

**ARCHDIOCESE OF LOUISVILLE  
(Chancery and Certain Entities)  
Louisville, Kentucky**

**REPORT ON AUDIT OF COMBINED  
FINANCIAL STATEMENTS**

**for the years ended  
June 30, 2012 and 2011**

## C O N T E N T S

Independent Auditors' Report	1
Financial Statements:	
Combined Statements of Financial Position	2
Combined Statements of Activities	3
Combined Statements of Cash Flows	4 and 5
Notes to Combined Financial Statements	6 - 23
Supplementary Information:	
Independent Auditors' Report on Supplementary Information	24
Combining Statements of Financial Position	25 - 28
Combining Statements of Activities	29 - 32



702 North Shore Drive, Suite 500  
Jeffersonville, IN 47130

812.288.6621 PHONE  
812.288.2885 FAX

[mnccpa.com](http://mnccpa.com)

MEMBER PKF North America | PKF International Limited | AICPA PCPS Division  
Indiana CPA Society | Kentucky Society of CPAs

## INDEPENDENT AUDITORS' REPORT

To Archbishop Joseph E. Kurtz, D.D.  
and Finance Council  
Archdiocese of Louisville  
Louisville, Kentucky

We have audited the accompanying combined statements of financial position of the Archdiocese of Louisville (Chancery and Certain Entities) (the "Archdiocese") as of June 30, 2012 and 2011, and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of the Archdiocese's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Archdiocese of Louisville (Chancery and Certain Entities) as of June 30, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*McCauley, Nicolas & Company, LLC*

McCauley, Nicolas & Company, LLC  
Certified Public Accountants

Jeffersonville, Indiana  
September 21, 2012

**ARCHDIOCESE OF LOUISVILLE**  
**(Chancery and Certain Entities)**

COMBINED STATEMENTS OF FINANCIAL POSITION  
for the years ended June 30, 2012 and 2011

<u>ASSETS</u>	2012	2011
<b>ASSETS</b>		
Cash and cash equivalents	\$ 13,213,485	\$ 9,481,295
Investments (Notes 2, 3 and 10)	81,015,560	81,455,144
Accrued interest receivable on investments (Note 3)	130,105	125,427
Accounts receivable, net (Notes 4 and 14)	1,574,708	1,874,841
Pledge receivables, net (Note 2 and 5)	11,000,256	19,440,486
Grants and other receivables (Note 6)	1,239,908	926,731
Prepaid expenses	196,456	174,648
Inventories	31,242	31,515
Notes receivable - parishes and other related parties, net (Notes 7 and 14)	18,171,207	18,155,347
Accrued interest receivable on notes receivable	668,719	668,263
Beneficial interest in third-party trusts (Notes 2, 8 and 19)	1,284,994	1,356,358
Cemetery lot development costs	3,748,621	3,153,530
Mausoleums, columbariums, and lots	974,269	1,011,140
Property and equipment, net (Note 9)	4,043,056	4,021,629
	<b>\$ 137,292,586</b>	<b>\$ 141,876,354</b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 2,162,381	\$ 1,989,192
Pledges payable, net (Note 5)	7,347,276	12,323,422
Grants payable	966	2,866
Collections payable	206,953	180,521
Deferred revenue	699,597	717,219
Notes payable (Note 12)	2,042,269	33,064
Notes payable - parishes and other related parties (Notes 7 and 14)	49,579,917	48,688,858
	<b>62,039,359</b>	<b>63,935,142</b>
 <b>TOTAL LIABILITIES</b>		
<b>NET ASSETS</b>		
Unrestricted net assets		
Invested in property and equipment	4,000,787	3,988,565
Expendable net assets	41,977,537	45,826,260
Archbishop designated (Note 18)	12,122,029	11,198,963
Regulatory restricted - perpetual care endowment (Note 10 and 17)	4,332,945	4,087,678
	<b>62,433,298</b>	<b>65,101,466</b>
Total Unrestricted Net Assets		
	62,433,298	65,101,466
Temporarily restricted (Note 10 and 19)	9,735,155	9,748,835
Permanently restricted (Note 10 and 19)	3,084,774	3,090,911
	<b>75,253,227</b>	<b>77,941,212</b>
<b>TOTAL NET ASSETS</b>		
	<b>75,253,227</b>	<b>77,941,212</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 137,292,586</b>	<b>\$ 141,876,354</b>

See notes to combined financial statements.

