

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

COMBINED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Years Ended June 30, 2023 and 2022

(With Independent Auditor's Report Thereon)

CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1-2
Combined Financial Statements:	
Combined Statements of Financial Position	3
Combined Statements of Activities	4
Combined Statements of Functional Expenses	5
Combined Statements of Cash Flows	6
Notes to Combined Financial Statements	7-28
Supplementary Information:	
Combining Statements of Financial Position and Activities – 2023	29-30
Combining Statements of Financial Position and Activities – 2022	31-32



INDEPENDENT AUDITOR'S REPORT

Diocesan Finance Council
Roman Catholic Diocese of Owensboro

Opinion

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, 2023 and 2022, 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.

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, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Financial Statements section of our report. We are required to be independent of the Diocese and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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, and for 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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

Auditor's Responsibilities for the Audit of the Financial Statements, Continued

there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined 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 combined 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 combined 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 the Diocese's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Diocese'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 audit.

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 29-32 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 audit 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.

Owensboro, Kentucky
January 17, 2024

Riney Hancock CPAs PSC

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

COMBINED STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	2023	2022 (restated)
ASSETS		
Cash and cash equivalents	\$ 3,019,218	\$ 5,836,065
Investments	62,602,849	51,705,747
Real estate held for investment	378,656	544,355
Accounts receivable:		
Due from parishes	217,438	257,089
Other	105,347	613,362
Grants	171,862	351,659
Note	-	4,564,791
Due from related party	-	43,715
Notes receivable	6,806,933	6,395,404
Accrued interest receivable	-	133
Prepaid expenses	129,664	24,485
Inventories	71,560	62,272
Beneficial interests in trusts	188,818	189,014
Cemetery property	17,427	17,005
Property and equipment, net	5,717,030	5,470,755
Total assets	\$ 79,426,802	\$ 76,075,851
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 363,843	\$ 637,025
Due to related party	4,000,000	-
Deferred revenue	2,181,779	1,743,225
Accrued interest payable	18,329	14,679
Deposits payable	35,708,865	29,227,718
Collections payable	37,566	15,159
Notes payable	-	4,564,791
Interest rate swap	-	15,628
Accrued retirement obligations	444,245	621,484
Pledges payable	9,000	22,000
Total liabilities	42,763,627	36,861,709
Net assets:		
Without donor restrictions:		
Undesignated	16,911,958	16,736,762
Board designated	12,779,480	12,394,453
Legally mandated	996,802	905,949
	30,688,240	30,037,164
With donor restrictions	5,974,935	9,176,978
Total net assets	36,663,175	39,214,142
Total liabilities and net assets	\$ 79,426,802	\$ 76,075,851

See Notes to Combined Financial Statements

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

COMBINED STATEMENTS OF ACTIVITIES

Years Ended June 30, 2023 and 2022

	2023			2022 (restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and gains:						
Parish assessments	\$ 3,032,698	\$ -	\$ 3,032,698	\$ 2,979,562	\$ -	\$ 2,979,562
Contributions and bequests of cash and other financial assets	262,355	2,898,108	3,160,463	621,359	10,106,994	10,728,353
Contributions of nonfinancial assets	156,281	-	156,281	170,441	68,694	239,135
Investment return	4,395,503	10,109	4,405,612	(8,030,663)	(16,357)	(8,047,020)
Change in value of beneficial interests in trusts	-	(196)	(196)	-	(34,788)	(34,788)
Change in value of interest rate swap	15,628	-	15,628	51,825	-	51,825
Interest income on loans	287,177	-	287,177	285,345	-	285,345
Rental income	119,722	-	119,722	114,033	-	114,033
Income on real estate investments	227,351	-	227,351	325	-	325
Grants	980,729	1,400,128	2,380,857	2,823,375	566,172	3,389,547
Program and service fee income	7,915,185	28,900	7,944,085	6,800,144	-	6,800,144
Gain (loss) on disposal of property and equipment	(4,441)	-	(4,441)	(118,037)	-	(118,037)
Other income	566,068	100,000	666,068	1,221,095	-	1,221,095
Net assets released from restrictions	7,639,092	(7,639,092)	-	3,739,920	(3,739,920)	-
Total revenue, support and gains	25,593,348	(3,202,043)	22,391,305	10,658,724	6,950,795	17,609,519
Expenses and losses:						
Salaries and wages	5,328,692	-	5,328,692	4,230,637	-	4,230,637
Payroll taxes	356,676	-	356,676	289,651	-	289,651
Employee benefits	7,879,499	-	7,879,499	7,602,772	-	7,602,772
Retired priests benefits	478,810	-	478,810	469,753	-	469,753
Professional and technical fees	591,729	-	591,729	511,924	-	511,924
Travel and auto expense	337,068	-	337,068	253,152	-	253,152
Postage and printing	243,070	-	243,070	236,539	-	236,539
Advertising	3,436	-	3,436	7,729	-	7,729
Insurance	124,689	-	124,689	98,553	-	98,553
Telephone and utilities	210,070	-	210,070	180,792	-	180,792
Repairs and maintenance	1,291,779	-	1,291,779	463,733	-	463,733
Supplies	2,490,022	-	2,490,022	368,690	-	368,690
Miscellaneous	59,996	-	59,996	82,563	-	82,563
Books, materials, subscriptions and dues	209,408	-	209,408	115,001	-	115,001
Assessments	91,242	-	91,242	95,548	-	95,548
Program services expense	2,221,229	-	2,221,229	2,174,669	-	2,174,669
Professional development expense	51,413	-	51,413	55,598	-	55,598
Depreciation expense	290,712	-	290,712	271,898	-	271,898
Interest expense	850,168	-	850,168	344,149	-	344,149
Grants, subsidies, and other direct aid	1,822,836	-	1,822,836	2,146,112	-	2,146,112
Bad debt expense	9,728	-	9,728	9,728	-	9,728
Total expenses and losses	24,942,272	-	24,942,272	20,009,191	-	20,009,191
Change in net assets	651,076	(3,202,043)	(2,550,967)	(9,350,467)	6,950,795	(2,399,672)
Net assets, beginning of year	30,037,164	9,176,978	39,214,142	39,387,631	2,226,183	41,613,814
Net assets, end of year	\$ 30,688,240	\$ 5,974,935	\$ 36,663,175	\$ 30,037,164	\$ 9,176,978	\$ 39,214,142

