit and Loan Fund loans receivable, as reflected in the combining statements of financial position, at June 30, were as follows:

<u>Type of Loan</u>	<u>2021</u>		<u>2020</u>	
	<u>Number of Loans</u>	<u>Balance</u>	<u>Number of Loans</u>	<u>Balance</u>
Non-interest bearing	1	\$ 98,427	1	\$ 107,967
4.00%	3	764,008	-	-
4.50%	5	2,978,576	7	3,752,057
	<u>9</u>	<u>\$ 3,841,011</u>	<u>8</u>	<u>\$ 3,860,024</u>

The loans, which are uncollateralized, generally mature five years from the date of the first payment; however, non-interest bearing notes do not have a maturity date. An allowance for loan losses was not recorded as of June 30, 2021 and 2020, as in management's opinion, all known and anticipated losses have been written off.

Loans committed but not yet disbursed totaled \$3,310,000 and \$5,257,000 at June 30, 2021 and 2020, respectively.

5. Beneficial Interests in Trusts

Perpetual Trust

The Diocese is a beneficiary under an irrevocable perpetual trust administered by a third-party trustee. Under the trust agreement, the Diocese receives 6.25% of the trust's net income each year. Based on the fair value of the assets held within the trust, as reported by the trustee, the Diocese's beneficial interest in the trust at June 30, 2021 and 2020, totaled \$171,552 and \$163,565, respectively. The beneficial interest is reported in the statement of financial position as net assets with donor restrictions, as the Diocese will never receive the assets or have the ability to direct the trustee to redeem them, and the change in this beneficial interest is reported as revenue with donor restrictions. The income received from the trust is recorded as revenue with donor restrictions, as the agreement specified that such income be used for the support of Catholic schools.

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5. Beneficial Interests in Trusts, Continued

Charitable Trust

The Diocese is also a lead and remainder beneficiary under an irrevocable charitable trust administered by a third-party trustee. Under the agreement, upon the donor's death in 1999, the Diocese began to receive 5% of the net income of the trust for a period of 25 years, after which all of the remaining assets of the trust will be distributed to the beneficiaries in the same percentages. Based on the fair value of the assets held within the trust, as reported by the trustee, the Diocese's beneficial interest in the trust at June 30, 2021 and 2020, totaled \$52,250 and \$46,545, respectively. The beneficial interest is reported in the statement of financial position as net assets with donor restrictions (temporarily restricted), as the Diocese will receive their proportionate share in 2024 after the passage of time specified. The income received from the trust and the change in this beneficial interest are recorded as revenue with donor restrictions (temporarily restricted), as the agreement directed that such income and remaining assets be used for the support of the poorest mission churches in the Diocese.

6. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 1,094,242	\$ 1,094,242
Buildings and improvements	7,916,515	7,891,823
Furnishings and equipment	513,825	492,728
Computer and software	51,267	51,267
Vehicles	164,102	197,527
Land improvements	<u>150,688</u>	<u>150,687</u>
	9,890,639	9,878,274
Accumulated depreciation	<u>(4,315,696)</u>	<u>(4,093,006)</u>
	<u>\$ 5,574,943</u>	<u>\$ 5,785,268</u>

Depreciation expense for the years ended June 30, 2021 and 2020, totaled \$258,224 and \$267,919, respectively.

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7. Notes Payable

Project Financing

Notes payable for project financing are as follows at June 30:

	<u>2021</u>	<u>2020</u>
John Paul II Catholic School	\$ 4,966,547	\$ 5,368,303
Holy Spirit Parish	<u>3,970,217</u>	<u>4,292,578</u>
	<u>\$ 8,936,764</u>	<u>\$ 9,660,881</u>

John Paul II Catholic School

In May of 2013, the Diocese obtained financing to pay for the costs associated with the acquisition, construction, equipping and installation of John Paul II Catholic School in Morganfield, Kentucky (School). The note payable bears interest at a variable rate equal to sixty-five percent (65%) of the sum of the Daily LIBOR Rate, plus 150 basis points (1.5%), not to exceed a maximum rate of 10%. Principal and interest is due monthly, with the rates of interest being 1.034150% and 1.098585% at June 30, 2021 and 2020, respectively. The note was secured by the revenues and pledged revenues of the parishes to be served by the school, with a maturity date of May 1, 2018, at which time all outstanding principal and interest would have been due and payable. The note was refinanced in October of 2017 at the same interest rates and collateral terms as the previous note. Principle payments of \$33,479 plus interest, are due monthly through November 1, 2034.

In conjunction with the issuance of the 2013 debt, the Diocese and the School entered into an agreement wherein the School agreed to pay to the Diocese payments in amounts equal to the principal and interest due on the debt. The agreement was effective through May of 2018, and was renewable for an additional three terms at five years each. The School shall have the option to purchase the premises for \$1 at the end of each renewal period. The agreement was amended on June 17, 2019, to extend the agreement through November 1, 2024.

In October of 2017, the Diocese entered into an interest rate swap agreement with a financial institution to reduce the impact of changes in interest rates on \$4,000,000 of this variable rate note payable. At June 30, 2021 and 2020, the amortized notional amount of the swap agreement was \$3,141,463 and \$3,375,610, respectively. The agreement, which effectively changed the Diocese's interest rate exposure on the notional amount to a fixed 2.927%, matures at the time the related note matures.