ARCHDIOCESE OF LOUISVILLE  
(Chancery and Certain Entities)

COMBINED STATEMENTS OF ACTIVITIES  
for the years ended June 30, 2012 and 2011

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE, SUPPORT, AND GAINS</b>								
Donations, bequests, and grants (Notes 18 and 19)	\$ 12,559,508	\$ 750,280	\$ 10,000	\$ 13,319,788	\$ 11,422,047	\$ 1,362,789	\$ 13,940	\$ 12,798,776
Parish assessments (Notes 14 and 15)	8,219,665	-	-	8,219,665	8,455,017	-	-	8,455,017
Special collections	452,854	-	-	452,854	483,106	-	-	483,106
Bunial sales	1,824,584	-	-	1,824,584	2,044,336	-	-	2,044,336
Catholic Services Appeal	2,148,660	-	-	2,148,660	2,001,568	-	-	2,001,568
Fee income	2,042,355	-	-	2,042,355	1,916,664	-	-	1,916,664
Program and activity income	451,690	-	-	451,690	240,951	-	-	240,951
Rental income	173,319	-	-	173,319	146,743	-	-	146,743
Advertising income	615,808	-	-	615,808	640,729	-	-	640,729
Investment income, net	2,028,777	-	-	2,028,777	2,209,334	-	-	2,209,334
Interfund interest	(41,772)	41,772	-	-	(64,553)	64,553	-	-
Other income	190,836	-	-	190,836	745,257	-	-	745,257
Realized gain on sale of investments	450,260	-	-	450,260	2,254,603	-	-	2,254,603
Unrealized gain in market value of investments	-	-	-	-	10,889,483	-	-	10,889,483
Increase (decrease) in value of split interest agreements (Note 19)	-	(55,227)	(16,137)	(71,364)	-	118,037	58,424	176,461
Net assets released from restrictions	750,505	(750,505)	-	-	7,537,754	(7,537,754)	-	-
<b>TOTAL REVENUES, SUPPORT, AND GAINS</b>	<b>31,867,049</b>	<b>(13,680)</b>	<b>(6,137)</b>	<b>31,847,232</b>	<b>50,923,039</b>	<b>(5,992,375)</b>	<b>72,364</b>	<b>45,003,028</b>
<b>EXPENSES AND LOSSES</b>								
Salary expense	8,418,104	-	-	8,418,104	8,598,317	-	-	8,598,317
Payroll added expense	2,294,392	-	-	2,294,392	2,283,928	-	-	2,283,928
Clergy retirement benefits (Note 15)	1,720,690	-	-	1,720,690	1,651,724	-	-	1,651,724
Mileage and expense allowance	732,140	-	-	732,140	764,254	-	-	764,254
Education expense	666,662	-	-	666,662	660,297	-	-	660,297
Rent expense (Note 13)	93,716	-	-	93,716	148,306	-	-	148,306
Office supplies and services	1,045,156	-	-	1,045,156	1,105,379	-	-	1,105,379
Plant and grounds expense	805,281	-	-	805,281	884,306	-	-	884,306
Auto expense	96,437	-	-	96,437	87,147	-	-	87,147
Public relations, donations, and grants	76,124	-	-	76,124	121,827	-	-	121,827
Advertising expense	175,520	-	-	175,520	163,827	-	-	163,827
Professional fees and services (Note 5)	604,638	-	-	604,638	569,369	-	-	569,369
Program and activity expense	858,605	-	-	858,605	668,094	-	-	668,094
Broadcasting/press expense	554,036	-	-	554,036	569,457	-	-	569,457
Archdiocesan support	312,065	-	-	312,065	316,024	-	-	316,024
Education grants	961,793	-	-	961,793	782,828	-	-	782,828
Cost of sales	275,799	-	-	275,799	282,000	-	-	282,000
Papal and national organizations	151,093	-	-	151,093	134,217	-	-	134,217
Other grants and direct aid (Note 14)	10,459,347	-	-	10,459,347	8,565,295	-	-	8,565,295
Other restricted expense payments	60,497	-	-	60,497	1,282,754	-	-	1,282,754
Interest expense	355,851	-	-	355,851	258,676	-	-	258,676
Depreciation expense (Note 9)	402,171	-	-	402,171	387,745	-	-	387,745
Unrealized loss in market value of investments	2,661,426	-	-	2,661,426	-	-	-	-
Bad debt expense	394,296	-	-	394,296	-	-	-	-
Miscellaneous expense	359,378	-	-	359,378	247,940	-	-	247,940
<b>TOTAL EXPENSES AND LOSSES</b>	<b>34,535,217</b>	<b>-</b>	<b>-</b>	<b>34,535,217</b>	<b>30,533,711</b>	<b>-</b>	<b>-</b>	<b>30,533,711</b>
<b>CHANGE IN NET ASSETS</b>	<b>(2,668,168)</b>	<b>(13,680)</b>	<b>(6,137)</b>	<b>(2,687,985)</b>	<b>20,389,328</b>	<b>(5,992,375)</b>	<b>72,364</b>	<b>14,469,317</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>65,101,466</b>	<b>9,748,835</b>	<b>3,090,911</b>	<b>77,941,212</b>	<b>44,712,138</b>	<b>15,741,210</b>	<b>3,018,547</b>	<b>63,471,895</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 62,433,298</b>	<b>\$ 9,735,155</b>	<b>\$ 3,084,774</b>	<b>\$ 75,253,227</b>	<b>\$ 65,101,466</b>	<b>\$ 9,748,835</b>	<b>\$ 3,090,911</b>	<b>\$ 77,941,212</b>

See notes to combined financial statements.