See Notes to Combined Financial Statements

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

COMBINED STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023

	2023					2022 (restated)				
	Program Services	Management and General	Fundraising	Eliminations	Total	Program Services	Management and General	Fundraising	Eliminations	Total
Salaries and wages	\$ 4,167,919	\$ 972,167	\$ 188,606	\$ -	\$ 5,328,692	\$ 3,186,061	\$ 910,065	\$ 134,511	\$ -	\$ 4,230,637
Payroll taxes	276,002	67,367	13,307	-	356,676	217,246	62,497	9,908	-	289,651
Employee benefits	8,345,579	154,899	35,745	(656,724)	7,879,499	7,969,628	138,671	27,159	(532,686)	7,602,772
Retired priests benefits	478,810	-	-	-	478,810	469,753	-	-	-	469,753
Rent	3,600	-	-	(3,600)	-	3,600	-	-	(3,600)	-
Professional and technical fees	478,575	105,272	7,882	-	591,729	426,528	76,797	8,599	-	511,924
Travel and auto expense	300,919	32,568	3,581	-	337,068	217,610	34,309	1,233	-	253,152
Postage and printing	160,091	36,859	46,120	-	243,070	165,482	25,475	45,582	-	236,539
Advertising	2,937	499	-	-	3,436	6,016	1,387	326	-	7,729
Insurance	66,151	58,538	-	-	124,689	52,171	46,382	-	-	98,553
Telephone and utilities	162,043	48,027	-	-	210,070	133,513	47,279	-	-	180,792
Repairs and maintenance	925,153	366,626	-	-	1,291,779	335,048	128,685	-	-	463,733
Supplies	2,423,442	64,595	1,985	-	2,490,022	270,677	96,478	1,535	-	368,690
Miscellaneous	36,811	21,101	2,744	(660)	59,996	38,084	44,206	273	-	82,563
Books, materials, subscriptions and dues	85,284	121,471	2,653	-	209,408	39,179	73,151	2,671	-	115,001
Assessments	-	91,242	-	-	91,242	-	95,548	-	-	95,548
Program services expense	2,213,195	13,140	1,241	(6,347)	2,221,229	2,171,133	7,415	8,173	(12,052)	2,174,669
Professional development expense	29,047	23,021	1,370	(2,025)	51,413	34,356	17,439	3,963	(160)	55,598
Depreciation expense	-	290,712	-	-	290,712	-	271,898	-	-	271,898
Interest expense	850,168	-	-	-	850,168	344,149	-	-	-	344,149
Grants, subsidies, and other direct aid	2,141,170	551,100	-	(869,434)	1,822,836	2,211,535	52,617	-	(118,040)	2,146,112
Bad debt expense	-	9,728	-	-	9,728	-	9,728	-	-	9,728
	<u>\$ 23,146,896</u>	<u>\$ 3,028,932</u>	<u>\$ 305,234</u>	<u>\$ (1,538,790)</u>	<u>\$ 24,942,272</u>	<u>\$ 18,291,769</u>	<u>\$ 2,140,027</u>	<u>\$ 243,933</u>	<u>\$ (666,538)</u>	<u>\$ 20,009,191</u>

See Notes to Combined Financial Statements

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

COMBINED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2023 and 2022

	2023	2022 (restated)
Cash flows from operating activities:		
Change in net assets	\$ (2,550,967)	\$ (2,399,672)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	290,712	271,898
Bad debts written off	9,728	9,728
Realized (gain) loss on investments	132,344	(971,982)
Unrealized (gain) loss on investments	(3,315,962)	9,709,621
Loss (gain) on sale of real estate investments	(227,026)	-
Change in beneficial interests in trusts	196	34,788
Change in value of interest rate swap	(15,628)	(51,825)
Loss (gain) on disposal of property and equipment	4,441	118,037
Contribution of property and equipment	-	(82,684)
Decrease (increase) in operating assets:		
Accounts receivable	717,735	(295,279)
Due from related party	43,715	(43,715)
Notes receivable	(411,529)	(2,498,796)
Accrued interest receivable	133	367
Prepaid expenses	(105,179)	(13,045)
Inventories	(9,288)	(4,329)
Cemetery property	(422)	30,766
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(273,182)	99,248
Due to related party	4,000,000	(156,756)
Deferred revenue	438,554	(161,971)
Accrued interest payable	3,650	2,058
Deposits payable	6,481,147	13,891,503
Collections payable	22,407	940
Accrued retirement obligations	(177,239)	(68,732)
Pledges payable	(13,000)	7,000
Net cash provided by (used in) operating activities	5,045,340	17,427,168
Cash flows from investing activities:		
Purchases of property and equipment	(542,828)	(243,371)
Proceeds from sale of property and equipment	1,400	1,500
Purchases of investments	(21,153,027)	(32,495,949)
Proceeds from sale of investments	13,439,543	15,929,915
Proceeds from sale of real estate held for investment	392,725	-
Net cash provided by (used in) investing activities	(7,862,187)	(16,807,905)
Cash flows from financing activities:		
Repayment of notes payable	(4,564,791)	(4,371,973)
Decrease in notes receivable	4,564,791	4,371,973
Net cash provided by (used in) financing activities	-	-
Net increase in cash	(2,816,847)	619,263
Cash and cash equivalents, beginning of year	5,836,065	5,216,802
Cash and cash equivalents, end of year	\$ 3,019,218	\$ 5,836,065
Supplemental Cash Flows Information:		
Cash paid for interest	\$ 846,517	\$ 342,343
Noncash operating transactions:		
Food commodities from the U.S. Department of Agriculture	\$ 149,128	\$ 156,451
Noncash investing transactions:		
Property and equipment received through contribution	\$ -	\$ 82,684

See Notes to Combined Financial Statements

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

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
Division of School and Community Nutrition
Owensboro Catholic Cemeteries
Gasper River Catholic Retreat Center

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.

