Pastoral Center of the Archdiocese of Cincinnati

Financial Statements with Accompanying Information
June 30, 2023 and 2022, and
Independent Auditors' Report

PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI

June 30, 2023 and 2022

Contents

	Page(s)
Independent Auditors' Report	1 – 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4 – 5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8 – 25
Accompanying Information:	
Schedules	
1. Detail of Chancery Expenses – Years Ended June 30, 2023 and 2022	26 – 27
2. Schedule of Designated Collections – Year Ended June 30, 2023	28
3. Schedule of Catholic Ministries Appeal Contributions and Distributions	29

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OHIO
CINCINNATI OFFICE
150 E. 4th Street
Cincinnati, OH 45202
Main: 513.241.8313
Fax: 513.241.8303

Independent Auditors' Report

Most Reverend Dennis M. Schnurr
Archbishop of Cincinnati

Opinion

We have audited the accompanying financial statements of the Pastoral Center of the Archdiocese of Cincinnati (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pastoral Center of the Archdiocese of Cincinnati as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pastoral Center of the Archdiocese of Cincinnati and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

Independent Auditors' Report
(Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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 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 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 Pastoral Center of the Archdiocese of Cincinnati'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pastoral Center of the Archdiocese of Cincinnati'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 Accompanying Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying information included in schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Barnes, Dennig & Co., Ltd.

November 21, 2023
Cincinnati, Ohio

PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI

Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Cash	$ 200	$ 200
Prepaid expenses	245,309	247,960
Accounts and interest receivable, net of allowances; 2023 - $4,391,217 and 2022 - $4,301,234	4,253,411	4,131,014
Contributions receivable	645,587	607,455
Notes receivable, net of allowances; 2023 - $8,329,012 and 2022 - $8,349,485	1,953,368	2,148,076
Investments	316,673,042	286,192,221
Land, buildings and other property, net	8,328,105	8,702,251
Right-of-use assets - operating leases	220,374	-
Total assets	$ 332,319,396	$ 302,029,177
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 5,798,021	$ 8,128,052
Reserve for insurance claims	5,150,000	5,200,000
Due to other Archdiocesan agencies	500,394	145,674
Designated collections	1,349,605	1,224,463
Parish exchange accounts and other liabilities	17,250	5,475
Operating lease liabilities	220,374	-
Notes payable - parishes and other Catholic institutions	142,437,757	137,319,339
Total liabilities	155,473,401	152,023,003
Net Assets		
Without donor restrictions:		
Undesignated	159,878,638	131,484,462
Archbishop-designated other funds	5,340,667	5,355,645
Archbishop-designated endowment funds	3,949,417	4,538,278
Total without donor restrictions	169,168,722	141,378,385
With donor restrictions	7,677,273	8,627,789
Total net assets	176,845,995	150,006,174
Total liabilities and net assets	$ 332,319,396	$ 302,029,177

See accompanying notes to financial statements

PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI

Statement of Activities
Year Ended June 30, 2023 with Summarized Comparative Totals for 2022

	2023			
	Without Donor Restrictions	With Donor Restrictions	Total	2022
Revenue, gains and other support				
Investment return, net	$ 33,540,234	$ 265,339	$ 33,805,573	$ (32,611,208)
Insurance billings to parishes and institutions	50,975,668	-	50,975,668	51,468,652
Claim reimbursement and recoveries	1,228,525	-	1,228,525	219,090
Archdiocesan assessments	12,747,436	-	12,747,436	12,404,563
Notes receivable interest	149,415	-	149,415	125,387
Catholic Ministries Appeal	-	6,297,748	6,297,748	6,120,010
Contributions and bequests	905,692	3,777,457	4,683,149	3,856,629
Rental income	563,651	4,096	567,747	557,565
Gain (loss) on sale of property	381,194	-	381,194	(205,915)
Other	79,238	114,900	194,138	241,602
Net assets released from restrictions	11,410,056	(11,410,056)	-	-
Total revenue, gains and other support	111,981,109	(950,516)	111,030,593	42,176,375
Expenses				
Chancery:				
Community services	1,946,245	-	1,946,245	1,676,287
Educational services	7,484,198	-	7,484,198	6,183,890
Executive services	5,683,211	-	5,683,211	4,627,866
Financial services	2,233,587	-	2,233,587	2,140,775
Human resources	622,646	-	622,646	590,383
Stewardship services	1,887,251	-	1,887,251	1,764,405
Pastoral services	6,545,680	-	6,545,680	6,592,040
General and administrative	4,029,525	-	4,029,525	3,910,412
Interest on notes payable	2,483,129	-	2,483,129	1,956,068
Administrative building operations	204,581	-	204,581	172,902
	33,120,053	-	33,120,053	29,615,028
Nonoperating transfers to related entities	(463,225)	-	(463,225)	1,800,000
Health Care Plan:				
Claims	39,115,602	-	39,115,602	38,543,725
Disability and life insurance premiums	1,087,671	-	1,087,671	1,035,578
Service fees	2,069,397	-	2,069,397	2,280,185
Stop loss premiums	1,028,225	-	1,028,225	962,121
Allowance for doubtful accounts	-	-	-	(559,866)
Other health care costs	(114,937)	-	(114,937)	434,400
	43,185,958	-	43,185,958	42,696,143
Self-Insurance Fund:				
Claims	2,692,722	-	2,692,722	1,748,408
Reinsurance premiums	4,598,884	-	4,598,884	4,192,358
Other self insurance costs	1,056,380	-	1,056,380	439,182
	8,347,986	-	8,347,986	6,379,948
Total expenses	84,190,772	-	84,190,772	80,491,119
Change in net assets	27,790,337	(950,516)	26,839,821	(38,314,744)
Net assets, beginning of year	141,378,385	8,627,789	150,006,174	188,320,918
Net assets, end of year	$ 169,168,722	$ 7,677,273	$ 176,845,995	$ 150,006,174