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7. Notes Payable, Continued

Project Financing, Continued

John Paul II Catholic School, Continued

Changes in the interest rate swap asset (liability) were as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Beginning of year	\$ (131,086)	\$ (83,500)
Change in value	<u>63,633</u>	<u>(47,586)</u>
End of year	\$ <u>(67,453)</u>	\$ <u>(131,086)</u>

Holy Spirit Parish

In December of 2009, Holy Spirit Parish of Bowling Green, Kentucky (Parish) and the Diocese entered into a Supplemental Loan Agreement with a local financial institution to finance costs associated with the construction of a new church for the Parish. The Parish and the Diocese were jointly and severally liable under the related promissory note, which is secured by a real estate mortgage on the property. All required monthly payments in the amount of \$43,800, including interest at 5.95%, were paid by the Parish, with a final balloon payment to be made in December of 2019. The Parish reflected the obligation on its financial statements, and the Diocese reported the obligation as a commitment and contingency in the footnotes to its financial statements.

In October of 2011, the terms were revised to obtain a reduced interest rate of 4.90%, with all other provisions of the borrowing arrangements remaining unchanged. The Parish continued to make monthly payments of \$43,800 in a timely manner and reflect the obligation on its financial statements. The Diocese continued to report the obligation as a commitment and contingency in the footnotes to its financial statements through June 30, 2015.

In April of 2016, a Mortgage and Loan Modification Agreement was entered into by the Parish, the Diocese, and the financial institution to extend the maturity date to April 2026. The modification agreement requires monthly payments of \$36,919, including interest at an unchanged rate of 4.90% for 10 years, with a balloon payment due in April of 2026.

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NOTES TO COMBINED FINANCIAL STATEMENTS

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7. Notes Payable, Continued

Project Financing, Continued

Holy Spirit Parish, Continued

In conjunction with the modification of this debt, the Diocese and the Parish entered into an agreement wherein the Diocese assumed the outstanding balance of the debt, and the Parish agreed to pay to the Diocese the required monthly payments of \$36,919, equal to the principal and interest payments to be made on the debt, plus additional amounts to be applied to principal for a total monthly payment of \$43,800. The agreement terminates in April of 2036, or such earlier date as the debt may be retired. Payments to be received from the Parish are to remain at \$43,800 monthly at an interest rate of 4.90% until the debt is retired, without regard to the anticipated refinancing of the debt in April of 2026.

Future scheduled maturities of payments relating to these project financing arrangements, for which notes receivable and notes payable have been recorded, are as follows:

	John Paul II Catholic School	Holy Spirit Parish	Total
2022	\$ 401,756	\$ 3,970,217	\$ 4,371,973
2023	401,756	-	401,756
2024	401,756	-	401,756
2025	401,756	-	401,756
2026	401,756	-	401,756
Thereafter	2,957,767	-	2,957,767
	<u>\$ 4,966,547</u>	<u>\$ 3,970,217</u>	<u>\$ 8,936,764</u>

Interest received from the School and the Parish on the notes receivable and paid by the Diocese to the financial institutions on the notes payable totaled \$348,956 and \$377,696 for the years ended June 30, 2021 and 2020, respectively. In addition, interest receivable from the Parish and payable to the financial institution at June 30, 2021 and 2020, totaled \$13,858 and \$14,983, respectively. At June 30, 2021 and 2020, there were no interest accruals relating to the note payable for the School.

In July of 2021, Holy Spirit Parish borrowed funds from the Deposit and Loan Fund at the Diocese to pay in full the balance due to the local financial institution.

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8. Pledge Payable

In September of 2019, the Diocese pledged \$25,000 for the construction of a new seminary in India, payable in annual installments of \$5,000. The outstanding pledge balance will be paid in the following fiscal years:

2022	\$	5,000
2023		5,000
2024		5,000
	\$	<u>15,000</u>

The future payments have not been discounted to present value, as management has determined that the discount is insignificant.

9. Net Assets Without Donor Restrictions

Net assets without donor restrictions consist of the following at June 30:

	2021	2020
Undesignated	\$ 20,843,138	\$ 15,433,058
Board-designated:		
Chancery		
Disaster Relief	868	571
Catholic Schools	11,119	9,105
Bishop's Fund	197,397	220,397
Social Concerns Ministries	68,319	47,454
Bishop McRaith Bequest Fund	210,156	210,156
	487,859	487,683
Deposit and Loan Fund	3,866,176	1,940,358
Charitable Trust Fund	4,089,649	2,024,053
Diocesan Benefit Plan	4,301,790	4,476,064
Division of School and Community Nutrition	517,336	(145,729)
Catholic Cemeteries	1,041,561	854,737
Owensboro Catholic League	66,295	60,157
Gasper River Catholic Retreat Center	3,247,290	3,231,243
	17,617,956	12,928,566
Legally mandated:		
Perpetual care and maintenance fund	992,832	813,509
Total	\$ 39,453,926	\$ 29,175,133

ROMAN CATHOLIC DIOCESE OF OWENSBORO
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NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

9. Net Assets Without Donor Restrictions, Continued

Legally mandated net assets consist of funds held in segregated accounts for the cemeteries. Kentucky Revised Statutes require that the following percentages of burial site sales be placed in the fund: 20% for graves; 5% for underground and mausoleum crypts; and 10% for columbariums. The balance is included in investments in the statement of financial position.

10. Net Assets With Donor Restrictions

Net assets with donor restrictions and balances released are as follows for the years ended June 30:

	2021		2020	
	Restricted	Released	Restricted	Released
By time and purpose:				
Chancery:				
Social Concerns Ministry	\$ 225,720	\$ 412,368	\$ 160,747	\$ 592,834
Catholic Charities	121,255	262,509	167,751	95,985
Disciples Response Fund	188,675	596,201	201,370	672,213
Social Needs	39,438	6,000	36,383	6,000
Seminary Education	463,338	295,032	297,097	359,315
Youth and Young Adult Ministries	29,602	31,858	30,286	29,059
Capital Campaign Designations	786,104	-	785,862	100,000
	<u>1,854,132</u>	<u>1,603,968</u>	<u>1,679,496</u>	<u>1,855,406</u>
Gaspar River Catholic Retreat Center	148,249	8,196	127,690	6,086
Bishop Soenneker Home	-	-	-	129,924
Beneficial interest in charitable trust for missions	52,250	-	46,545	-
	<u>2,054,631</u>	<u>\$ 1,612,164</u>	<u>1,853,731</u>	<u>\$ 1,991,416</u>
In perpetuity:				
Chancery:				
Beneficial interest in perpetual trust for catholic schools	171,552		163,565	
Total	<u>\$ 2,226,183</u>		<u>\$ 2,017,296</u>	