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 combined financial statements. The Diocese had no restricted cash at December 31, 2023 and 2022.

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

1. Organization and Summary of Significant Accounting Policies, Continued

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 combined statements 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 notes 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 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:

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 combined statements of financial position.

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

1. Organization and Summary of Significant Accounting Policies, Continued

Revenue Recognition, Continued

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. The performance obligations related to cemetery arrangements sold at the time of death include delivering cemetery property, unearthing ground, interring remains and installing merchandise. Each item is recognized as a distinct good or service. The performance obligation is satisfied and revenue is recognized on the purchase date of the interment right, on the date of cemetery service, and on the date of delivery of merchandise. Payment is due at or before time of transfer. For cemetery arrangements made prior to death, the performance obligation is the sale of the interment right and revenue is recognized at the time the contract is signed.

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 combined statements of activities as net assets released from restrictions.

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.

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

1. Organization and Summary of Significant Accounting Policies, Continued

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.

Contributions of tangible assets are recognized at fair value when received. The amounts are reflected in the accompanying combined financial statements as contributions of nonfinancial assets and are offset by like amounts included in expenses or assets.

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 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. The interest-rate swap was terminated during fiscal year 2023.

Functional Expenses

The costs of providing the various programs, management and general, and fundraising activities have been summarized on a natural basis in the combined statements of activities. The combined statements of functional expenses present 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

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

1. Organization and Summary of Significant Accounting Policies, Continued

Functional Expenses, Continued

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.

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:

	2023	2022
Chancery financial assets at year-end:		
Cash	\$ 654,197	\$ 1,454,702
Investments	22,392,872	23,428,464
Accounts receivable, excluding lease	359,165	377,158
Loans receivable	31,071	60,891
	23,437,305	25,321,215
Less amounts not available to be used within one year:		
Board designated financial assets	(633,354)	(661,700)
Donor restricted financial assets	(5,634,713)	(8,800,684)
Loans receivable not expected to be received within one year	(18,632)	(45,345)
Chancery financial assets available to meet general expenditures over the next twelve months	\$ 17,150,606	\$ 15,813,486

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

2. Liquidity and Availability of Funds, Continued

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.

3. Investments

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

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 8,760,412	\$ 8,804,681	\$ 5,589,334	5,589,378
Corporate stocks	2,504,986	4,066,074	2,972,538	3,745,326
Exchange-traded funds and closed-end funds	29,792,916	31,801,088	23,336,653	24,013,461
Government securities	1,983,940	1,817,104	1,656,625	1,505,081
Mutual funds	15,878,227	16,113,902	17,788,256	16,852,501
	\$ 58,920,481	\$ 62,602,849	\$ 51,343,406	51,705,747

Real estate held for investment totaled \$378,656 and \$544,355 at June 30, 2023 and 2022, respectively, and represents 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:

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

3. Investments, Continued

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 1,476,948	\$ 2,379	\$ 1,479,327
Realized gains (losses)	(135,345)	3,001	(132,344)
Unrealized gains (losses)	3,310,476	5,486	3,315,962
Investment fees	(256,576)	(757)	(257,333)
	\$ 4,395,503	\$ 10,109	\$ 4,405,612
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 924,311	\$ 2,040	\$ 926,351
Realized gains (losses)	971,900	82	971,982
Unrealized gains (losses)	(9,691,995)	(17,626)	(9,709,621)
Investment fees	(234,879)	(853)	(235,732)
	\$ (8,030,663)	\$ (16,357)	\$ (8,047,020)

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, 2023 and 2022, totaled \$35,708,865 and \$29,227,718, respectively. Depositors earned 1.5% on deposit balances during fiscal year 2022 and July to November of fiscal year 2023. This rate was increased to 3.0% beginning in December of fiscal year 2023 and again in June of the same year to 3.25%. Depositors 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>	2023		2022	
	Number of Loans	Balance	Number of Loans	Balance
Non-interest bearing	1	\$ 31,569	1	\$ 96,100
4.00%	3	4,658,439	6	3,818,001
4.50%	1	2,085,854	2	2,420,412
	5	\$ 6,775,862	9	\$ 6,334,513

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

4. Deposit and Loan Fund, Continued

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, 2023 and 2022, as in management's opinion, all known and anticipated losses have been written off.

Loans committed but not yet disbursed totaled \$4,600,000 and \$3,143,000 at June 30, 2023 and 2022, 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, 2023 and 2022, totaled \$143,500 and \$145,292, respectively. The beneficial interest is reported in the combined statements 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. The change in value included in the Statement of Activities at June 30, 2023 and 2022 totaled \$(1,792) and \$(26,260), respectively.

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, 2023 and 2022, totaled \$45,318 and \$43,722, respectively. The beneficial interest is reported in the statements of financial position as net assets with donor restrictions, 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, as the agreement directed that such income and remaining assets be used for the support of the poorest mission churches in the Diocese. The change in value included in the Statement of Activities at June 30, 2023 and 2022 totaled \$1,596 and \$(8,528), respectively.

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

6. Property and Equipment

Property and equipment consisted of the following at June 30:

	2023	2022
Land	\$ 1,066,326	\$ 1,066,326
Buildings and improvements	7,196,585	7,050,401
Furnishings and equipment	550,317	495,990
Computer and software	51,266	51,267
Vehicles	372,219	305,749
Land improvements	184,052	184,052
Construction in progress	248,548	-
	9,669,313	9,153,785
Accumulated depreciation	(3,952,283)	(3,683,030)
	\$ 5,717,030	\$ 5,470,755

Depreciation expense for the years ended June 30, 2023 and 2022, totaled \$290,712 and \$271,898, respectively.