See accompanying notes to financial statements

PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI

Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support			
Investment return, net	$ (32,414,708)	$ (196,500)	$ (32,611,208)
Insurance billings to parishes and institutions	51,468,652	-	51,468,652
Claim reimbursement and recoveries	219,090	-	219,090
Archdiocesan assessments	12,404,563	-	12,404,563
Notes receivable interest	125,387	-	125,387
Catholic Ministries Appeal	-	6,120,010	6,120,010
Contributions and bequests	919,776	2,936,853	3,856,629
Rental income	555,566	1,999	557,565
Loss on sale of property	(205,915)	-	(205,915)
Other	100,052	141,550	241,602
Net assets released from restrictions	9,202,107	(9,202,107)	-
Total revenue, gains and other support	42,374,570	(198,195)	42,176,375
Expenses			
Chancery:			
Community services	1,676,287	-	1,676,287
Educational services	6,183,890	-	6,183,890
Executive services	4,627,866	-	4,627,866
Financial services	2,140,775	-	2,140,775
Human resources	590,383	-	590,383
Stewardship services	1,764,405	-	1,764,405
Pastoral services	6,592,040	-	6,592,040
General and administrative	3,910,412	-	3,910,412
Interest on notes payable	1,956,068	-	1,956,068
Administrative building operations	172,902	-	172,902
	29,615,028	-	29,615,028
Nonoperating transfers to related entities	1,800,000	-	1,800,000
Health Care Plan:			
Claims	38,543,725	-	38,543,725
Disability and life insurance premiums	1,035,578	-	1,035,578
Service fees	2,280,185	-	2,280,185
Stop loss premiums	962,121	-	962,121
Allowance for doubtful accounts	(559,866)	-	(559,866)
Other health care costs	434,400	-	434,400
	42,696,143	-	42,696,143
Self-Insurance Fund:			
Claims	1,748,408	-	1,748,408
Reinsurance premiums	4,192,358	-	4,192,358
Other self insurance costs	439,182	-	439,182
	6,379,948	-	6,379,948
Total expenses	80,491,119	-	80,491,119
Change in net assets	(38,116,549)	(198,195)	(38,314,744)
Net assets, beginning of year	179,494,934	8,825,984	188,320,918
Net assets, end of year	$ 141,378,385	$ 8,627,789	$ 150,006,174

See accompanying notes to financial statements

PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI

Statements of Functional Expenses
Years Ended June 30, 2023 and 2022

	2023				2022			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Chancery:								
Salaries and wages	$ 5,994,036	$ 1,468,555	$ 442,230	$ 7,904,821	$ 5,566,388	$ 1,491,477	$ 432,025	$ 7,489,890
Direct support to related entities	3,757,220	-	-	3,757,220	3,932,762	-	-	3,932,762
Direct support to parishes	2,803,869	-	-	2,803,869	2,734,189	-	-	2,734,189
Distributions to non-related charities	1,506,303	-	-	1,506,303	489,729	-	-	489,729
Interest	2,483,129	-	-	2,483,129	1,956,068	-	-	1,956,068
Tuition Assistance	4,078,481	-	-	4,078,481	1,920,689	-	-	1,920,689
Payroll taxes and benefits	2,017,910	673,457	187,291	2,878,658	2,059,019	640,735	183,266	2,883,020
Provision for doubtful accounts	-	91,671	-	91,671	-	1,082,174	-	1,082,174
Depreciation	-	1,210,885	-	1,210,885	-	1,166,020	-	1,166,020
Legal and professional	959,084	842,262	98,355	1,899,701	1,096,836	677,499	92,538	1,866,873
Other professional	426,680	30,343	1,119	458,142	400,708	18,740	3,500	422,948
Software and network administration	403,156	439,665	45,554	888,375	387,469	444,848	40,891	873,208
Meetings and conferences	723,142	61,428	12,658	797,228	526,971	42,400	7,621	576,992
Building maintenance	19,365	307,250	-	326,615	32,202	276,264	-	308,466
Office and program supplies	317,560	62,720	195,864	576,144	261,544	93,469	172,280	527,293
Other expenses	173,658	275,637	23,686	472,981	185,105	250,732	12,700	448,537
Membership dues	295,394	156,847	6,879	459,120	288,167	140,096	-	428,263
Utilities	21,100	135,531	42,016	198,647	20,880	152,188	42,032	215,100
USCCB assessment paid	-	176,072	-	176,072	-	175,983	-	175,983
Priest business expenses	148,221	3,770	-	151,991	111,908	4,916	-	116,824
Total Chancery expenses	26,128,308	5,936,093	1,055,652	33,120,053	21,970,634	6,657,541	986,853	29,615,028
Nonoperating transfers to related entities	(463,225)	-	-	(463,225)	1,800,000	-	-	1,800,000
Health Care Plan	43,185,958	-	-	43,185,958	42,696,143	-	-	42,696,143
Self-Insurance Fund	8,347,986	-	-	8,347,986	6,379,948	-	-	6,379,948
Total expenses	$ 77,199,027	$ 5,936,093	$ 1,055,652	$ 84,190,772	$ 72,846,725	$ 6,657,541	$ 986,853	$ 80,491,119

See accompanying notes to financial statements

PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI

Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	$ 26,839,821	$ (38,314,744)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,210,885	1,166,020
(Gain) loss on sale of property	(381,194)	205,915
Provision for doubtful receivables	91,671	1,082,174
Net realized and unrealized (gains) losses on investments	(25,258,714)	40,134,492
Interest reinvested into notes payable	1,159,422	1,004,323
Changes in:		
Prepaid expenses	2,651	(2,985)
Accounts and interest receivable	(234,541)	1,319,515
Contributions receivable	(38,132)	(102,873)
Accounts payable and accrued expenses	(2,330,031)	317,114
Reserve for insurance claims	(50,000)	(54,090)
Due to other Archdiocesan agencies	354,720	(360,558)
Designated collections	125,142	(96,592)
Parish exchange accounts and other liabilities	11,775	(33,057)
Net cash provided by operating activities	1,503,475	6,264,654
Cash flows from investing activities		
Purchases of investments	(6,845,147)	(10,684,033)
Proceeds from sales of investments	1,623,040	127,495
Purchases of land, buildings and other property	(836,739)	(53,129)
Proceeds from sale of property	381,194	168,357
Collections on notes receivable	243,524	348,649
Issuance of notes receivable	(28,343)	(1,233,156)
Net cash used in investing activities	(5,462,471)	(11,325,817)
Cash flows from financing activities		
Originations of notes payable	12,165,317	9,730,893
Withdrawals from notes payable	(8,206,321)	(4,669,730)
Net cash provided by financing activities	3,958,996	5,061,163
Net change in cash	-	-
Cash, beginning of year	200	200
Cash, end of year	$ 200	$ 200
Supplemental cash flows information		
Interest paid	$ 941,298	$ 920,027

See accompanying notes to financial statements

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Pastoral Center of the Archdiocese of Cincinnati (Archdiocese or Pastoral Center) (formerly known as the Central Offices of the Archdiocese of Cincinnati) primarily consist of departments maintained for the administration of the general business and financial affairs of the Archdiocese of Cincinnati. The Archdiocese of Cincinnati encompasses the various institutions and organizations which are responsible to the Most Reverend Dennis M. Schnurr, Archbishop of Cincinnati.