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11. Functional Expenses

A summary of expenses by functional classification is as follows for the years ended June 30:

	2021	2020
Program services:		
Education	\$ 1,249,740	\$ 1,736,021
Worship and Spiritual Life	208,260	237,883
Social Concerns	1,511,648	1,645,277
Vocation Development	1,090,050	1,005,458
Grants to other organizations	130,270	167,756
Bishop Soenneker Home	-	212,133
Catholic Cemeteries	374,277	359,408
Charitable Trust Fund	530,528	641,399
Deposit and Loan Fund	231,023	299,009
Diocesan Benefit Plan	6,960,114	6,126,299
Gasper River Catholic Retreat Center	339,233	317,615
Owensboro Catholic League	103,595	29,748
Division of School and Community Nutrition	<u>2,008,436</u>	<u>1,728,716</u>
Total program service expenses	<u>14,737,174</u>	<u>14,506,722</u>
Management and general:		
General and administrative	3,007,131	1,572,330
Depreciation	<u>258,224</u>	<u>267,919</u>
Total management and general	<u>3,265,355</u>	<u>1,840,249</u>
Total fundraising	<u>215,226</u>	<u>286,567</u>
Total expenses before eliminations	18,217,755	16,633,538
Less eliminations	<u>(654,997)</u>	<u>(773,114)</u>
Total expenses	<u>\$ 17,562,758</u>	<u>\$ 15,860,424</u>

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NOTES TO COMBINED FINANCIAL STATEMENTS

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12. Retirement Plans

The retirement plans of the Diocese consist of the following:

Retired Priests Benefit

The Diocese has a monthly retirement benefit commitment for priests who retired on or before June 1, 2012. The Charitable Trust Fund holds the assets which are used to fund these benefits. The actuarial present value of these future benefits totaled \$445,170 and \$551,239 at June 30, 2021 and 2020, respectively, and is reflected as a liability in the combined statements of financial position. Benefits provided to retired priests under this plan totaled \$70,700 and \$78,700 for the years ended June 30, 2021 and 2020, respectively. Priests who retired after June 1, 2012, participate in the defined benefit plan.

International Priests Benefits

The Diocese accrues an annual retirement benefit for certain international priests (non-incardinated) serving in the Diocese. The benefit is funded by the parishes where the priests are serving and is held by the Charitable Trust Fund in individual liability accounts for each priest. The annual retirement contribution by the parish is on par with the retirement contribution for diocesan priests. At the end of the priest's assignment with the Diocese the accrued funds are remitted either to the priest's order or to the priest himself if he has no affiliation with an order. The combined total of all international priests' accrued benefits was \$245,046 and \$215,046 for the years ended June 30, 2021 and 2020, respectively.

Defined Benefit Plan

The Diocese participates in the Christian Brothers Employee Retirement Plan (Plan) a contributory, multi-employer, defined benefit pension plan for Catholic organizations administered by Christian Brothers Retirement Services. The Plan name is the *Christian Brothers Employee Retirement Plan* and covers all permanent full-time employees and active Diocesan priests of the Chancery and Certain Entities, as well as various Catholic schools and parishes. The Diocese, schools and parishes contributed 6.5% of each participant's compensation to the plan for fiscal years 2021 and 2020. The actuarial information for the multi-employer plan as of July 1, 2021, indicates that it is in compliance with ERISA regulations regarding funding. Information regarding the Plan is publicly available at www.cbsservices.org.

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12. Retirement Plans, Continued

Defined Benefit Plan, Continued

The risks of participating in multi-employer defined benefit pension plans are different from single-employer plans because: (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 required to be borne by the remaining participating employers, and (c) if the Diocese chooses to stop participating in its multi-employer plan, it may be required to pay a withdrawal liability to the plan. Depending on the number of employees withdrawn in any future period and the financial condition of the multi-employer Plan at the time of withdrawal, the associated withdrawal liabilities could be material to the Diocese's change in net assets in the period of the withdrawal. The Diocese has no plans to withdraw from its multi-employer pension Plan.

The following presents information about the multi-employer pension Plan as of and for the years ended June 30, 2021 and 2020:

EIN and Plan Number	Pension Protection Act Zone Status		FIP/RP Status	Contributions for the Year Ended June 30,		Surcharge Imposed
	2021	2020		2021	2020	
36-2671613 Plan No. 333	Yellow 6/30/21	Red 6/30/20	N/A	\$365,865	\$358,282	No

The Diocese did not contribute more than 5% of total contributions to the Plan in fiscal years 2021 or 2020.

13. Fair Value Measurements

The Diocese has adopted the provisions of FASB ASC 820, *Fair Value Measurements*. FASB ASC 820 establishes a framework for measuring fair value and establishes a three-tier hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, as follows:

- Level 1: Quoted prices for identical assets or liabilities in active markets. Level 1 investments include money market funds, mutual funds, and corporate stocks.
- Level 2: Observable inputs, such as quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in inactive markets, or unobservable inputs that are derived principally from or corroborated by observable market data.

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13. Fair Value Measurements, Continued

Level 3: Unobservable inputs that are based on the Diocese's own assumptions as to how knowledgeable parties would price assets or liabilities that are not corroborated by market data.