7. Note Payable

Project Financing

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 2.022989% at June 30, 2022. 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

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

7. Note Payable, Continued

Project Financing, Continued

John Paul II Catholic School, Continued

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 September of 2022, the School borrowed funds from the Deposit and Loan Fund at the Diocese to pay in full the balance due to the local financial institution.

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, 2022, the amortized notional amount of the swap agreement was \$2,907,317. 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.

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

	2023	2022
Beginning of year	\$ (15,628)	\$ (67,453)
Change in value	15,628	51,825
End of year	\$ -	\$ (15,628)

In July of 2022, the interest rate swap agreement was terminated.

Interest received from the School on the note receivable and paid by the Diocese to the financial institutions on the note payable totaled \$14,791 and \$117,401 for the years ended June 30, 2023 and 2022, respectively. There were no interest accruals at June 30, 2023 and 2022.

8. Pledges 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. In October of 2021, the Diocese pledged \$20,000 in honor of two priests to a Society in India. The outstanding pledge balances will be paid in the following fiscal years:

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

8. Pledges Payable, Continued

	Seminary	HGN Pledge #2	Total
2024	\$ <u>5,000</u>	\$ <u>4,000</u>	\$ <u>9,000</u>

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

9. Special Event Revenue

Gross receipts from special fundraising events recorded by the Diocese consist of exchange transaction revenue and contribution revenue as follows:

	2023	2022
Contributions	\$ 23,805	\$ 14,122
Special event revenue	12,344	2,048
Special fundraising events, gross	\$ 36,149	\$ 16,170

10. Contributed Nonfinancial Assets

For the years ended December 31, contributed nonfinancial assets recognized within the statement of activities included:

	2023	2022
Food	\$ 149,128	\$ 156,451
Vehicles	7,153	82,684
	\$ 156,281	\$ 239,135

Contributed food was utilized in the Division of School and Community Nutrition in accordance with National School Lunch Program guidelines. Valuation is based on summary reports received with the commodities.

During fiscal year 2023, the Diocese received one donated vehicle that was restricted for use within Catholic Charities. During fiscal year 2022, the Diocese received two vehicles. One vehicle was restricted for use within Catholic Charities and the other was designated by management for use at Gasper River for maintenance and general activities. The vehicles were valued utilizing online car valuation websites.

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

10. Contributed Nonfinancial Assets, Continued

Unless specifically restricted by donors, all contributed nonfinancial assets received by the Diocese for the years ended June 30, 2023 and 2022 were considered to be without donor restrictions.

11. Net Assets Without Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Undesignated	\$ <u>16,911,958</u>	\$ <u>16,736,762</u>
Board-designated:		
Chancery		
Disaster Relief	868	868
Catholic Schools	5,027	11,765
Bishop's Fund	341,397	398,193
Social Concerns Ministries	75,906	40,718
Bishop McRaith Bequest Fund	<u>210,156</u>	<u>210,156</u>
	633,354	661,700
Deposit and Loan Fund	2,001,565	590,047
Charitable Trust Fund	3,743,799	3,586,538
Diocesan Benefit Plan	1,256,903	2,223,123
Division of School and Community Nutrition	1,023,813	1,166,732
Owensboro Catholic Cemeteries	1,038,714	1,044,704
Gasper River Catholic Retreat Center	<u>3,081,332</u>	<u>3,121,609</u>
	<u>12,779,480</u>	<u>12,394,453</u>
Legally mandated:		
Perpetual care and maintenance fund	<u>996,802</u>	<u>905,949</u>
Total	<u>\$ 30,688,240</u>	<u>\$ 30,037,164</u>

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 combined statement of financial position.

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

12. Net Assets With Donor Restrictions

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

	2023		2022	
	Restricted	Released	Restricted	Released
By time and purpose:				
Chancery:				
Social Concerns Ministry	\$ 57,756	\$ 755,965	\$ 168,688	\$ 679,071
Catholic Charities	4,545,050	5,435,361	7,396,377	1,584,059
Disciples Response Fund	220,759	600,000	241,415	540,308
Social Needs	49,572	-	42,135	7,000
Seminary Education	672,868	434,436	583,225	398,676
Youth and Young Adult				
Ministries	29,111	63,477	31,853	73,268
Capital Campaign				
Designations	59,597	277,394	336,991	449,233
	5,634,713	7,566,633	8,800,684	3,731,615
Gasper River Catholic				
Retreat Center	151,404	72,459	187,280	8,305
Beneficial interest in				
charitable trust for				
missions	45,318	-	43,722	-
	5,831,435	\$ 7,639,092	9,031,686	\$ 3,739,920
In perpetuity:				
Chancery:				
Beneficial interest in				
perpetual trust for				
catholic schools	143,500		145,292	
Total	\$ 5,974,935		\$ 9,176,978	

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

13. Functional Expenses

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

	<u>2023</u>	<u>2022</u>
Program services:		
Education	\$ 1,574,511	\$ 1,488,763
Worship and Spiritual Life	296,075	246,903
Social Concerns	7,292,460	3,457,022
Vocation Development	945,364	733,789
Grants to other organizations	132,548	145,992
Catholic Cemeteries	452,608	445,426
Charitable Trust Fund	536,585	582,827
Deposit and Loan Fund	846,517	342,091
Diocesan Benefit Plan	8,104,062	7,763,429
Gasper River Catholic Retreat Center	538,102	421,497
Division of School and Community		
Nutrition	<u>2,428,064</u>	<u>2,664,030</u>
Total program service expenses	<u>23,146,896</u>	<u>18,291,769</u>
Management and general:		
General and administrative	2,738,220	1,868,129
Depreciation	<u>290,712</u>	<u>271,898</u>
Total management and general	<u>3,028,932</u>	<u>2,140,027</u>
Total fundraising	<u>305,234</u>	<u>243,933</u>
Total expenses before eliminations	26,481,062	20,675,729
Less eliminations	<u>(1,538,790)</u>	<u>(666,538)</u>
Total expenses	<u>\$ 24,942,272</u>	<u>\$ 20,009,191</u>

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

14. 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 \$239,003 and \$365,381 at June 30, 2023 and 2022, respectively, and is reflected as a liability in the combined statements of financial position. Benefits provided to retired priests under this plan totaled \$37,350 and \$53,600 for the years ended June 30, 2023 and 2022, 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 \$205,242 and \$256,103 for the years ended June 30, 2023 and 2022, 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 7.8% of each participant's compensation to the plan for fiscal years 2023 and 2022. The actuarial information for the multi-employer plan as of July 1, 2023, indicates that it is in compliance with ERISA regulations regarding funding. Information regarding the Plan is publicly available at www.cbsservices.org.