The accompanying financial statements do not include the accounts of the Lay Employees' Pension Plan, the Priests' Retirement Corporation, Pooled Investment Trust Fund, and certain Catholic organizations located within the Archdiocese such as parishes, schools, publications, foundations, cemeteries, homes, seminaries, or any institutions owned and operated by religious orders of men or women, except insofar as financial transactions have taken place between such organizations and the Pastoral Center. These organizations may or may not be separate corporations under civil law; however, each is an operating entity distinct from the Pastoral Center, maintains separate accounts, carries on its own services and programs, and in some instances is expected to report annually to the Pastoral Center. The Pastoral Center may become responsible for liabilities of certain of these entities in its role as the financial administrator of the Archdiocese. See Note 14 for contingencies presented in these financial statements related to these future potential obligations.

Titles to certain properties of the above-mentioned organizations are held by the Archbishop and his successors in office as trustee of separate trusts. Commingling of these separate trusts is forbidden by Canon Law and policy as well as by Ohio Civil Law. For this reason, these properties are not included in the accompanying financial statements.

The Pastoral Center, certain related institutions, and all parishes participate in two self-insurance programs providing property and casualty as well as health care coverage (Archdiocesan insurance programs). The Pastoral Center administers the Archdiocesan insurance programs with the aid of an insurance service firm as directed by the Archbishop. Reinsurance and stop loss contracts are obtained to protect against losses in excess of self-insurance limits.

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The Archdiocese is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net assets with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

GAAP has a three-level hierarchy for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 inputs are unadjusted quoted prices for identical assets in active markets; Level 2 inputs are observable quoted prices for similar assets in active markets; Level 3 inputs are unobservable and reflect management's best estimate of what market participants would use as fair value.

Accounts, Notes and Interest Receivable

Accounts receivable are stated at the amounts earned, but not collected, less related allowance for impaired accounts receivable. Notes and interest receivable are stated at the principal amount outstanding, less the related allowance for impaired receivables. Interest income on notes receivable is accrued as earned based on unpaid principal balances. The notes are payable on demand thirty days after issuance and interest is due quarterly. Generally, interest accrues until the note is paid in full. However, there are certain notes that have been placed on non-accrual status as of June 30, 2023 and 2022.

Accounts, notes and interest receivable are evaluated for impairment in accordance with GAAP. Management, considering current information and events, considers a receivable to be impaired when it is probable that the Archdiocese will be unable to collect all amounts due (both interest and principal) according to the terms of the note agreement. When a receivable is considered to be impaired, the amount of impairment is measured based on the expected future cash flows to include recovery from other assets of the obligor. Impairment losses are included in the allowance for doubtful accounts through a charge to the provision for doubtful receivables. Changes in the fair market value of collateral or the expected cash flows due to revisions to the timing or amount of those estimated cash flows are recorded as additions to or reductions in the provision for doubtful receivables. No allowance for doubtful accounts has been provided for receivables not deemed to be impaired.

Investments and Investment Return

Investments are carried at fair value. Investment return includes dividend and interest income, realized and unrealized gains and losses on investments, and investment management fees.

Investment return is reflected in the statements of activities as without donor restrictions or with donor restrictions based upon the existence and nature of any donor imposed restrictions.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Market risks include global events which could impact the value of investment securities, such as a pandemic or international conflict. Due to the level risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statement of financial position.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land, Buildings and Other Property

Land, buildings and other property are recorded at cost or, if donated or impaired, at fair value at the time of the gift or determination. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Major improvements are capitalized, while maintenance and repairs are expensed as incurred. It is the policy of the Archdiocese to dispose of real estate when it becomes evident that no future use for church purposes is likely. Any proceeds from the disposal of property not previously recorded on the financial statements of the Pastoral Center, but held in trust by the Archbishop on behalf of the Archdiocese, are recognized as a gain on the sale of property in the period sold.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue without donor restrictions and net assets. Gifts received with a donor stipulation that limits their use are reported as revenue with donor restrictions and net assets. When a donor's stipulated time restriction ends or purpose restriction is accomplished, 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. Gifts and investment return that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as with donor restrictions and then released from restriction.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue. Conditional promises to give are recognized as revenues when the conditions on which they depend are substantially met.

Revenue Recognition

The Archdiocese identifies a contract with a customer for revenue recognition when there is approval and commitment from both parties, the rights of the parties and payment terms are identified, the contract has commercial substance, and the collectability of consideration is probable. The Archdiocese evaluates each contract to determine the number of distinct performance obligations in the contract, which requires the use of judgement. To determine the proper revenue recognition method, the Archdiocese evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as single or more than one performance obligation.

The Archdiocese recognizes revenue from contracts primarily from Archdiocesan assessments which are implied, enforceable contracts with diocesan parishes to provide administrative support. The Archdiocese has a performance obligation to operate its administrative offices to support a broad spectrum of activities within the Archdiocese and fulfill its obligation to the national and universal needs of the Church. The Archdiocese considers many of the offices and departments, including community, education, executive, financial, human resources, stewardship and pastoral services within the Pastoral Center to be critical in supporting the activities and institutions within the Archdiocese as well as fulfilling its obligation to the national and universal needs of the Church. Archdiocesan assessments are based on a percentage of parish adjusted revenues calculated in conformity with the Document on Temporal Affairs. The fiscal year amount is billed monthly, and payment is expected within 30 days.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Archdiocesan assessments are recognized ratably over the period the service is provided. All of the Archdiocese's revenue from contracts with customers are from performance obligations satisfied over time. The Archdiocese generally uses the time elapsed method, an input measure, as it considers it to best depict the simultaneous consumption and delivery of its services. The determination of the method by which the Archdiocese measures its progress towards the satisfaction of its performance obligations requires judgment.