Fair values of assets measured on a recurring basis at June 30, 2021, were as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Cash and cash equivalents	\$ 430,754	\$ 430,754	\$ -	\$ -
Corporate stocks:				
Energy	162,142			
Materials	199,310			
Industrials	399,852			
Consumer discretionary	675,034			
Consumer staples	151,991			
Health care	461,587			
Financials	605,949			
Information technology	1,255,478			
Telecommunication services	460,821			
Utilities	186,985			
	<u>4,559,149</u>	4,559,149	-	-
Exchange-traded and closed-end funds	<u>26,619,515</u>	26,619,515	-	-
Government securities:				
Treasury	1,040,992			
Federal	638,047			
	<u>1,679,039</u>	-	1,679,039	-
Mutual funds:				
Equities	7,755,641			
Real estate	28,639			
Alternative	23,686			
Fixed income and preferreds	2,780,929			
	<u>10,588,895</u>	10,588,895	-	-
Total investments	<u>43,877,352</u>			
Beneficial interests in trusts	223,802	-	52,250	171,552
Interest rate swap	(67,453)	-	(67,453)	-
	<u>\$ 44,033,701</u>	<u>\$ 42,198,313</u>	<u>\$ 1,663,836</u>	<u>\$ 171,552</u>

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13. Fair Value Measurements, Continued

Fair values of assets measured on a recurring basis at June 30, 2020, were as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Cash and cash equivalents	\$ 542,545	\$ 542,545	\$ -	\$ -
Corporate stocks:				
Energy	68,302			
Materials	231,383			
Industrials	266,636			
Consumer discretionary	468,208			
Consumer staples	184,379			
Health care	470,607			
Financials	387,973			
Information technology	944,760			
Telecommunication services	366,758			
Utilities	113,091			
	<u>3,502,097</u>	3,502,097	-	-
Exchange-traded and closed-end funds	<u>22,899,785</u>	22,899,785	-	-
Government securities:				
Treasury	282,180			
Federal	457,707			
	<u>739,887</u>	-	739,887	-
Mutual funds:				
Equities	6,903,085			
Real estate	26,003			
Alternative	89,093			
Fixed income and preferreds	1,242,090			
	<u>8,260,271</u>	8,260,271	-	-
Total investments	35,944,585			
Beneficial interests in trusts	210,110	-	46,545	163,565
Interest rate swap	(131,086)	-	(131,086)	-
	<u>\$ 36,023,609</u>	<u>\$ 35,204,698</u>	<u>\$ 655,346</u>	<u>\$ 163,565</u>

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13. Fair Value Measurements, Continued

The following is a description of the valuation methodologies used for Level 2 and Level 3 assets measured at fair value.

Government securities: Valued using pricing models maximizing the use of observable inputs for similar securities, including yields currently available on comparable securities of issuers with similar credit ratings.

Beneficial interests in trusts: Valued at the fair value of the assets within the trusts, as reported by the trustees. The Diocese considers its beneficial interest in the charitable trust to be a Level 2 measurement because it will receive those assets in the future. The Diocese considers its beneficial interest in the perpetual trust to be a Level 3 measurement because the Diocese will never receive those assets or have the ability to direct the trustee to redeem them.

Interest rate swap: Valued using the cash flow model utilized by the financial institution, which considers past, present, and future assumptions regarding interest rates and market conditions to estimate the fair value of the agreement.

There were no transfers between levels for the years ended June 30, 2021 and 2020.

14. Concentrations of Credit Risk

Financial instruments that potentially expose the Diocese to concentrations of credit and market risk consist primarily of cash on deposit at financial institutions, investments, and accounts and loans receivable.

The Diocese attempts to limit its cash credit risk exposure by maintaining accounts at high-quality financial institutions where deposits are insured by the FDIC. Cash on deposit exceeded the insured limits by \$4,007,670 and \$2,163,390 at June 30, 2021 and 2020, respectively.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk 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 changes could materially affect the amounts reported in the combined financial statements.

Although the realization of accounts and loans receivable balances due from parishes and schools in the Diocese, which are uncollateralized, is dependent on the various economic conditions of each locality, the Diocese considers these balances to be fully collectible. Management periodically reviews receivables for collectability and records these balances at estimated net realizable values.

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15. Self-Insurance

In the Diocesan Benefit Plan, the Diocese maintains a comprehensive self-insurance plan through a third-party administrator for employees' medical, dental, prescription, life, and long-term disability coverage. The plan provides for specific claims coverage up to \$150,000 per employee for periods ending June 30, 2021 and 2020, respectively, and maximum aggregate insurance up to \$1,000,000 per policy period. Settled claims have not exceeded insurance coverage, nor has there been any reduction in insurance coverage from the prior year.

The Diocese recorded an estimated claims liability at June 30, 2021 and 2020, totaling \$131,883 and \$74,542, respectively, based on actual activity occurring subsequent to year end.

16. Related Party Transactions

Legal services are provided to the Diocese by a member of the Diocesan Finance Council, for which the Diocese paid \$11,838 and \$16,945 for the years ended June 30, 2021 and 2020, of which \$0 and \$2,070 was included in accounts payable at each fiscal year end, respectively.

Accounting assistance and program services provided to the Diocese by family members of management or employees totaled \$11,911 and \$10,780 for the years ended June 30, 2021 and 2020, respectively, none of which was payable at each fiscal year end.

Program services provided to the Diocese by board members or family of board members totaled \$6,312 and \$1,025 for the years ended June 30, 2021 and 2020, respectively, none of which was payable at each fiscal year end.