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

14. 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, 2023 and 2022:

EIN and Plan Number	Pension Protection Act Zone Status		FIP/RP Status	Contributions for the Year Ended June 30,		Surcharge Imposed
	2023	2022		2023	2022	
36-2671613 Plan No. 333	Yellow 6/30/23	Yellow 6/30/22	N/A	\$372,862	\$466,985	No

The Diocese did not contribute more than 5% of total contributions to the Plan in fiscal years 2023 or 2022.

15. 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.

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

15. 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, 2023, were as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments:				
Cash and cash equivalents	\$ 8,804,681	\$ 8,804,681	\$ -	\$ -
Corporate stocks:				
Energy	189,285			
Materials	210,945			
Industrials	339,482			
Consumer discretionary	455,896			
Consumer staples	151,593			
Health care	502,262			
Financials	606,442			
Information technology	1,066,831			
Telecommunication services	312,383			
Real estate	34,920			
Utilities	196,035			
	<u>4,066,074</u>	4,066,074	-	-
Exchange-traded and closed-end funds	<u>31,801,088</u>	31,801,088	-	-
Government securities:				
Treasury	1,177,998			
Federal	639,106			
	<u>1,817,104</u>	-	1,817,104	-
Mutual funds:				
Equities	6,750,511			
Fixed income and preferreds	9,363,391			
	<u>16,113,902</u>	16,113,902	-	-
Total investments	<u>62,602,849</u>			
Beneficial interests in trusts	<u>188,818</u>	-	45,318	143,500
	<u>\$ 62,791,667</u>	<u>\$ 60,785,745</u>	<u>\$ 1,862,422</u>	<u>\$ 143,500</u>

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

15. Fair Value Measurements, Continued

Fair values of assets measured on a recurring basis at June 30, 2022, were as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments:				
Cash and cash equivalents	\$ <u>5,589,378</u>	\$ 5,589,378	\$ -	\$ -
Corporate stocks:				
Energy	181,308			
Materials	183,163			
Industrials	300,754			
Consumer discretionary	520,799			
Consumer staples	143,167			
Health care	541,191			
Financials	466,784			
Information technology	958,216			
Telecommunication services	276,007			
Utilities	<u>173,937</u>			
	<u>3,745,326</u>	3,745,326	-	-
Exchange-traded and closed-end funds	<u>24,013,461</u>	24,013,461	-	-
Government securities:				
Treasury	946,654			
Federal	<u>558,427</u>			
	<u>1,505,081</u>	-	1,505,081	-
Mutual funds:				
Equities	14,233,605			
Alternative	45,448			
Fixed income and preferreds	<u>2,573,448</u>			
	<u>16,852,501</u>	16,852,501	-	-
Total investments	51,705,747			
Beneficial interests in trusts	189,014	-	43,722	145,292
Interest rate swap	<u>(15,628)</u>	<u>-</u>	<u>(15,628)</u>	<u>-</u>
	<u>\$ 51,879,133</u>	<u>\$ 50,200,666</u>	<u>\$ 1,533,175</u>	<u>\$ 145,292</u>

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

15. 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.

There were no transfers between levels for the years ended June 30, 2023 and 2022.

16. 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 \$2,840,762 and \$5,034,093 at June 30, 2023 and 2022, 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.

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

17. 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 \$175,000 and \$150,000 per employee for periods ending June 30, 2023 and 2022, 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, 2023 and 2022, totaling \$1,768 and \$22,089, respectively, based on actual activity occurring subsequent to year end.

18. Related Party Transactions

Legal services are provided to the Diocese by a member of the Diocesan Finance Council, for which the Diocese paid \$8,420 and \$17,303 for the years ended June 30, 2023 and 2022, \$361 of which was included in accounts payable at each fiscal year end.

Program services provided to the Diocese by family members of management or employees totaled \$5,482 and \$8,639 for the years ended June 30, 2023 and 2022, respectively, \$672 of which was payable at June 30, 2023.

Program services provided to the Diocese by board members or family of board members totaled \$241,407 and \$235,244 for the years ended June 30, 2023 and 2022, respectively, none of which was payable at each fiscal year end.

Effective in fiscal year 2022, the Diocese began charging a management fee to the Catholic Foundation of Western Kentucky, Inc. (Foundation) for administrative, human resources, legal and accounting support. 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:

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

18. Related Party Transactions, Continued

	<u>2023</u>	<u>2022</u>
Due to the Foundation:		
Endowment	\$ <u>4,000,000</u>	\$ <u>-</u>
Due from the Foundation:		
Endowment to Charitable Trust Fund	<u>-</u>	<u>43,715</u>
Contributions to the Foundation:		
On behalf of donors, including Vocare	\$ <u>29,983</u>	\$ <u>33,487</u>
Revenue from the Foundation for program services:		
Operating Fund:		
Seminarians	\$ 407,556	\$ 392,927
Religious education	30,483	29,673
Outreach	15,065	14,664
Catholic charities	12,896	12,554
Other programs	<u>44,756</u>	<u>27,728</u>
	\$ <u>510,756</u>	\$ <u>477,546</u>
Funds managed by the Foundation in assets held for others:		
Gaspar River Catholic Retreat Center	\$ <u>125,545</u>	\$ <u>121,655</u>
Receipts from the Foundation for management fees:		
Management Fees	\$ <u>86,146</u>	<u>76,053</u>

19. 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.

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

NOTES TO COMBINED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

20. 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.