**ARCHDIOCESE OF LOUISVILLE**  
**(Chancery and Certain Entities)**

COMBINED STATEMENTS OF CASH FLOWS  
for the years ended June 30, 2012 and 2011

	2012	2011
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Cash received from contributions and grants	\$ 21,576,308	\$ 24,215,996
Cash received for services	5,848,149	9,642,162
Cash received from parish assessments	8,334,769	8,560,617
Interest and dividends received	2,232,065	2,256,392
Cash paid to suppliers, employees, and others	(24,644,352)	(24,919,402)
Grants and direct aid paid	(9,201,548)	(12,483,044)
Interest paid	(412,121)	(273,049)
	<b>3,733,270</b>	<b>6,999,672</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(444,123)	(767,258)
Purchases of investments	(20,744,268)	(46,215,272)
Proceeds from sale of investments	19,041,128	38,462,914
Advances to and repayments on loans to parishes and others, net	(3,370,654)	(3,971,745)
	<b>(5,517,917)</b>	<b>(12,491,361)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of long-term debt	2,016,300	35,926
Principal payments on notes payable	(7,094)	(2,862)
Payments on capital lease obligations	-	(24,904)
Deposits from parishes and others, net	3,507,631	10,667,186
	<b>5,516,837</b>	<b>10,675,346</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>3,732,190</b>	<b>5,183,657</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>9,481,295</b>	<b>4,297,638</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 13,213,485</b>	<b>\$ 9,481,295</b>

See notes to combined financial statements.

**ARCHDIOCESE OF LOUISVILLE**  
**(Chancery and Certain Entities)**

COMBINED STATEMENTS OF CASH FLOWS—Continued  
for the years ended June 30, 2012 and 2011

	2012	2011
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO</b>		
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ (2,687,985)	\$ 14,469,317
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	402,171	387,745
Loss on disposal of assets	20,620	90,079
Change in allowance for accounts and pledges receivable, net	368,200	(181,072)
Forgiveness of notes receivable	718,661	94,827
(Increase)/Decrease in beneficial interest in third-party trusts	71,364	(185,166)
Unrealized (gain)/loss in market value of investments	2,661,426	(10,889,483)
Realized investment gain	(450,260)	(2,254,603)
Provisions for doubtful accounts and discounts on notes receivable	(48,977)	(6,138)
Other Changes:		
(Increase) decrease in:		
Accrued interest receivable on investments	(4,678)	21,480
Accounts receivable	385,051	763,993
Pledges receivable	8,072,030	9,581,882
Grants and other receivables, net	(313,177)	109,848
Prepaid expenses	(21,808)	(30,805)
Inventories	273	845
Accrued interest receivable on notes receivable	(456)	8,572
Cemetery lot development costs	(595,091)	(194,074)
Mausoleums, columbariums, and lots	36,871	(9,424)
Increase (decrease) in:		
Accounts payable and accrued expenses	88,271	(449,542)
Pledges payable	(4,976,146)	(4,493,812)
Grants payable	(1,900)	(10,700)
Collections payable	26,432	(23,546)
Deferred revenue	(17,622)	199,449
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 3,733,270</b>	<b>\$ 6,999,672</b>

See notes to combined financial statements.

**ARCHDIOCESE OF LOUISVILLE**  
**(Chancery and Certain Entities)**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of the Archdiocese of Louisville (Chancery and Certain Entities) (the Archdiocese) is presented to assist in understanding the Archdiocese's financial statements. The financial statements and notes are representations of the Archdiocese's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements. The more significant accounting policies of the Archdiocese are as follows:

Nature of Organization

The Archdiocese is a religious organization affiliated with the Roman Catholic Church. The Chancery provides support for the administration of pastoral, vocational, educational, and other services to the parish communities of central Kentucky. The Chancery derives its revenue mainly from donations, parish assessments, Catholic Services Appeal, and investment returns. The Chancery also provides financing and investing services to various parishes and other organizations through the Deposit and Loan Fund. Catholic Cemeteries administers four of the cemeteries in the Archdiocese of Louisville. Catholic Charities of Louisville, Inc. (Catholic Charities) administers the migration and refugee program, among other social service activities. Catholic Bicentennial Initiatives Fund, Inc. administers the Seminarian Education, Priest Retirement, Parish Assistance, and Legacy Fund initiatives as part of the Building a Future of Hope capital campaign.