Administrative, human resources, and accounting support are provided at no charge to the Catholic Foundation of Western Kentucky, Inc. (Foundation). While the Diocese and the Foundation share a common purpose to support the region's Catholic community, the Diocese does not control the Foundation. Transactions between the Foundation and the Diocese were as follows for the years ended June 30:

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16. Related Party Transactions, Continued

	<u>2021</u>	<u>2020</u>
Due to the Foundation:		
Bequest	\$ <u>156,756</u>	\$ <u>4,883</u>
Contributions to the Foundation:		
On behalf of donors, including Vocare	\$ <u>161,656</u>	\$ <u>66,884</u>
Revenue from the Foundation for program services:		
Operating Fund:		
Seminarians	\$ 367,170	\$ 371,113
Religious education	27,935	28,196
Outreach	13,805	13,934
Catholic charities	11,818	11,929
Other programs	<u>30,423</u>	<u>18,768</u>
	\$ <u>451,151</u>	\$ <u>443,940</u>
Funds managed by the Foundation in		
assets held for others:		
Gaspar River Catholic Retreat Center	\$ <u>144,199</u>	\$ <u>124,195</u>

17. Income Taxes

The Diocese is a nonprofit organization exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Diocese believes that it has support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the combined financial statements. As a religious organization, the Diocese is not required to file annual federal or state information returns.

18. Contingencies

The Diocese receives funding from Federal, state and local government agencies and from private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantors' review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the Diocese for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Diocese's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

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Years Ended June 30, 2021 and 2020

19. Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade and finance receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of activities will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard is effective for fiscal years beginning after December 15, 2022.

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, requiring an entity to separately present in the financial statements contributed nonfinancial assets. Additionally, disclosure in the notes is required of various types of assets contributed. The term nonfinancial asset includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The amendments of this ASU will be effective for fiscal years beginning after June 15, 2021.

Management is currently evaluating the impacts that the standards may have on its financial statements.

20. Impact of COVID-19

The COVID-19 pandemic, whose effects first became known in January 2020, continues to have a broad and negative impact on commerce and financial markets around the world. Initially, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. Fortunately, by fiscal year end June 30, 2020, markets had rebounded considerably and the negative impact on the Diocese's financial statements at June 30, 2020 and 2021, was minimized.

As of March 2021, all Diocesan round one Paycheck Protection Program "PPP" loans granted by the Small Business Administration (SBA) in fiscal year 2020 totaling \$1,122,519 were granted full forgiveness, which has been reflected in the combined statement of activities as other income.

In February and March 2021, the Chancery and certain other entities included in the combined financial statements were granted round two loans totaling \$1,083,619 under the "PPP" administered by the same SBA approved partner. As with round one, the loans are uncollateralized, accrue interest at 1%, and are fully guaranteed by the Federal government. All entities are eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements, including maintaining employment levels during its 24-week covered period, and using the funds for certain payroll, rent, and utility expenses.

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

20. Impact of COVID-19, Continued

Subsequent to year end, management applied for and was granted full forgiveness of these round two loans; therefore, the loans have been recorded as refundable advances/deferred revenue at June 30, 2021, in accordance with current authoritative guidance for conditional contributions.

The extent of the impact of COVID-19 on the Diocese's operational and financial performance will depend on certain developments, including the duration and continued spread of the outbreak and its impacts on the Diocese's parishes, employees and donors, all of which at present cannot be determined. To date, the Diocese's primary effects include absenteeism in the Diocese's labor workforce and ministry restrictions placed under social distancing guidelines. Other possible effects include, but are not limited to, disruptions to the Diocese's donors and revenue, and a decline in value of assets held by the Diocese, including receivables and the beneficial interests in trusts assets held by others. The full extent to which COVID-19 may impact the Diocese's financial position and changes in net assets and cash flows is uncertain and the accompanying combined financial statements include no adjustments relating to the effect of this pandemic.

21. Subsequent Events

The Diocese has evaluated subsequent events through December 29, 2021, the date the combined financial statements were available to be issued.