21. Change in Reporting Entity

In September 2023, the Diocese determined the Owensboro Catholic League should not be consolidated in its financial statements as the League is a separate legal entity which is not under the control of the Diocese. The financial statements for fiscal year 2022 have been restated for the change, which resulted in a decrease in beginning of year net assets for fiscal year 2022 of \$66,295. This is immaterial to the combined financial statements.

22. Subsequent Events

The Diocese has evaluated subsequent events through January 17, 2024, 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, 2023

ASSETS	Chancery	Deposit and Loan Fund	Charitable Trust Fund	Diocesan Benefit Plan	Division of School and Community Nutrition	Owensboro Catholic Cemeteries	Gasper River Catholic Retreat Center	Eliminations	Combined
Cash and cash equivalents	\$ 654,197	\$ 1,149,740	\$ 171,381	\$ 6,508	\$ 917,156	\$ 100,531	\$ 19,705	\$ -	\$ 3,019,218
Investments	22,392,872	33,784,828	4,050,639	1,252,163	-	996,802	125,545	-	62,602,849
Real estate held for investment	378,656	-	-	-	-	-	-	-	378,656
Accounts receivable:									
Due from parishes	224,231	-	-	-	-	-	-	(6,793)	217,438
Other	53,646	-	-	-	-	43,347	8,354	-	105,347
Grants	81,288	-	-	-	90,574	-	-	-	171,862
Loans receivable	31,071	6,775,862	-	-	-	-	-	-	6,806,933
Prepaid expenses	129,664	-	-	-	-	-	-	-	129,664
Inventories	-	-	-	-	71,560	-	-	-	71,560
Beneficial interests in trusts	188,818	-	-	-	-	-	-	-	188,818
Cemetery property	-	-	-	-	-	17,427	-	-	17,427
Property and equipment, net	1,731,914	-	-	-	233	897,388	3,087,495	-	5,717,030
Total assets	\$ 25,866,357	\$ 41,710,430	\$ 4,222,020	\$ 1,258,671	\$ 1,079,523	\$ 2,055,495	\$ 3,241,099	\$ (6,793)	\$ 79,426,802
LIABILITIES AND NET ASSETS									
Accounts payable and accrued expenses	\$ 317,279	\$ -	\$ 15,647	\$ 1,768	\$ 12,980	\$ 15,199	\$ 7,763	\$ (6,793)	\$ 363,843
Due to related party	-	4,000,000	-	-	-	-	-	-	4,000,000
Deferred revenue	2,133,669	-	-	-	42,730	4,780	600	-	2,181,779
Accrued interest payable	-	-	18,329	-	-	-	-	-	18,329
Deposits payable	-	35,708,865	-	-	-	-	-	-	35,708,865
Collections payable	37,566	-	-	-	-	-	-	-	37,566
Accrued retirement obligations	-	-	444,245	-	-	-	-	-	444,245
Pledge payable	9,000	-	-	-	-	-	-	-	9,000
Total liabilities	2,497,514	39,708,865	478,221	1,768	55,710	19,979	8,363	(6,793)	42,763,627
Net assets:									
Without donor restrictions:									
Undesignated	16,911,958	-	-	-	-	-	-	-	16,911,958
Board designated	633,354	2,001,565	3,743,799	1,256,903	1,023,813	1,038,714	3,081,332	-	12,779,480
Legally mandated	-	-	-	-	-	996,802	-	-	996,802
	<u>17,545,312</u>	<u>2,001,565</u>	<u>3,743,799</u>	<u>1,256,903</u>	<u>1,023,813</u>	<u>2,035,516</u>	<u>3,081,332</u>	<u>-</u>	<u>30,688,240</u>
With donor restrictions	<u>5,823,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,404</u>	<u>-</u>	<u>5,974,935</u>
Total net assets	23,368,843	2,001,565	3,743,799	1,256,903	1,023,813	2,035,516	3,232,736	-	36,663,175
Total liabilities and net assets	\$ 25,866,357	\$ 41,710,430	\$ 4,222,020	\$ 1,258,671	\$ 1,079,523	\$ 2,055,495	\$ 3,241,099	\$ (6,793)	\$ 79,426,802