Accounts receivable from contracts with customers are as follows at June 30:

	2023	2022	2021
Archdiocesan assessments receivables	$ 386,503	$ 379,937	$ 320,122
Less: Allowance for doubtful accounts	(285,771)	(279,751)	(240,228)
	$ 100,732	$ 100,186	$ 79,894

Leases

The Archdiocese leases office equipment under non-cancellable leases. The Archdiocese determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statement of financial position.

ROU assets represent the Archdiocese's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Archdiocese uses rates implicit in the lease, if readily available. For leases that do not provide an implicit rate, a risk-free rate based on information available at commencement date is used in determining the present value of lease payments. The Archdiocese's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Archdiocese accounts for lease and non-lease components as a single lease component. There may be variability in future lease payments as the amount of the non-lease component is typically revised from one period to the next. These variable lease payments are recognized in operating expenses in the period in which the obligation for those payments was incurred. The Archdiocese's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Archdiocese made an accounting policy election that payments under agreements with an initial term of 12 months or less will not be included on the statement of financial position but will be recognized in the statement of activities on a straight-line basis over the term of the agreement. The Archdiocese has elected to apply the short-term lease exception on all classes of underlying assets.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes and Uncertain Tax Positions

The United States Conference of Catholic Bishops received a determination letter dated March 25, 1946, which states that the agencies and instrumentalities and educational, charitable, and religious institutions operated, supervised or controlled by or in connection with the Roman Catholic Church in the United States, its territories or possessions appearing in the Official Catholic Directory are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Archdiocese is listed in the 2022 edition of the Official Catholic Directory and is, therefore, exempt from federal income and unemployment taxes.

The Archdiocese is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of Ohio law. However, the Archdiocese is subject to federal income tax on any unrelated business taxable income. The Archdiocese is not aware of any activities that would jeopardize its tax-exempt status, nor is it aware of any uncertain tax positions that could result in a material impact on the statements of financial position or statements of activities of the Archdiocese.

Functional Allocation of Expenses

The cost of supporting the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Expenses have been classified upon the actual direct expenditures and costs allocations. The most significant allocations were salaries and wages and related payroll taxes and benefit expenses, which were allocated based upon estimates of time spent by Archdiocese personnel.

Reclassifications

Certain 2022 figures have been reclassified to conform to the 2023 presentation.

Use of Estimates

GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Effect of Adopting New Accounting Standard

In February 2016, the FASB issued ASU 2016-02, *Leases* which created Accounting Standards Codification (ASC) 842. This ASU requires organizations that lease assets to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The Archdiocese has adopted ASC 842 on July 1, 2022. The Archdiocese recorded both operating lease right-of-use (ROU) assets and lease liabilities of $220,374. The standard had an impact on the Archdiocese’s statement of financial position but did not have an impact on its statement of activities, nor statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while its accounting for finance leases remained substantially unchanged.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Event Evaluation

In preparing its financial statements, the Archdiocese has evaluated events subsequent to the statement of financial position date through November 21, 2023, which is the date the financial statements were available to be issued.

NOTE 2 NOTES RECEIVABLE AND NOTES PAYABLE

Notes Receivable

Certain parishes and other Catholic institutions have financed building projects and other needs through interest-bearing demand notes from surplus funds of other parishes and institutions. These notes are included in notes receivable on the statement of financial position. In addition to these notes, notes receivable also includes interest and accounts receivables that were converted to interest-bearing demand notes. The notes receivable interest rate was 3.0% for both June 30, 2023 and 2022.

The Archdiocese acts as a lender of last resort for college seminarians. Each application is evaluated by the Archbishop with assistance of the Archdiocesan Finance Department. All such loans are evidenced by a promissory note signed by the student. The Archbishop, at his discretion, may forgive some portion of the loan upon the student's ordination to the priesthood. As of June 30, 2023 and 2022 there are four and six notes, respectively, outstanding totaling $59,988 and $83,527, respectively. The notes receivable interest rates range from 0% to 3.5%. The interest rate is set based on the prime rate when repayment is scheduled to begin.

Notes receivable include non-interest bearing notes of approximately $5,272,000 and $5,411,000 for June 30, 2023 and 2022, respectively.

Activity in the allowances for doubtful notes receivable for the periods ended June 30 and the gross and average balance of the corresponding receivables are considered to be impaired as of June 30 was as follows:

	2023	2022
Beginning balance	$ 8,349,485	$ 6,729,422
Provision for doubtful receivables	(20,473)	1,620,063
Ending balance	$ 8,329,012	$ 8,349,485
Gross balance of impaired notes receivable	$ 10,282,380	$ 10,497,561
Average balance of impaired notes receivable	$ 604,846	$ 524,878

Interest income recognized on impaired notes receivable during the years ended June 30, 2023 and 2022, was approximately $149,000 and $125,000, respectively.

NOTE 2 NOTES RECEIVABLE AND NOTES PAYABLE (CONTINUED)

Notes Payable

Some parishes and other Catholic institutions, which have funds not immediately needed for current operations, deposit such funds with the Archdiocese and receive an interest-bearing demand note as evidence thereof. These funds are classified as notes payable on the statement of financial position of $142,437,757 and $137,319,339 as of June 30, 2023 and 2022, respectively. The notes payable interest rates were 2.25% for June 30, 2023 and 1.45% for June 30, 2022.

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributors to the Archdiocese have made unconditional pledges for the Catholic Ministries Appeal totaling $645,587 and $607,455 as of June 30, 2023 and 2022, respectively. These pledges are all due within one year. Management has estimated that no allowance is necessary for uncollectable contributions receivable.

NOTE 4 DUE (TO) FROM OTHER ARCHDIOCESAN AGENCIES

Due (to) from other Archdiocesan agencies as of June 30 consisted of the following:

	2023	2022
Foundation for Catholic Education	$ 121,257	$ 815
Priests' Retirement Corporation	(717,347)	(201,879)
Other Archdiocesan agencies	60,984	49,971
CISE	-	185
Catholic Community Foundation	34,712	5,234
	$ (500,394)	$ (145,674)

NOTE 5 INVESTMENTS AT FAIR VALUE

Investments at fair value at June 30 consisted of the following:

	2023	2022
Level 1:		
Common stock	$ 177,554,648	$ 146,326,010
Real estate investments	316,741	381,202
Foreign stock	2,311,091	1,938,400
Preferred stock	246,654	259,900
Level 2:		
Corporate bonds	70,243,939	71,015,050
Tax exempt bonds	6,475,245	6,274,798
Foreign bonds	5,874,750	6,585,547
High yield bonds	3,513,969	4,028,878
Money market funds	2,650,287	925,094
Deposits in Pooled Investment Trust Fund	43,977,157	44,937,454
Interest in Long-Term Investment Funds	1,761,505	1,527,609
Not subject to fair value hierarchy:		
TNCRRG stock	914,682	1,046,285
BPIC stock	832,374	945,994
Total investments	$ 316,673,042	$ 286,192,221

Fair value for stocks and real estate investments is determined by reference to quoted market prices and other relevant information generated by market transactions. These assets are categorized as using Level 1 inputs.