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

COMBINING STATEMENT OF FINANCIAL POSITION

June 30, 2021

ASSETS	Chancery	Deposit and Loan Fund	Charitable Trust Fund	Diocesan Benefit Plan	Bishop Soenneker Home	Division of School and Community Nutrition	Owensboro Catholic Cemeteries	Owensboro Catholic League	Gasper River Catholic Retreat Center	Eliminations	Combined
Cash and cash equivalents	\$ 1,721,738	\$ 1,865,340	\$ 477,716	\$ 210,932	-	\$ 594,438	\$ 241,397	\$ 37,632	\$ 105,241	\$ -	\$ 5,254,434
Investments	19,883,205	14,321,660	4,447,755	4,087,701	-	-	992,832	-	144,199	-	43,877,352
Real estate held for investment	544,355	-	-	-	-	-	-	-	-	-	544,355
Accounts receivable:											
Due from parishes	331,260	-	-	-	-	-	-	-	-	(3,467)	327,793
Other	250,049	-	1,468	135,040	-	-	64,330	-	8,564	-	459,451
Grants	14,967	-	-	-	-	134,348	-	-	-	-	149,315
Notes	8,936,764	-	-	-	-	-	-	-	-	-	8,936,764
Loans receivable	55,597	3,841,011	-	-	-	-	-	-	-	-	3,896,608
Accrued interest receivable	-	500	-	-	-	-	-	-	-	-	500
Due from related party	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	834,110	-	-	-	-	-	-	-	-	(834,110)	-
Prepaid expenses	11,440	-	-	-	-	-	-	-	-	-	11,440
Inventories	-	-	-	-	-	-	-	-	-	-	-
Beneficial interests in trusts	223,802	-	-	-	-	57,943	-	-	-	-	57,943
Cemetery property	-	-	-	-	-	-	47,771	-	-	-	223,802
Property and equipment, net	1,629,031	-	-	-	-	1,282	704,961	38,808	3,200,861	-	47,771
Total assets	\$ 34,436,318	\$ 20,028,511	\$ 4,926,939	\$ 4,433,673	\$ -	\$ 788,011	\$ 2,051,291	\$ 76,440	\$ 3,458,865	\$ (837,577)	\$ 69,362,471
LIABILITIES AND NET ASSETS											
Accounts payable and accrued expenses	\$ 337,323	\$ -	\$ 14,503	\$ 131,883	\$ -	\$ 37,408	\$ 11,718	\$ 5,431	\$ 6,571	\$ (1,629)	\$ 543,208
Due to related party	156,756	-	-	-	-	-	-	-	-	-	156,756
Due to other funds	2,000	826,120	7,828	-	-	-	-	-	-	(835,948)	-
Deferred revenue	1,497,872	-	112,122	-	-	233,267	5,180	4,714	56,755	-	1,909,910
Accrued interest payable	-	-	12,621	-	-	-	-	-	-	-	12,621
Deposits payable	-	15,336,215	-	-	-	-	-	-	-	-	15,336,215
Collections payable	14,219	-	-	-	-	-	-	-	-	-	14,219
Notes payable	8,936,764	-	-	-	-	-	-	-	-	-	8,936,764
Interest rate swap	67,453	-	690,216	-	-	-	-	-	-	-	67,453
Accrued retirement obligations	-	-	-	-	-	-	-	-	-	-	690,216
Pledge payable	15,000	-	-	-	-	-	-	-	-	-	15,000
Total liabilities	11,027,387	16,162,335	837,290	131,883	-	270,675	16,898	10,145	63,326	(837,577)	27,682,362
Net assets:											
Without donor restrictions:											
Undesignated	20,843,138	-	-	-	-	-	-	-	-	-	20,843,138
Board designated	487,859	3,866,176	4,089,649	4,301,790	-	517,336	1,041,561	66,295	3,247,290	-	17,617,956
Legally mandated	-	-	-	-	-	-	992,832	-	-	-	992,832
With donor restrictions	21,330,997	3,866,176	4,089,649	4,301,790	-	517,336	2,034,393	66,295	3,247,290	-	39,453,926
	2,077,934	-	-	-	-	-	-	-	148,249	-	2,226,183
Total net assets	23,408,931	3,866,176	4,089,649	4,301,790	-	517,336	2,034,393	66,295	3,395,539	-	41,680,109
Total liabilities and net assets	\$ 34,436,318	\$ 20,028,511	\$ 4,926,939	\$ 4,433,673	\$ -	\$ 788,011	\$ 2,051,291	\$ 76,440	\$ 3,458,865	\$ (837,577)	\$ 69,362,471

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	Chancery	Deposit and Loan Fund	Charitable Trust Fund	Diocesan Benefit Plan	Bishop Sennicker Home	Division of School and Community Nutrition	Owensboro Catholic Cemeteries	Owensboro Catholic League	Gaspar River Catholic Retreat Center	Eliminations	Combined
Revenue, support and gains:											
Parish assessments	\$ 2,978,798	\$ -	\$ 150,191	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (13,750)	\$ 3,115,239
Contributions and bequests	2,000,468	-	1,647,311	-	-	-	13,597	1,510	101,535	(111,000)	3,653,421
Investment return	4,465,528	2,818,281	686,500	825,227	-	23	196,917	-	25,950	-	9,018,426
Change in value of beneficial interests in trusts	13,692	-	-	-	-	-	-	-	-	-	13,692
Change in value of interest rate swap	63,633	-	-	-	-	-	-	-	-	-	63,633
Interest income on loans	-	164,680	-	-	-	-	-	-	-	-	164,680
Rental income	98,706	-	-	-	-	-	-	-	-	-	98,706
Income on real estate investments	1,337,374	-	-	-	-	-	-	-	-	-	1,337,374
Grants	277,328	-	-	-	-	-	-	-	-	-	277,328
Program and service fee income	305,154	-	-	-	-	2,338,590	-	-	2,000	(10,605)	2,607,313
Gain (loss) on disposal of property and equipment	4,495	-	-	5,960,613	-	155,467	501,249	111,444	179,843	(514,528)	6,699,242
Other income	765,579	-	112,122	-	-	179,010	39,165	-	159,087	(172)	1,254,791
Total revenue, support and gains	12,310,755	2,982,961	2,596,124	6,785,840	-	2,673,090	775,296	112,954	468,415	(654,997)	28,050,438
Expenses and losses:											
Salaries and wages	2,528,974	-	-	35,042	-	666,363	164,081	-	178,776	-	3,573,236
Payroll taxes	165,054	-	-	-	-	49,143	11,491	-	12,678	-	238,366
Employee benefits	445,849	-	-	6,527,033	-	111,597	17,774	-	22,678	(522,477)	6,602,454
Other employee assistance	8,326	-	-	-	-	-	-	-	-	-	8,326
Retired priests benefits	-	-	468,447	-	-	-	-	-	-	-	468,447
Rent expense	-	-	3,600	-	-	-	-	-	-	(3,600)	-
Professional and technical fees	116,122	-	17,597	387,329	-	7,017	683	35	12,562	-	541,345
Travel and auto expense	91,731	-	24,750	-	-	6,036	5,605	-	3,980	-	132,102
Postage and printing	178,661	-	-	74	-	1,161	115	-	915	-	180,926
Advertising	2,942	-	-	-	-	-	-	-	-	-	2,942
Insurance	56,784	-	3,204	-	-	13,017	15,995	-	13,217	-	102,217
Telephone and utilities	121,526	-	7,236	-	-	4,042	6,918	5,816	30,703	-	176,241
Repairs and maintenance	49,680	-	2,829	-	-	855	12,446	-	19,839	-	85,649
Supplies	57,570	1	145	154	-	38,898	14,370	95	2,810	-	114,043
Miscellaneous	43,548	-	-	5	-	8,472	3,647	-	8,904	-	64,576
Books, materials, subscriptions and dues	89,963	-	291	-	-	4,459	941	-	1,266	-	96,920
Assessments	88,704	-	-	-	-	-	-	-	-	-	88,704
Program services expense	462,725	-	573	10,477	-	1,095,193	120,211	97,649	29,343	(771)	1,815,398
Professional development expense	4,783	-	50	-	-	474	-	-	472	(150)	5,629
Depreciation expense	125,966	-	-	-	-	1,589	34,872	3,221	92,576	-	258,224
Interest expense	-	231,022	1,806	-	-	1,709	-	-	-	(1,342)	233,195
Grants, subsidies, and other direct aid	2,889,655	-	-	-	-	-	-	-	1,090	(126,655)	2,764,090
Bad debt expense	9,728	-	-	-	-	-	-	-	-	-	9,728
Total expenses and losses	7,538,291	231,023	530,528	6,960,114	-	2,010,025	409,149	106,816	431,809	(654,997)	17,562,758
Excess (deficiency) of revenue, support and gains over expenses and losses	4,772,464	2,751,938	2,065,596	(174,274)	-	663,065	360,147	6,138	36,606	-	10,487,680
Transfers	826,120	(826,120)	-	-	-	-	-	-	-	-	-
Change in net assets	5,598,584	1,925,818	2,065,596	(174,274)	-	663,065	360,147	6,138	36,606	-	10,487,680
Net assets, beginning of year	17,810,347	1,940,358	2,024,053	4,476,064	-	(145,729)	1,668,246	60,157	3,358,933	-	31,192,429
Net assets, end of year	\$ 23,408,931	\$ 3,866,176	\$ 4,089,649	\$ 4,301,790	\$ -	\$ 517,336	\$ 2,034,393	\$ 66,295	\$ 3,395,539	\$ -	\$ 41,680,109