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

	Chancery	Deposit and Loan Fund	Charitable Trust Fund	Diocesan Benefit Plan	Division of School and Community Nutrition	Owensboro Catholic Cemeteries	Gasper River Catholic Retreat Center	Eliminations	Combined
Revenue, support and gains:									
Parish assessments	\$ 2,867,948	\$ -	\$ 185,750	\$ -	\$ -	\$ -	\$ -	\$ (21,000)	\$ 3,032,698
Contributions and bequests of cash and other financial assets	3,019,113	-	119,156	705,576	-	80	118,114	(801,576)	3,160,463
Contributions of nonfinancial assets	7,153	-	-	-	149,128	-	-	-	156,281
Investment return	2,016,784	1,973,082	289,900	47,907	50	67,263	10,626	-	4,405,612
Change in value of beneficial interests in trusts (196)	-	-	-	-	-	-	-	-	(196)
Change in value of interest rate swap	15,628	-	-	-	-	-	-	-	15,628
Interest income on loans	1,211	285,966	-	-	-	-	-	-	287,177
Rental income	95,410	-	-	-	-	27,912	-	(3,600)	119,722
Income on real estate investments	227,351	-	-	-	-	-	-	-	227,351
Grants	1,466,814	-	-	-	910,283	-	4,000	(240)	2,380,857
Program and service fee income	389,454	-	-	6,384,599	1,182,373	379,909	319,408	(711,658)	7,944,085
Gain (loss) on disposal of property and equipment	(4,441)	-	-	-	-	-	-	-	(4,441)
Other income	319,056	-	100,000	-	44,795	100,000	102,933	(716)	666,068
Total revenue, support and gains	10,421,285	2,259,048	694,806	7,138,082	2,286,629	575,164	555,081	(1,538,790)	22,391,305
Expenses and losses:									
Salaries and wages	3,925,139	-	-	71,441	864,922	199,167	268,023	-	5,328,692
Payroll taxes	254,523	-	-	5,232	63,850	13,895	19,176	-	356,676
Employee benefits	665,947	-	-	7,629,392	158,575	40,676	41,633	(656,724)	7,879,499
Retired priests benefits	-	-	478,810	-	-	-	-	-	478,810
Rent expense	-	-	3,600	-	-	-	-	(3,600)	-
Professional and technical fees	188,196	-	837	372,171	10,706	869	18,950	-	591,729
Travel and auto expense	279,583	-	17,860	1,416	23,730	6,284	8,195	-	337,068
Postage and printing	239,503	-	-	1,475	819	90	1,183	-	243,070
Advertising	2,511	-	-	-	680	-	245	-	3,436
Insurance	68,995	-	3,592	-	19,683	18,324	14,095	-	124,689
Telephone and utilities	146,322	-	9,060	-	4,051	8,563	42,074	-	210,070
Repairs and maintenance	1,213,048	-	5,957	-	-	51,331	21,443	-	1,291,779
Supplies	2,467,246	-	53	-	2,702	9,501	10,520	-	2,490,022
Miscellaneous	48,567	53	-	-	9,615	773	1,648	(660)	59,996
Books, materials, subscriptions and dues	181,048	960	1,574	240	21,266	2,671	1,649	-	209,408
Assessments	91,242	-	-	-	-	-	-	-	91,242
Program services expense	838,712	-	8,836	22,935	1,170,521	101,424	85,148	(6,347)	2,221,229
Professional development expense	44,334	-	3,715	-	4,950	-	439	(2,025)	51,413
Depreciation expense	161,283	-	-	-	524	36,733	92,172	-	290,712
Interest expense	-	846,517	3,651	-	-	-	-	-	850,168
Grants, subsidies, and other direct aid	2,614,675	-	-	-	72,954	-	4,641	(869,434)	1,822,836
Bad debt expense	9,728	-	-	-	-	-	-	-	9,728
Total expenses and losses	13,440,602	847,530	537,545	8,104,302	2,429,548	490,301	631,234	(1,538,790)	24,942,272
Excess (deficiency) of revenue, support and gains over expenses and losses	(3,019,317)	1,411,518	157,261	(966,220)	(142,919)	84,863	(76,153)	-	(2,550,967)
Transfers	-	-	-	-	-	-	-	-	-
Change in net assets	(3,019,317)	1,411,518	157,261	(966,220)	(142,919)	84,863	(76,153)	-	(2,550,967)
Net assets, beginning of year	26,388,160	590,047	3,586,538	2,223,123	1,166,732	1,950,653	3,308,889	-	39,214,142
Net assets, end of year	\$ 23,368,843	\$ 2,001,565	\$ 3,743,799	\$ 1,256,903	\$ 1,023,813	\$ 2,035,516	\$ 3,232,736	\$ -	\$ 36,663,175

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

COMBINING STATEMENT OF FINANCIAL POSITION (RESTATED)

June 30, 2022

ASSETS	Chancery	Deposit and Loan Fund	Charitable Trust Fund	Diocesan Benefit Plan	Division of School and Community Nutrition	Owensboro Catholic Cemeteries	Gasper River Catholic Retreat Center	Eliminations	Combined
Cash and cash equivalents	\$ 1,454,702	\$ 2,850,908	\$ 194,588	\$ 32,621	\$ 908,198	\$ 329,363	\$ 65,685	\$ -	\$ 5,836,065
Investments	23,428,464	21,329,974	3,763,584	2,156,121	-	905,949	121,655	-	51,705,747
Real estate held for investment	544,355	-	-	-	-	-	-	-	544,355
Accounts receivable:									
Due from parishes	261,923	-	-	-	-	-	-	(4,834)	257,089
Other	23,779	-	222,940	166,470	-	51,174	9,308	139,691	613,362
Grants	91,456	-	-	-	260,203	-	-	-	351,659
Notes	4,564,791	-	-	-	-	-	-	-	4,564,791
Loans receivable	60,891	6,334,513	-	-	-	-	-	-	6,395,404
Accrued interest receivable	-	133	-	-	-	-	-	-	133
Due from related party	-	-	43,715	-	-	-	-	-	43,715
Due from other funds	947,454	-	-	-	-	-	-	(947,454)	-
Prepaid expenses	24,485	-	-	-	-	-	-	-	24,485
Inventories	-	-	-	-	62,272	-	-	-	62,272
Beneficial interests in trusts	189,014	-	-	-	-	-	-	-	189,014
Cemetery property	-	-	-	-	-	17,005	-	-	17,005
Property and equipment, net	1,678,916	-	-	-	757	669,114	3,121,968	-	5,470,755
Total assets	\$ 33,270,230	\$ 30,515,528	\$ 4,224,827	\$ 2,355,212	\$ 1,231,430	\$ 1,972,605	\$ 3,318,616	\$ (812,597)	\$ 76,075,851
LIABILITIES AND NET ASSETS									
Accounts payable and accrued expenses	\$ 580,031	\$ -	\$ 2,126	\$ 22,089	\$ 16,314	\$ 16,772	\$ 4,527	\$ (4,834)	\$ 637,025
Due to other funds	-	697,763	-	110,000	-	-	-	(807,763)	-
Deferred revenue	1,684,461	-	-	-	48,384	5,180	5,200	-	1,743,225
Accrued interest payable	-	-	14,679	-	-	-	-	-	14,679
Deposits payable	-	29,227,718	-	-	-	-	-	-	29,227,718
Collections payable	15,159	-	-	-	-	-	-	-	15,159
Notes payable	4,564,791	-	-	-	-	-	-	-	4,564,791
Interest rate swap	15,628	-	-	-	-	-	-	-	15,628
Accrued retirement obligations	-	-	621,484	-	-	-	-	-	621,484
Pledge payable	22,000	-	-	-	-	-	-	-	22,000
Total liabilities	6,882,070	29,925,481	638,289	132,089	64,698	21,952	9,727	(812,597)	36,861,709
Net assets:									
Without donor restrictions:									
Undesignated	16,736,762	-	-	-	-	-	-	-	16,736,762
Board designated	661,700	590,047	3,586,538	2,223,123	1,166,732	1,044,704	3,121,609	-	12,394,453
Legally mandated	-	-	-	-	-	905,949	-	-	905,949
	<u>17,398,462</u>	<u>590,047</u>	<u>3,586,538</u>	<u>2,223,123</u>	<u>1,166,732</u>	<u>1,950,653</u>	<u>3,121,609</u>	<u>-</u>	<u>30,037,164</u>
With donor restrictions	8,989,698	-	-	-	-	-	187,280	-	9,176,978
Total net assets	26,388,160	590,047	3,586,538	2,223,123	1,166,732	1,950,653	3,308,889	-	39,214,142
Total liabilities and net assets	\$ 33,270,230	\$ 30,515,528	\$ 4,224,827	\$ 2,355,212	\$ 1,231,430	\$ 1,972,605	\$ 3,318,616	\$ (812,597)	\$ 76,075,851