Principles of Combination

The combined financial statements include the accounts of the Archdiocese of Louisville and Certain Entities which are under common control. Such entities are collectively referred to as the Archdiocese in the financial statements and related notes and include the Chancery (with its Deposit and Loan Fund), Catholic Cemeteries, Catholic Charities, and Catholic Bicentennial Initiatives Fund, Inc. All significant transactions among the entities included in the combined financial statements have been eliminated.

The combined financial statements do not include the parishes, elementary schools, four Archdiocesan sponsored secondary schools, and Catholic institutions owned and operated by religious communities.

General Accounting Principles

The combined statements are presented on the accrual method of accounting. Under this accounting method, revenues are recognized when they are both measurable and earned, and expenses are recognized in the accounting period in which the liabilities are incurred.

The Archdiocese distinguishes between contributions received for each net asset category in accordance with donor imposed restrictions, if any. The Archdiocese classifies resources for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories is on the following page.

**ARCHDIOCESE OF LOUISVILLE**  
**(Chancery and Certain Entities)**

NOTES TO COMBINED FINANCIAL STATEMENTS—Continued

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

General Accounting Principles—Continued

***Unrestricted Net Assets*** include the following:

Invested in Property and Equipment: These net assets represent cumulative resources expended for property and equipment, less accumulated depreciation recorded on the property and equipment and net of related debt.

Expendable Net Assets: These net assets represent the portion of expendable funds available for support in the operation of the Archdiocese.

Archbishop Designated: These net assets represent unrestricted funds designated for specific purposes by the Archbishop. Although the Archbishop could release or revise the designations in the future, to the extent not externally restricted, there is no intent to do so.

Regulatory Restricted – Perpetual Care Endowment: See Note 17.

***Temporarily Restricted Net Assets*** include gifts for which donor imposed restrictions are to be met.

***Permanently Restricted Net Assets*** include amounts for which the donor has stipulated that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

The Archdiocese reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. The Archdiocese treats restricted gifts whose restrictions are met in the same reporting period as unrestricted.

The Archdiocese reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Archdiocese reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**ARCHDIOCESE OF LOUISVILLE**  
**(Chancery and Certain Entities)**

NOTES TO COMBINED FINANCIAL STATEMENTS—Continued

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

Use of 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 the reported amounts of assets and liabilities (and disclosure of contingent assets and liabilities, if any) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents primarily include highly liquid investment securities with maturities of three months or less at the time of purchase.

The Archdiocese maintains its cash balances in bank deposit accounts which, at times, may exceed the \$250,000 coverage provided by the Federal Deposit Insurance Corporation (“FDIC”). The Archdiocese has not experienced any losses in such accounts. Management believes the Archdiocese is not exposed to any significant risk on bank deposits.

Investments

The Archdiocese invests in fixed income securities, including government and corporate bonds, and in publicly traded stocks, mutual funds and a limited partnership. These investment securities are subject to the risks common to financial markets, including interest rate risks, credit risks, and overall market risks, all of which could affect the value of the investments in the future.

Investments are carried at fair value, generally determined by quoted market prices. Receipt of donated investments is recorded at the quoted market value of the investment at the time of donation. The investment in the limited partnership is valued at the amount of the Archdiocese’s capital account in the partnership.

Net appreciation/depreciation on endowed fund investments, whose income is unrestricted as to use, is reported as unrestricted net assets unless such net appreciation/depreciation have been permanently restricted by the donor or by law. In cases where the donor has placed temporary restrictions on the use of the income from endowed gifts, net appreciation/depreciation are reported as part of temporarily restricted net assets until the restriction has been met.

Investment income in the combined statements of activities is net of investment expenses of approximately \$261,000 in 2012 and \$278,000 in 2011.

Inventories

Inventories are carried at the lower of cost (first-in, first-out) or market and consist of monuments and supplies for Catholic Cemeteries.

**ARCHDIOCESE OF LOUISVILLE**  
**(Chancery and Certain Entities)**

NOTES TO COMBINED FINANCIAL STATEMENTS—Continued

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

Cemetery Lot Development Costs

Lot development costs represent actual cost incurred in development of mausoleums, columbariums, and gravesites which are in the process of being completed for sale to the general public.

Mausoleums, Columbariums, and Lots

Mausoleums, columbariums, and lots represent completed burial sites available for sale to the general public. As burial sites are sold, an allocated portion of the actual costs are expensed through cost of sales.

Property and Equipment

Donated property and equipment are recorded at their estimated fair values at the time of donation. Purchased property and equipment are recorded at acquisition cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	10 – 30 years
Buildings and improvements	20 – 40 years
Furniture and equipment	3 – 20 years

Collections Payable

Collections payable represent special collections conducted by parishes throughout the Archdiocese to meet particular pastoral needs. The Archdiocese remits these collections to local and national charitable organizations on behalf of the parishes.