Fair value for bonds, money market funds, and interest in pooled investment trust funds is determined by a third-party utilizing models that use as their basis readily observable market parameters. These assets are categorized as using Level 2 inputs.

There are no valuations using Level 3 inputs.

Included in the above investments are investments of $1,747,056 and $1,922,279 at June 30, 2023 and 2022, respectively, in unregistered investment pools. The investment pools in turn invest in various equity and debt securities and other vehicles to generate its investment return. The fair value of these investment pools is reported by the Pastoral Center based on information provided by the investment managers.

Values may be based on readily available public market data as well as estimates that require varying degrees of judgment. Generally, fair value reflects net contributions to the investee and an ownership share of realized and unrealized investment income and expenses. The financial statements of the investees are audited annually by independent auditors as of December 31 with the most recent being as of December 31, 2022. Valuations for these investment pools provided by the investment managers are evaluated by the Pastoral Center, and management believes such values are reasonable for the years ended June 30, 2023 and 2022.

NOTE 5 INVESTMENTS AT FAIR VALUE (CONTINUED)

The Pastoral Center used Net Asset Value (NAV) to determine the fair value of all the underlying investments which do not have a readily determinable fair value and prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. In accordance with ASU 2015-07, these investments are not required to be categorized using the fair value hierarchy. The following table lists investments in other investment companies by major category:

			2023 and 2022		
	2023	2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investment in TNCRRG	$ 914,682	$ 1,046,285	$ -	None	90 days
Investment in BPIC	832,374	945,994	-	None	90 days
	$ 1,747,056	$ 1,992,279	$ -		

The Archdiocese has an investment in The National Catholic Risk Retention Group, Inc. (TNCRRG). TNCRRG is a licensed insurance company domiciled in the State of Vermont, operating as a risk retention group insurer authorized under Federal law, *Liability Risk Retention Act of* 1986. TNCRRG requires such an investment in order to provide the Archdiocese and other Catholic entities protection against losses in excess of the self-insurance limits for an annual premium. Ownership of TNCRRG is restricted to entities that are also insured by the risk retention group. TNCRRG stock is stated at an estimated fair value based on information provided by TNCRRG.

The Archdiocese's investment in TNCRRG is subject to additional redemption restrictions, as the Archdiocese cannot receive a payout until five years following the effective date of their withdrawal from TNCRRG. Additionally, the payout will be calculated as the lesser of the share value at the effective date of the withdrawal or the share value at the time of payout. Any payout is subject to approval of the insurance regulators in the Vermont Department of Banking, Insurance Securities and Health Care Administration.

The Archdiocese has an investment in the Bishop's Plan Insurance Company (BPIC). BPIC is an industrial insured captive reinsurance company domiciled in the State of Vermont. BPIC is a self-insurance arrangement for various Catholic dioceses. The Archdiocese held a 3.42% and 3.46% ownership investment in BPIC as of June 30, 2023 and 2022, respectively. The investment is stated at an estimated fair value based on information provided by BPIC.

The Pastoral Center and certain parishes and institutions of the Archdiocese participate in a Pooled Investment Trust Fund (the Trust). This cash management system is administered by a bank and its trust department.

As of June 30, 2023 and 2022, the assets of the Trust are invested 74.7% and 83.8% in corporate bonds, 6.2% and 9.1% in U.S. Government and Federal Agency obligations, and 19.1% and 7.1% in cash equivalents, respectively. The Archdiocese maintains a Pooled Fund Reserve Account that is invested in an equity fund tied to the S&P 500 (see Note 14). This account could be used as a source of funds to meet liquidations, together with other Archdiocesan assets.

NOTE 6 LAND, BUILDINGS AND OTHER PROPERTY

Land, buildings and other property consisted of the following as of June 30:

	2023	2022
Land	$ 1,378,049	1,378,049
Land held for future use	472,750	472,750
Buildings and improvements	24,447,322	24,046,325
Furniture and equipment	2,355,889	2,365,310
Construction in progress	738,080	370,066
Less accumulated depreciation	(21,063,985)	(19,930,249)
	$ 8,328,105	$ 8,702,251

NOTE 7 RESERVE FOR INSURANCE CLAIMS

A reserve has been established for claims reported but not yet paid and estimated claims incurred but not reported. The reserve is based on claims experience and existing matters known by management. As of June 30, 2023 and 2022, the Archdiocese has recorded a reserve for insurance claims of $5,150,000 and $5,200,000, respectively.

NOTE 8 LEASES

The Archdiocese has long-term leases for office equipment extending beyond 12 months, expiring at various times through June 2027. Operating lease liabilities have a weighted average remaining lease term of 2.92 years and were calculated using a weighted average discount rate of 3.45%. Operating lease expense and cash flows were $96,605 for the year ended June 30, 2023. Future minimum lease payments are: $87,576 in 2024, $78,601 in 2025, $33,674 in 2026 and $33,674 in 2027.