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

COMBINING STATEMENT OF FINANCIAL POSITION

June 30, 2020

ASSETS	Chancery	Deposit and Loan Fund	Charitable Trust Fund	Diocesan Benefit Plan	Bishop Soenneker Home	Division of School and Community Nutrition	Owensboro Catholic Cemeteries	Owensboro Catholic League	Gasper River Catholic Retreat Center	Eliminations	Combined
Cash and cash equivalents	\$ 973,420	\$ 1,566,620	\$ 42,151	\$ 189,680	\$ -	\$ 36,912	\$ 80,133	\$ 50,606	\$ 2,794	\$ -	\$ 2,942,316
Investments	15,422,544	12,508,720	2,837,425	4,238,192	-	-	813,509	-	124,195	-	35,944,585
Real estate held for investment	811,889	-	-	-	-	-	-	-	-	-	811,889
Accounts receivable:											
Due from parishes	384,828	-	-	-	-	-	-	-	-	-	-
Other	22,214	-	47,170	122,734	-	-	50,607	-	268	(6,086)	378,742
Grants	-	-	-	-	-	44,386	-	-	-	-	44,386
Notes	9,660,881	-	-	-	-	-	-	-	-	-	9,660,881
Loans receivable	67,695	3,904,137	-	-	-	-	-	-	-	(44,113)	3,927,719
Accrued interest receivable	-	11,346	-	-	-	-	-	-	-	-	11,346
Due from other funds	106,911	-	-	-	-	-	-	-	-	(106,911)	-
Prepaid expenses	6,184	-	-	-	-	-	953	-	-	-	7,137
Inventories	-	-	-	-	-	89,723	-	-	-	-	89,723
Beneficial interests in trusts	210,110	-	-	-	-	-	67,211	-	-	-	210,110
Cemetery property	-	-	-	-	-	-	713,658	-	-	-	67,211
Property and equipment, net	1,740,543	-	-	-	-	2,871	-	39,132	3,289,064	-	5,785,268
Total assets	\$ 29,407,219	\$ 17,990,823	\$ 2,926,746	\$ 4,550,606	\$ -	\$ 173,892	\$ 1,726,071	\$ 89,738	\$ 3,416,321	\$ (157,110)	\$ 60,124,306
LIABILITIES AND NET ASSETS											
Accounts payable and accrued expenses	\$ 400,819	\$ -	\$ 13,471	\$ 74,542	\$ -	\$ 36,142	\$ 14,925	\$ 5,842	\$ 2,639	\$ (6,901)	\$ 541,479
Due to related party	4,883	-	-	-	-	-	-	-	-	-	4,883
Due to other funds	-	106,096	-	-	-	-	-	-	-	(106,096)	-
Deferred revenue	1,331,738	-	112,122	-	-	239,366	42,900	23,739	54,749	-	1,804,614
Accrued interest payable	-	-	10,815	-	-	-	-	-	-	-	10,815
Deposits payable	-	15,944,369	-	-	-	-	-	-	-	-	15,944,369
Collections payable	27,465	-	-	-	-	-	-	-	-	-	27,465
Notes payable	9,660,881	-	-	-	-	44,113	-	-	-	(44,113)	9,660,881
Interest rate swap	131,086	-	-	-	-	-	-	-	-	-	131,086
Accrued retirement obligations	-	-	766,285	-	-	-	-	-	-	-	766,285
Pledge payable	40,000	-	-	-	-	-	-	-	-	-	40,000
Total liabilities	11,596,872	16,050,465	902,693	74,542	-	319,621	57,825	29,581	57,388	(157,110)	28,931,877
Net assets:											
Without donor restrictions:											
Undesignated	15,433,058	-	-	-	-	-	-	-	-	-	15,433,058
Board designated	487,683	1,940,358	2,024,053	4,476,064	-	(145,729)	854,737	60,157	3,231,243	-	12,928,566
Legally mandated	-	-	-	-	-	-	813,509	-	-	-	813,509
With donor restrictions	15,920,741	1,940,358	2,024,053	4,476,064	-	(145,729)	1,668,246	60,157	3,231,243	-	29,175,133
Without donor restrictions	1,889,606	-	-	-	-	-	-	-	127,690	-	2,017,296
Total net assets	17,810,347	1,940,358	2,024,053	4,476,064	-	(145,729)	1,668,246	60,157	3,358,933	-	31,192,429
Total liabilities and net assets	\$ 29,407,219	\$ 17,990,823	\$ 2,926,746	\$ 4,550,606	\$ -	\$ 173,892	\$ 1,726,071	\$ 89,738	\$ 3,416,321	\$ (157,110)	\$ 60,124,306