Deferred Revenue

Deferred revenue consists mainly of prepaid interments and lot maintenance fees. Revenues are reported in the fiscal year in which they are earned.

Donated Goods and Services

Donated materials and equipment are shown as gifts, valued at their estimated value at the date of receipt. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Archdiocese. A large number of volunteers have given significant amounts of their time for the operation of the Archdiocese throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

**ARCHDIOCESE OF LOUISVILLE**  
**(Chancery and Certain Entities)**

NOTES TO COMBINED FINANCIAL STATEMENTS—Continued

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

Income Taxes

The Archdiocese qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for federal or state income taxes has been recorded.

The FASB issued guidance on accounting for uncertainty in income taxes. Management has evaluated the Archdiocese's filing requirement and concluded that there were no uncertain tax positions that required adjustment to the financial statements to comply with the provisions of this guidance. The Entities are no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2008.

Advertising

Expenses related to advertising and promotions are expensed as incurred. Advertising costs were \$175,520 and \$163,827 for the years ended June 30, 2012 and 2011, respectively.

Subsequent Events

In preparing these financial statements, the Archdiocese has evaluated events and transactions for potential recognition or disclosure through September 21, 2012, the date the combined financial statements were available to be issued.

Reclassifications

Certain amounts in the 2011 financial statements have been reclassified to conform to the 2012 presentation.

**NOTE 2—FAIR VALUE MEASUREMENTS**

The financial statements reflect the accounting standard related to fair value measurements, which provides a comprehensive framework for measuring fair value and expands required disclosures concerning fair value measurements. Specifically, the standard sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs.

The standard defines levels with the hierarchy of inputs as follows:

- Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 – Quoted prices for similar assets and liabilities in active markets (other than those included in Level 1) which are observable for the asset or liability, either directly or indirectly.
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

**ARCHDIOCESE OF LOUISVILLE**  
**(Chancery and Certain Entities)**

NOTES TO FINANCIAL STATEMENTS—Continued

**NOTE 2—FAIR VALUE MEASUREMENTS—Continued**

Fair values of financial assets measured on a recurring basis at June 30, 2012 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments (Note 3)	\$ 81,015,560	\$ 73,516,689	\$ 7,498,871	\$ -
Beneficial interest in third-party trusts (Note 8)	<u>1,284,994</u>	<u>-</u>	<u>-</u>	<u>1,284,994</u>
	<u>\$ 82,300,554</u>	<u>\$ 73,516,689</u>	<u>\$ 7,498,871</u>	<u>\$ 1,284,994</u>

Fair values of financial assets measured on a recurring basis at June 30, 2011 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments (Note 3)	\$ 81,455,144	\$ 73,655,457	\$ 7,799,687	\$ -
Beneficial interest in third-party trusts (Note 8)	<u>1,356,358</u>	<u>-</u>	<u>-</u>	<u>1,356,358</u>
	<u>\$ 82,811,502</u>	<u>\$ 73,655,457</u>	<u>\$ 7,799,687</u>	<u>\$ 1,356,358</u>

At June 30, 2012, included above under Level 3 is the beneficial interest in a third-party trust. Changes in the fair value of the Archdiocese's Level 3 beneficial interest in third-party trust during the years ended June 30, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Beginning balance	\$ 1,356,358	\$ 1,171,192
Change in fair value	(45,003)	200,678
Distributions	<u>(26,361)</u>	<u>(15,512)</u>
Ending balance	<u>\$ 1,284,994</u>	<u>\$ 1,356,358</u>

Fair values of financial assets measured on a non-recurring basis at June 30, 2012 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pledges receivable (Note 5)	<u>\$ 11,000,256</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$11,000,256</u>

Fair values of financial assets measured on a non-recurring basis at June 30, 2011 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pledges receivable (Note 5)	<u>\$ 19,440,486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$19,440,486</u>

**ARCHDIOCESE OF LOUISVILLE**  
**(Chancery and Certain Entities)**

NOTES TO FINANCIAL STATEMENTS—Continued

**NOTE 3—INVESTMENTS**

Investments at June 30 consisted of the following:

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash and cash equivalents	\$ 1,170,407	\$ 1,170,407	\$ 1,211,216	\$ 1,211,216
Common stocks	45,999,241	46,685,075	44,720,187	48,176,108
Government backed securities	5,026,486	5,154,382	3,554,192	3,666,873
Corporate bonds and other	20,177,993	20,506,825	20,658,174	20,601,260
Investment in limited partnership	<u>7,350,427</u>	<u>7,498,871</u>	<u>7,350,427</u>	<u>7,799,687</u>
Total	<u>\$ 79,724,554</u>	<u>\$ 81,015,560</u>	<u>\$ 77,494,196</u>	<u>\$ 81,455,144</u>

Accrued interest earned from the above investments was \$130,105 and \$125,427 as of June 30, 2012 and 2011, respectively.