NOTE 9 DESIGNATED NET ASSETS

Designated net assets are available to be used for the following purposes as of June 30 upon approval by the Archbishop:

	2023	2022
Designated other funds:		
Other	$ 5,211,768	$ 5,264,703
Education	36,683	36,683
Pastoral	75,141	37,184
Vocations	17,075	17,075
	5,340,667	5,355,645
Designated endowment funds:		
Other	3,448,564	4,046,115
Education	500,853	492,163
	3,949,417	4,538,278
	$ 9,290,084	$ 9,893,923

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30 consisted of the following:

	2023	2022
Purpose restricted:		
Education	$ 2,420,673	$ 2,358,581
Pastoral Services	513,284	426,264
Community Services	1,104,138	1,446,362
Missions	2,521,345	2,281,929
Vocation / Diaconate	153,541	134,365
Other - Seminary	-	1,026,884
	6,712,981	7,674,385
Endowment funds:		
Subject to time restrictions	276,002	272,020
Subject to spending policy and appropriation:		
Education	663,862	657,552
Missions	22,077	21,538
Other	2,351	2,294
	964,292	953,404
	$ 7,677,273	$ 8,627,789

NOTE 11 LAY EMPLOYEES DEFINED BENEFIT PENSION PLAN

The Pastoral Center participates in the Lay Employees of the Archdiocese of Cincinnati Pension Plan (the Lay Plan). The Lay Plan, which was established on January 1, 1973, is a non-contributory, defined benefit multi-employer pension plan covering substantially all full-time lay employees of the Archdiocese and certain other related institutions and entities, prior to January 1, 2011. The Lay Plan is funded through assessments of participating institutions, including the Pastoral Center. The Pastoral Center contributed \$168,643 and \$160,009 to the Lay Plan during June 30, 2023 and 2022, respectively. Based on information as of December 31, 2022 and 2021, the Pastoral Center's contributions do not represent more than 5% of total contributions received by the Lay Plan.

Effective December 31, 2010, the Archdiocese froze the accrual of retirement benefits for all participants. After that date, no additional compensation or future service has been counted in determining a participant's pension benefit. Service will continue to be credited for the purpose of determining a participant's vested interest in benefits. In order to assist in funding the accumulated benefit obligation, employers are required to contribute 2.5% of "eligible" salaries.

Plan benefits are to be paid in the form of a life annuity calculated at the greater of the "regular formula" or the "minimum benefit", as described in the plan document. The "regular formula" is the sum of: (1) 1.17% of past service career compensation, plus (2) 2.33% of future service career compensation, earned through 12/31/1999, divided by 12, plus (3) 2.02% of future service career compensation earned after 1999 divided by 12. The "minimum benefit" is the sum of (1) \$8.12 times months of past service, plus (2) \$25.00 times months of future service. Past service refers to the months of service before January 1, 1973. Future service refers to the months of service after 1972 and before 2011.

Since the Lay Plan operates as a multi-employer plan, the Archdiocese does not calculate separate measurements of assets, benefit obligations and expenses for the individual entities which participate in the Lay Plan and no liability is recorded in these financial statements. The Plan is not subject to ERISA and is not required to file a Form 5500, therefore certain Plan information is not required to be made available publicly. Accordingly, disclosures about the funding improvement plan, surcharge, minimum contributions, zone status and employer identification number (EIN) are not applicable.

The risks of a multi-employer plan differ from those of a single-employer plan. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, then the unfunded obligations of the plan may be borne by the remaining participating employers, and specifically the Pastoral Center. If a participating employer ceases or substantially reduces its operation, a full or partial withdrawal liability is incurred by the employer to the Lay Plan. If a participating employer stops contributing to the Lay Plan or does not pay its withdrawal liability, then these unfunded obligations of the plan may be borne by the remaining participating employers, to include the Pastoral Center.

NOTE 11 LAY EMPLOYEES DEFINED BENEFIT PENSION PLAN (CONTINUED)

The following information is based on the financial statement of the Plan as of January 1:

	2023	2022
Total plan assets	$ 358,877,250	$ 458,518,564
Actuarial present value of accumulated plan benefits	439,777,136	447,322,644
Total contributions received by plan	4,537,117	4,761,787
Indicated level of funding	82%	103%

NOTE 12 MULTI-EMPLOYER DEFINED CONTRIBUTION RETIREMENT PLAN

The Pastoral Center participates in a defined contribution retirement plan (the 401(k) Plan) covering all eligible employees. The Archdiocese and participating entities made a contribution to the 401(k) Plan on a quarterly basis equal to 4% of all eligible participants' compensation. Contributions made by the Pastoral Center were approximately $330,316 and $314,465 for June 30, 2023 and 2022, respectively.

NOTE 13 PRIESTS RETIREMENT PLANS

The Pastoral Center, along with certain other related institutions and entities, participates in a non-contributory, non-qualified, multi-employer pension plan and a non-contributory, non-qualified, multi-employer health and welfare plan, primarily for post-retirement benefits, (collectively the Priests Plans) covering substantially all Archdiocesan Priests.

Effective January 1, 2016, the Priests Plans were amended. Under the new plans, any Priest incardinated after January 1, 2016 are not eligible to accrue benefits in the Priests Plans. Instead, newly incardinated Priests are entered into the multi-employer defined contribution retirement plan (see Note 12).

Pension benefits include: (1) the monthly salary for active priests (frozen at the time of retirement), (2) $16.75 per month ($15.00 per month if retired before July 1, 2011) for each year since ordination, with this piece frozen at the later of retirement or June 30, 2011, and (3) payment for Medicare Part B premium. Health, medical and other benefits include: (1) payment of health insurance premiums, and (2) lodging and other living expenses. Effective December 2022, all priests who retired prior to July 1, 2023 receive a 3% increase in pension benefits, with the exception of the Medicare Part B premium.

Since the Priests Plans operate as multi-employer plans, the Archdiocese does not calculate separate measurements of assets, benefit obligations and expenses for the individual entities which participate in the Priests Plans and no liability is recorded in these financial statements. The Priests Plans are not subject to ERISA and are not required to file a Form 5500, therefore certain Plan information is not required to be made available publicly. Accordingly, disclosures about the funding improvement plan, surcharge, minimum contributions, zone status and employer identification number (EIN) are not applicable.

NOTE 13 PRIESTS RETIREMENT PLANS (CONTINUED)

The risks of a multi-employer plan differ from those of a single-employer plan. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, then the unfunded obligations of the plan may be borne by the remaining participating employers, and specifically the Pastoral Center. The Priests Plans are administered by the Archbishop and as such can be modified or terminated by the Archbishop.

Through the financial statement date, the Priests Plans have been funded by investment income on assets held by the Priests Retirement Corporation (PRC), allocations from the Catholic Ministries Appeal, contributions and bequests, transfers from other unrestricted funds of the Archdiocese, and assessments from other participating institutions. The Pastoral Center contributed $64,125 and $117,375 to the Priests Plan during June 30, 2023 and 2022, respectively. Based on information as of June 30, 2023 and 2022, the Pastoral Center's contributions represent less than 5% of total contributions received by the Plan.