ROMAN CATHOLIC DIOCESE OF OWENSBORO
(Chancery and Certain Entities)

COMBINING STATEMENT OF ACTIVITIES (RESTATED)

Year Ended June 30, 2022

	Chancery	Deposit and Loan Fund	Charitable Trust Fund	Diocesan Benefit Plan	Division of School and Community Nutrition	Owensboro Catholic Cemeteries	Gaspar River Catholic Retreat Center	Eliminations	Combined
Revenue, support and gains:									
Parish assessments	\$ 2,824,562	\$ -	\$ 176,000	\$ -	\$ -	\$ -	\$ -	\$ (21,000)	\$ 2,979,562
Contributions and bequests of cash and other financial assets	10,601,309	-	474,759	-	-	50	115,405	(463,170)	10,728,353
Contributions of nonfinancial assets	68,694	-	-	-	156,451	-	13,990	-	239,135
Investment return	(3,766,491)	(3,047,739)	(683,165)	(410,836)	43	(122,861)	(15,971)	-	(8,047,020)
Change in value of beneficial interests in trusts	(34,788)	-	-	-	-	-	-	-	(34,788)
Change in value of interest rate swap	51,825	-	-	-	-	-	-	-	51,825
Interest income on loans	-	285,345	-	-	-	-	-	-	285,345
Rental income	89,666	-	-	-	-	27,967	-	(3,600)	114,033
Income on real estate investments	325	-	-	-	-	-	-	-	325
Grants	635,046	-	-	-	2,764,501	-	-	(10,000)	3,389,547
Program and service fee income	(78,028)	-	-	6,095,032	201,868	491,387	254,653	(164,768)	6,800,144
Gain (loss) on disposal of property and equipment	(119,537)	-	-	-	-	-	1,500	-	(118,037)
Other income	862,177	-	112,122	566	191,088	990	58,152	(4,000)	1,221,095
Total revenue, support and gains	11,134,760	(2,762,394)	79,716	5,684,762	3,313,951	397,533	427,729	(666,538)	17,609,519
Expenses and losses:									
Salaries and wages	2,944,066	-	-	62,589	833,970	177,133	212,879	-	4,230,637
Payroll taxes	199,661	-	-	-	61,602	12,785	15,603	-	289,651
Employee benefits	489,212	-	-	7,438,147	145,681	29,958	32,460	(532,686)	7,602,772
Retired priests benefits	-	-	469,753	-	-	-	-	-	469,753
Rent expense	-	-	3,600	-	-	-	-	(3,600)	-
Professional and technical fees	160,316	-	74,485	228,366	27,545	7,612	13,600	-	511,924
Travel and auto expense	196,043	-	18,000	-	24,326	6,719	8,064	-	253,152
Postage and printing	235,334	-	-	27	588	231	359	-	236,539
Advertising	7,308	-	-	-	-	-	421	-	7,729
Insurance	54,753	-	3,273	-	11,691	16,215	12,621	-	98,553
Telephone and utilities	124,971	-	7,040	-	4,847	8,105	35,829	-	180,792
Repairs and maintenance	400,025	-	3,240	-	8,438	29,085	22,945	-	463,733
Supplies	331,284	-	-	589	15,959	18,147	2,711	-	368,690
Miscellaneous	67,288	-	2	-	10,052	2,580	2,641	-	82,563
Books, materials, subscriptions and dues	109,007	-	200	-	4,853	941	-	-	115,001
Assessments	95,548	-	-	-	-	-	-	-	95,548
Program services expense	593,361	-	1,136	33,711	1,364,525	135,915	58,073	(12,052)	2,174,669
Professional development expense	43,809	-	40	-	11,035	-	874	(160)	55,598
Depreciation expense	142,644	-	-	-	525	35,847	92,882	-	271,898
Interest expense	-	342,091	2,058	-	-	-	-	-	344,149
Grants, subsidies, and other direct aid	2,122,817	-	-	-	138,918	-	2,417	(118,040)	2,146,112
Bad debt expense	9,728	-	-	-	-	-	-	-	9,728
Total expenses and losses	8,327,175	342,091	582,827	7,763,429	2,664,555	481,273	514,379	(666,538)	20,009,191
Excess (deficiency) of revenue, support and gains over expenses and losses	2,807,585	(3,104,485)	(503,111)	(2,078,667)	649,396	(83,740)	(86,650)	-	(2,399,672)
Transfers	171,644	(171,644)	-	-	-	-	-	-	-
Change in net assets	2,979,229	(3,276,129)	(503,111)	(2,078,667)	649,396	(83,740)	(86,650)	-	(2,399,672)
Net assets, beginning of year	23,408,931	3,866,176	4,089,649	4,301,790	517,336	2,034,393	3,395,539	-	41,613,814
Net assets, end of year	\$ 26,388,160	\$ 590,047	\$ 3,586,538	\$ 2,223,123	\$ 1,166,732	\$ 1,950,653	\$ 3,308,889	\$ -	\$ 39,214,142