**NOTE 4—ACCOUNTS RECEIVABLE**

The Archdiocese provides an allowance for doubtful accounts based upon the anticipated collectability of each specific account. In evaluating the collectability of the accounts receivable, the Archdiocese considers a number of factors, including the age of accounts, changes in collection patterns, and economic conditions. Actual collections of accounts receivable in subsequent periods may require changes in the estimated provision. Changes in the estimate are charged or credited to the results of the operations in the period of change. The Archdiocese does not charge interest on past due accounts.

A summary of the accounts receivable at June 30 is as follows:

	<u>2012</u>	<u>2011</u>
Accounts receivable	\$ 3,631,838	\$ 3,714,375
Less allowance for doubtful accounts	<u>(2,057,130)</u>	<u>(1,839,534)</u>
Balance at end of year	<u>\$ 1,574,708</u>	<u>\$ 1,874,841</u>

**ARCHDIOCESE OF LOUISVILLE**  
**(Chancery and Certain Entities)**

NOTES TO COMBINED FINANCIAL STATEMENTS—Continued

**NOTE 5—PLEDGES RECEIVABLE/PLEDGES PAYABLE**

The Building a Future of Hope capital campaign continues to be conducted by the Archdiocese of Louisville to address both parish and archdiocesan needs. It is a capital share campaign with parishes that commenced in the fall of 2008. The primary purpose was to deepen the spiritual lives of parishes and parishioners through an enhanced prayer and stewardship effort. At least 50% of all funds raised stay with the parishes and this amount is included in pledges payable. Archdiocesan initiatives supported by the Campaign include Seminarian Education, Priest Retirement, Parish Assistance, Multicultural Ministries, Tuition Assistance, Legacy Fund, and the Catholic Services Appeal. An additional component of the Campaign includes an initiative to assist with professional consulting and administrative costs.

Unconditional promises to give at June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Pledges receivable (Building a Future of Hope capital campaign):		
Receivable in less than one year	\$ 4,606,540	\$ 7,404,234
Receivable in one to five years	<u>7,504,543</u>	<u>13,441,020</u>
Total pledges receivable	12,111,083	20,845,254
Less discount for present value	(265,147)	(570,158)
Less allowance for uncollectible pledges receivable	<u>(845,680)</u>	<u>(834,610)</u>
Net pledges receivable	<u>\$ 11,000,256</u>	<u>\$ 19,440,486</u>

The following is a schedule of the estimated collection period of pledges receivable for the capital campaign:

<u>Year Ending June 30</u>	<u>Amount</u>
2013	\$ 4,606,540
2014	3,928,360
2015	<u>2,465,356</u>
Total	<u>\$ 11,000,256</u>

Pledges receivable in more than one year are discounted at 3%.

**ARCHDIOCESE OF LOUISVILLE**  
**(Chancery and Certain Entities)**

NOTES TO FINANCIAL STATEMENTS—Continued

**NOTE 5—PLEDGES RECEIVABLE/PLEDGES PAYABLE—Continued**

Pledges payable to parishes at June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Pledges payable to parishes (Building a Future of Hope capital campaign):		
Payable in less than one year	\$ 3,085,191	\$ 4,693,513
Payable in one to five years	<u>5,006,052</u>	<u>8,520,206</u>
Total pledges payable	8,091,243	13,213,719
Less discount for present value	(177,581)	(361,348)
Less allowance for uncollected pledge receivables not remitted to parish	<u>(566,386)</u>	<u>(528,949)</u>
Net pledges payable	<u>\$ 7,347,276</u>	<u>\$ 12,323,422</u>

The following is a schedule of the estimated payment period of pledges payable to parishes for the capital campaign:

<u>Year Ending June 30</u>	<u>Amount</u>
2013	\$ 3,085,191
2014	2,630,986
2015	<u>1,631,099</u>
Total	<u>\$ 7,347,276</u>

Pledges payable in more than one year are discounted at 3%.

**NOTE 6—GRANTS AND OTHER RECEIVABLES**

Grants and other receivables at June 30, 2012 and 2011, totaling \$1,239,908 and \$926,731, respectively, consist primarily of billings for reimbursements of allowable expenditures in the operations of various federal grant programs operated by Catholic Charities. No allowance for uncollectible grants and other receivables has been recorded as management expects all reimbursements to be paid in full.

**ARCHDIOCESE OF LOUISVILLE**  
**(Chancery and Certain Entities)**

NOTES TO FINANCIAL STATEMENTS—Continued

**NOTE 7—DEPOSIT AND LOAN FUND**

The Archdiocese maintains a centralized financing program through its Deposit and Loan Fund. The Loan Fund consists of loans made by the Archdiocese to parishes and other organizations within the Archdiocese. Amounts due from parishes and other organizations at June 30, 2012 and 2011 were \$13,550,822 and \$15,056,064, respectively. These amounts are included in notes receivable - parishes and other related parties on the combined statements of financial position.