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

	Chancery	Deposit and Loan Fund	Charitable Trust Fund	Diocesan Benefit Plan	Bishop Soenneker Home	Division of School and Community Nutrition	Owensboro Catholic Cemeteries	Owensboro Catholic League	Gasper River Catholic Retreat Center	Eliminations	Combined
Revenue, support and gains:											
Parish assessments	\$ 3,090,786	\$ -	\$ 147,966	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (11,250)	\$ 3,227,502
Contributions and bequests	2,058,326	-	131,091	-	-	215	480	1,000	154,515	(194,800)	2,150,827
Investment return	897,872	707,649	195,995	574,140	(20,676)	7	(21,339)	-	14,072	-	2,347,720
Change in value of beneficial interests in trusts	626	-	-	-	-	-	-	-	-	-	626
Change in value of interest rate swap	(47,586)	-	-	-	-	-	-	-	-	-	(47,586)
Interest income on loans	-	195,945	-	-	-	-	-	-	-	-	193,645
Rental income	98,138	-	-	-	-	-	20,100	-	-	(2,300)	114,638
Income on real estate investments	27,575	-	-	-	-	-	-	-	-	(3,600)	27,575
Grants	185,933	-	-	-	-	703,711	-	-	-	(1,862)	887,782
Program and service fee income	417,370	-	-	5,738,314	-	831,009	-	22,081	103,917	(559,302)	6,897,938
Gain (loss) on disposal of property and equipment	(86,391)	-	-	-	(3,451)	-	344,549	-	-	-	(89,842)
Other income	16,635	-	-	-	1,345	43,630	530	-	110	-	62,250
Total revenue, support and gains	6,659,284	903,594	475,052	6,312,454	(22,782)	1,578,572	344,320	23,081	272,614	(773,114)	15,773,075
Expenses and losses:											
Salaries and wages	2,571,456	-	-	35,015	31,667	728,219	162,036	-	180,125	-	3,708,518
Payroll taxes	165,120	-	-	-	2,415	53,161	11,716	-	13,120	-	245,532
Employee benefits	467,545	-	-	5,716,997	15,188	120,001	19,128	-	22,513	(554,981)	5,806,391
Other employee assistance	9,181	-	-	-	-	-	-	-	-	-	9,181
Retired priests benefits	-	-	576,403	-	-	-	-	-	-	-	576,403
Rent expense	-	-	3,600	-	-	-	-	-	-	(3,600)	-
Professional and technical fees	118,646	-	10,138	373,565	3,840	6,634	619	211	11,347	-	525,000
Travel and auto expense	201,525	-	25,213	-	1,946	10,851	5,953	-	5,945	-	251,433
Postage and printing	188,021	-	-	34	55	779	293	-	2,118	-	190,064
Advertising	4,048	-	-	-	-	-	-	-	13,225	-	6,166
Insurance	51,810	-	2,942	-	7,229	7,993	13,777	-	30,638	-	96,976
Telephone and utilities	127,080	-	7,297	-	9,132	4,470	6,473	4,369	189,459	-	189,459
Repairs and maintenance	83,033	-	3,161	-	6,574	418	35,030	-	16,929	-	145,145
Supplies	187,339	-	-	254	22	2,048	5,504	-	3,956	-	199,123
Miscellaneous	44,787	-	-	-	984	10,314	1,048	-	1,022	-	58,155
Books, materials, subscriptions and dues	95,410	-	282	-	-	1,199	1,200	-	507	-	98,598
Assessments	79,660	-	-	-	-	-	-	-	79,660	-	-
Program services expense	732,582	-	-	434	1,070	773,349	96,631	25,168	14,488	(5,596)	1,638,126
Professional development expense	26,618	-	1,548	-	-	6,980	-	-	300	(3,555)	31,891
Depreciation expense	124,497	-	10,815	-	8,067	1,685	36,588	3,223	93,859	-	267,919
Interest expense	-	299,009	-	-	-	2,300	-	-	-	(2,300)	309,824
Grants, subsidies, and other direct aid	1,495,368	-	-	-	122,550	-	-	-	500	(203,082)	1,415,336
Bad debt expense	2,063	-	-	-	9,461	-	-	-	-	-	11,524
Total expenses and losses	6,775,789	299,009	641,399	6,126,299	220,200	1,730,401	395,996	32,971	411,474	(773,114)	15,860,424
Excess (deficiency) of revenue, support and gains over expenses and losses	(116,505)	604,585	(166,347)	186,155	(242,982)	(151,829)	(51,676)	(9,890)	(138,860)	-	(87,349)
Transfers	161,000	(106,096)	-	-	(54,904)	-	-	-	-	-	-
Change in net assets	44,495	498,489	(166,347)	186,155	(297,886)	(151,829)	(51,676)	(9,890)	(138,860)	-	(87,349)
Net assets, beginning of year	17,765,852	1,441,869	2,190,400	4,289,909	297,886	6,100	1,719,922	70,047	3,497,793	-	31,279,778
Net assets, end of year	\$ 17,810,347	\$ 1,940,358	\$ 2,024,053	\$ 4,476,064	\$ -	\$ (145,729)	\$ 1,668,246	\$ 60,157	\$ 3,358,933	\$ -	\$ 31,192,429