NOTE 14 CONTINGENCIES

In the ordinary course of business, the Archdiocese is involved in various matters of litigation. Many of these matters are covered by insurance. These matters are addressed through traditional legal efforts and are vigorously contested or settled. Management is of the opinion that the ultimate disposition of these matters will not have a material adverse effect on the overall financial position or liquidity of the Archdiocese.

The Archdiocese owns eleven high schools and certain other educational and non-educational entities. This ownership is distinguished from its relationship as trustee of the parishes within the Archdiocese's nineteen counties. As owner, the Archdiocese could become liable for the debts of an entity in the event of insolvency. During a prior fiscal year one of the owned entities experienced a significant deterioration in its operations. It is possible, though not certain, that this entity might significantly reduce its operations or, in a worst case, cease operations entirely in the coming years. In either case, the entity would be assessed a withdrawal liability to the Lay Employees' Pension Plan. In the event the entity could not make this payment, the Archdiocese might be required to satisfy the obligation. As of June 30, 2023 and 2022, a contingent liability of $800,000 was established to reflect this liability. This is included in accounts payable and accrued expenses on the statements of financial position.

Additionally, the Archdiocese guarantees certain third-party debt of unconsolidated affiliated parishes. The guarantee terms generally range from 2 to 20 years. The Archdiocese has not recognized a liability for the fair value of the guarantees provided as of June 30, 2023 and 2022, as the Pastoral Center and the unconsolidated affiliated parishes are considered to be entities under common control of the Archbishop of Cincinnati. At June 30, 2023 and 2022, the total outstanding balances on guaranteed loans were $23,491,947 and $28,887,401 respectively.

NOTE 14 CONTINGENCIES (CONTINUED)

The Archdiocese guarantees the deposits in the Pooled Investment Trust Fund (the Trust) and assumes the risk should the underlying investment ever prove to be insufficient to satisfy the liquidating claims of the depositors. The depositors can redeem their accounts in whole or in part at any time and are entitled to their deposit balance, unaffected by any gains or losses in the securities in the Fund. The Archdiocese manages the investment risks in the Trust by limiting purchases to only investment grade bonds and maintaining a laddered maturity portfolio with an intermediate duration. Also, the Archdiocese maintains a Pooled Fund Reserve Account that is invested in an equity fund tied to the S&P 500. This account could be used as a source of funds to meet liquidations, together with other Archdiocesan assets. In addition, a portion of the interest income from the underlying Trust is retained by the Archdiocese and added to the Pooled Fund Reserve Account. It is the current policy of the Archdiocese to retain and contribute five basis points of the yield on the underlying Trust to the Pooled Fund Reserve Account.

As of June 30, 2023 and 2022, the market value of the underlying investments in the Pooled Investment Trust Fund was in excess (deficit) of the depositor claims by ($17,696,530) and ($13,272,324), respectively. The market value of the Pooled Fund Reserve Account as of June 30, 2023 and 2022 was approximately $17,373,000 and $12,155,000, respectively.

NOTE 15 ENDOWMENT

The Archdiocese endowment consists of various donor-restricted and Archbishop-designated endowment funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds, including funds designated by the Archbishop to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Archdiocese follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA provides guidance on matters concerning the governance and management of donor-restricted endowment funds. Under UPMIFA, the original value of donated gifts to the donor-restricted endowment, the original value of subsequent gifts to the donor-restricted endowment, and accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument are classified as net assets with donor restrictions (a time restriction in perpetuity). The remaining portion of the donor-restricted endowment fund that is not specified in the applicable donor gift instrument is classified as net assets with donor restrictions (a purpose or time restriction) until those amounts are appropriated for expenditure by the Archbishop.

Investment Policy

The Archdiocese articulates investment policies intended to help it achieve its objectives for various endowments. These policies are written with the advice of investment management firms and the Archdiocesan Finance Council. The assets are invested in stocks, bonds, equity funds, cash equivalents and other securities in a manner that is intended to support the objectives of donors and/or the Archbishop.

NOTE 15 ENDOWMENT (CONTINUED)

Investment Policy (Continued)

The performance of each investment management firm is measured on a quarterly basis against an appropriate benchmark or index. The Archdiocese expects the managers to achieve a total return, after deducting all professional fees that equals or exceeds the index return over three to five year periods. In addition to actual returns achieved, the Archdiocese reviews the portfolios of each manager for compliance with its ethical values policy that precludes investments in companies that operate programs or sell products that are inconsistent with Catholic beliefs.

The Archdiocese seeks to achieve diversification in its investment portfolios by limiting its investments in any one company or industry. In order to reduce credit risks the Archdiocese directs its managers away from investments in companies that do not have an investment grade rating. In managing interest rate risks the Archdiocese prefers bond portfolios with laddered maturities and durations that are appropriate to corresponding liabilities. Liquidity risks are minimal since the portfolios are almost entirely invested in public securities. Also, there is no use of complicated derivatives or leverage in its investment programs.

Spending Policy

The Archdiocese's current spending policy is to transfer all investment return into unrestricted net assets or temporarily restricted net assets if directed by the donor. Investment return on these funds accumulate until they are appropriated for expenditure to be spent in accordance each endowment gift.

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

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 964,292	$ 964,292
Archbishop-designated endowment funds	3,949,417	-	3,949,417
Total endowment funds	$ 3,949,417	$ 964,292	$ 4,913,709

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

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 953,404	$ 953,404
Archbishop-designated endowment funds	4,538,278	-	4,538,278
Total endowment funds	$ 4,538,278	$ 953,404	$ 5,491,682

NOTE 15 ENDOWMENT (CONTINUED)

The changes in endowment net assets for 2023 were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets June 30, 2022	$ 4,538,278	$ 953,404	$ 5,491,682
Contributions	4,949	2,325	7,274
Investment return	8,690	22,863	31,553
Appropriated expenditure	(602,500)	(14,300)	(616,800)
Endowment net assets June 30, 2023	$ 3,949,417	$ 964,292	$ 4,913,709

The changes in endowment net assets for 2022 were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets June 30, 2021	$ 5,256,773	$ 940,979	$ 6,197,752
Contributions	4,373	1,725	6,098
Investment return	8,478	22,549	31,027
Appropriated expenditure	(731,346)	(11,849)	(743,195)
Endowment net assets June 30, 2022	$ 4,538,278	$ 953,404	$ 5,491,682

NOTE 16 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30:

	2023	2022
Cash	$ 200	$ 200
Accounts and interest receivable, net	4,253,411	4,131,014
Contributions receivable	645,587	607,455
Notes receivable, net	1,953,368	2,148,076
Investments	316,673,042	286,192,221
Endowment spending-rate distributions and appropriations	245,685	274,584
Total financial assets	323,771,293	293,353,550
Less notes receivable due in more than one year	(1,953,368)	(2,148,076)
Less Archbishop-designated other funds	(5,340,667)	(5,355,645)
Less Archbishop-designated endowment funds	(3,949,417)	(4,538,278)
Less net assets with donor restrictions	(7,677,273)	(8,627,789)
Total financial assets available for general expenditure within one year	$ 304,850,568	$ 272,683,762

The Archdiocese primarily receives its funding from investment return, insurance billings for health care, property, and liability insurance, assessments paid by parishes and schools, Catholic Ministries Appeal, contributions and bequests. As part of the Archdiocese's liquidity management practices, financial assets are structured to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Archdiocese invests cash in excess of daily requirements in short-term investments.

ACCOMPANYING INFORMATION

Schedule 1

PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI

Detail of Chancery Expenses
Years Ended June 30, 2023 and 2022

	2023	2022
Community services:		
Catholic Charities	$ 1,345,000	$ 972,000
Social Action	351,431	403,453
Hispanic Ministry - Su Casa	180,696	180,696
Assistance to the Poor	15,813	20,000
Other Community Related Programs	53,305	100,138
Total community services	1,946,245	1,676,287
Educational services:		
Cincinnati Inner City Schools	84,000	111,024
Secondary Education Assistance	11,550	9,099
Education Assistance - Catholic Education Foundation	3,018,421	1,977,598
Catholic Schools Office	4,120,227	3,735,823
Other Education Related Programs	-	100,346
St. Rita School for the Deaf	250,000	250,000
Total educational services	7,484,198	6,183,890
Executive services:		
Tribunal	577,110	574,208
Vocations	3,586,500	2,503,210
Archives and Chancery Office	340,300	460,191
Permanent Diaconate	237,327	224,447
Communications	653,809	591,833
Office of Safe Environment	201,921	178,538
Other	86,244	95,439
Total executive services	5,683,211	4,627,866
Financial services:		
Professional Fees	168,996	264,736
Finance Office	1,510,703	1,272,808
Computer Operation	192,544	245,340
Central Services	350,903	350,988
Contingencies	10,441	6,903
Total financial services	2,233,587	2,140,775
Human Resources	622,646	590,383
Stewardship services	1,887,251	1,764,405

(Continued)

Schedule 1

PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI

Detail of Chancery Expenses
Years Ended June 30, 2023 and 2022
(Continued)

	2023	2022
Pastoral services:		
Infirm and Retired Priests	$ 906,400	$ 690,990
Campus Ministry	873,274	813,701
Evangelization and Catechesis	868,492	807,247
Youth Ministry	606,100	597,969
Chaplain Salaries	639,632	696,871
Family Life	816,806	819,888
Hispanic Ministry	246,277	440,164
Priests' Personnel	122,936	99,285
Priestly Formation	290,509	393,464
Department Director	819,231	699,976
Worship	225,685	304,263
African American Ministries	104,314	89,292
Other	26,024	138,930
Total pastoral services	6,545,680	6,592,040
General and administrative:		
Depreciation	1,210,885	1,166,020
Cathedral of St. Peter in Chains	58	(4,927)
Provision for doubtful receivables	89,983	1,082,174
Office of Archbishop Schnurr	1,513,543	471,965
United States Catholic Conference of Bishops	176,072	175,983
Catholic Conference of Ohio	152,931	147,647
Office of Bishop Binzer	-	5,074
Gift Annuity PV adjustment	49,494	43,426
Other	836,559	823,050
Total general and administrative	4,029,525	3,910,412
Interest on notes payable	2,483,129	1,956,068
Administrative building operations	204,581	172,902
Total Chancery	$ 33,120,053	$ 29,615,028

See independent auditors' report

Schedule 2

PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI

Schedule of Designated Collections
Year Ended June 30, 2023

	Amounts due to outside agencies, beginning of year	Total Collections	Allocated to programs within the Archdiocese	Transmitted to agencies outside the Archdiocese	Amounts due to outside agencies, end of year
Ash Wednesday – Eastern Europ	$ 24,037	$ 242,052	$ -	$ 43,709	$ 222,380
Rice Bowl	8,275	7,598	944	13,048	1,881
Human Development	2,676	259,907	68,875	183,308	10,400
Mission Sunday	-	302,476	201,765	100,711	-
Holy Father	54,612	230,674	14,491	191,157	79,638
Commissariat of the Holy Land	194,725	189,920	3,798	207,092	173,755
Bishops' Relief	242,836	294,532	5,891	269,987	261,490
Religious Retirement	71,726	642,062	81,833	614,541	17,414
Respect Life	-	268,081	266,878	1,203	-
Disaster Relief	7,493	665,084	39,166	568,903	64,508
Military	407	191,443	3,840	171,944	16,066
	$ 606,787	$ 3,293,829	$ 687,481	$ 2,365,603	$ 847,532

Designated collections total $1,349,605 as of June 30, 2023, including $502,073 owed to agencies within the Archdiocese.

See independent auditors’ report

Schedule 3

PASTORAL CENTER OF THE ARCHDIOCESE OF CINCINNATI

Schedule of Catholic Ministries Appeal
Contributions and Distributions

2022 Catholic Ministries Appeal:	
Contributions (net of direct expenses of $728,632)	$ 5,400,196
Distributions:	
Athenaeum of Ohio (Seminary)	$ 1,047,405
Catholic Charities	977,578
Archdiocesan Priests' Retirement Fund	884,475
Campus Ministry	488,789
Chaplains Services	442,237
Sharing Our Faith	325,859
St. Rita School for the Deaf	279,308
Seminarian Scholarships	100,000
Vocations and Permanent Diaconate	86,443
Rebates to Parishes	768,102
	$ 5,400,196
2023 Catholic Ministries Appeal:	
Gross pledges made through June 30, 2023	$ 6,175,348

Note: The Catholic Ministries Appeal operates on a fiscal year that begins January 1 and ends the following December 31. The schedule above summarizes cash receipts and distributions for the 2022 appeal, which ended December 31, 2022. The schedule also indicates the status of the 2023 appeal, which began January 1, 2023.

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