Interest rates on these loans range between 2.70% and 7.31% per annum for fiscal years 2012 and 2011. The maturity dates vary from on demand to seven years. The loans are collateralized by property of the parishes and other organizations.

Various parishes and other organizations within the Archdiocese remit funds to the Deposit Fund. Amounts due to parishes and other organizations, before eliminations, at June 30, 2012 and 2011 were \$51,839,407 and \$50,900,628, respectively. These amounts are included in notes payable - parishes and other related parties on the combined statements of financial position and are due on demand. Interest accrued at .50% per annum was paid on funds on deposit for fiscal year 2012 and .20% to .50% per annum for fiscal year 2011. The deposit rate is equal to the six month U.S. Treasury bill rate, and is adjusted every six months. However, in January 2011, the Archdiocese established a minimum rate which would be paid to the various parishes and other organizations of .50%.

**NOTE 8—BENEFICIAL INTEREST IN THIRD-PARTY TRUSTS**

The Archdiocese is the beneficiary of certain funds held in four trusts and administered by third-party trustees.

The Archdiocese is an income beneficiary of two irrevocable charitable trusts administered by third-party trustees. Income received from these trusts for the years ended June 30, 2012 and 2011 was \$19,623 and \$10,895, respectively. The income received from the trust is restricted for elderly service programs. The change in value of the trusts for the years ended June 30, 2012 and 2011 was a decrease of \$17,489 and an increase of \$106,768, respectively, and is included as a component of the change in temporarily and permanently restricted net assets on the combined statements of activities.

The Archdiocese is also a beneficiary of two charitable remainder uni-trusts. The total estimated net present value of future cash flows from these trusts as of June 30, 2012, assuming a 3.5% rate of return, was \$406,295. The total estimated net present value of future cash flows from these trusts at June 30, 2011, assuming a 3.5% rate of return, was \$460,170. Distributions received from these trusts for the years ended June 30, 2012 and 2011 were \$26,361 and \$15,512, respectively, and are restricted for seminarian education. The change in value of the trusts was a decrease of \$53,875 and an increase of \$78,398 for the years ended June 30, 2012 and 2011, respectively, and is included as a component in the change in temporarily restricted net assets on the combined statement of activities.

**ARCHDIOCESE OF LOUISVILLE**  
**(Chancery and Certain Entities)**

NOTES TO FINANCIAL STATEMENTS—Continued

**NOTE 8—BENEFICIAL INTEREST IN THIRD-PARTY TRUSTS—Continued**

The beneficial interest of the underlying investments held in the third-party trusts and the net present value of future cash flows from the uni-trusts at June 30 was as follows:

	2012		2011	
	Cost	Market	Cost	Market
Cash and cash equivalents	\$ 4,137	\$ 4,137	\$ 5,610	\$ 5,610
Mutual funds-corporate bonds	256,580	268,610	259,572	269,261
Mutual funds - common stock	505,971	605,952	507,654	621,317
Subtotal	<u>\$ 766,688</u>	<u>878,699</u>	<u>\$ 772,836</u>	<u>896,188</u>
Estimated value of beneficial interest in charitable remainder uni-trusts		<u>406,295</u>		<u>460,170</u>
Total		<u>\$ 1,284,994</u>		<u>\$ 1,356,358</u>

**NOTE 9—PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30, 2012 and 2011:

	2012	2011
Land and improvements	\$ 1,749,678	\$ 1,747,203
Buildings and improvements	8,322,998	8,118,229
Furniture and equipment	<u>4,323,043</u>	<u>4,322,630</u>
Subtotal	14,395,719	14,188,062
Less accumulated depreciation	<u>(10,352,663)</u>	<u>(10,166,433)</u>
Total	<u>\$ 4,043,056</u>	<u>\$ 4,021,629</u>

Total depreciation expense was \$402,171 and \$387,745 for the years ended June 30, 2012 and 2011.

**NOTE 10—ENDOWMENTS**

The Archdiocese's endowments include donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**ARCHDIOCESE OF LOUISVILLE**  
**(Chancery and Certain Entities)**

NOTES TO FINANCIAL STATEMENTS—Continued

**NOTE 10—ENDOWMENTS—Continued**

Interpretation of Relevant Law

Effective March 25, 2010, the Archbishop and Finance Committee of the Archdiocese interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) of 2006 as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Archdiocese classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Archdiocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Archdiocese and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Archdiocese
- (7) The investment policies of the Archdiocese

Return Objectives and Risk Parameters

The Archdiocese has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to a program supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Archdiocese must hold in perpetuity. Under this policy, as approved by the Archbishop and Finance Committee, the endowment assets are invested in a manner that is consistent with the Archdiocese's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Archdiocese relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Archdiocese targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**ARCHDIOCESE OF LOUISVILLE**  
**(Chancery and Certain Entities)**

NOTES TO COMBINED FINANCIAL STATEMENTS—Continued

**NOTE 10—ENDOWMENTS—Continued**

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Archdiocese has a policy of appropriating for distribution each year based upon the 6 month T bill rate. In establishing this policy, the Archdiocese considered the long-term expected return on its endowment. Accordingly, over the long term, the Archdiocese expects the current spending policy will allow its endowment to be preserved on an inflation-adjusted basis. This is consistent with the Archdiocese's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return. Actual returns in any given year may vary from this amount.

Composition by Type of Fund

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 838,894	\$ 2,670,554	\$ 3,509,448
Regulatory-restricted endowment funds	4,332,945	-	-	4,332,945
Total funds	<u>\$ 4,332,945</u>	<u>\$ 838,894</u>	<u>\$ 2,670,554</u>	<u>\$ 7,842,393</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 4,087,678	\$ 848,169	\$ 2,660,554	\$ 7,596,401
Net investment income	84,035	25,142	11,269	120,446
Contributions	245,267	-	10,000	255,267
Appropriate of endowment assets for expenditure	(84,035)	(45,686)	-	(129,721)
Transfer to temporarily restricted	-	11,269	(11,269)	-
Endowment net assets, end of year	<u>\$ 4,332,945</u>	<u>\$ 838,894</u>	<u>\$ 2,670,554</u>	<u>\$ 7,842,393</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,823,323	\$ 1,191,583	\$ 2,646,614	\$ 7,661,520
Net investment income	72,648	22,540	8,577	103,765
Contributions	264,355	-	13,940	278,295
Appropriate of endowment assets for expenditure	(72,648)	(374,531)	-	(447,179)
Transfer to temporarily restricted	-	8,577	(8,577)	-
Endowment net assets, end of year	<u>\$ 4,087,678</u>	<u>\$ 848,169</u>	<u>\$ 2,660,554</u>	<u>\$ 7,596,401</u>

**ARCHDIOCESE OF LOUISVILLE**  
**(Chancery and Certain Entities)**

NOTES TO FINANCIAL STATEMENTS—Continued

**NOTE 11—LINE OF CREDIT**

The Chancery has a \$1,000,000 secured line of credit. The line of credit bears interest at prime minus 1.50% or LIBOR plus 1.25% at the Archdiocese's option. The interest rate at June 30, 2012 and 2011 was 1.42% and 1.43%, respectively. The note is secured by investments. There were no amounts borrowed on the line at June 30, 2012 and 2011.

Catholic Charities has a \$250,000 line of credit agreement with PNC Bank. The line of credit bears interest at LIBOR plus 3% (3.170% at June 30, 2012). The note is secured by The Archdiocese of Louisville's guarantee. There were no amounts borrowed at June 30, 2012.

**NOTE 12—NOTE PAYABLE**

Long-term debt is summarized as follows:

	2012	2011
PNC Bank:		
Note payable with monthly interest only payments at daily LIBOR plus 2.50%, maturing in November 2012 with balloon payment due at that time. Secured by note receivable with a Catholic educational institution bearing same terms.	\$2,000,000	\$ -
Ford Credit:		
Note payable in monthly installments of \$757, plus interest at 9.49%, maturing in December 2015. Secured by vehicle.	26,926	33,064
Tiger Leasing:		
Note payable in monthly installments of \$383, including interest at 14.44%, maturing in January 2017. Secured by equipment.	15,343	-
	2,042,269	33,064
Less current portion	(2,009,362)	( 6,202)
Long-term debt, net of current portion	\$ 32,907	\$ 26,862

The following is a schedule of maturity requirements on long-term debt as of June 30, 2012:

2013	\$	2,009,362
2014		10,430
2015		11,627
2016		8,333
2017		2,517
Total debt	\$	2,042,269

The daily LIBOR rate at June 30, 2012 was 0.17%.

**ARCHDIOCESE OF LOUISVILLE**  
**(Chancery and Certain Entities)**

NOTES TO FINANCIAL STATEMENTS—Continued

**NOTE 13—LEASE OBLIGATIONS**

Catholic Charities is a party to two month-to-month building leases which require monthly payments of approximately \$3,800. Total rent expense for the years ended June 30, 2012 and 2011 was \$93,716 and \$148,306, respectively.

**NOTE 14—RELATED PARTY TRANSACTIONS AND GUARANTEES**

An assessment is levied on parishes and certain other Archdiocesan entities to provide support for the activities of the Archdiocese. Total assessments for the years ended June 30, 2012 and 2011 were \$8,219,665 and \$8,455,017, respectively. Assessments receivable net of allowance for doubtful accounts at June 30, 2012 and 2011 were \$766,839 and \$940,909, respectively, and are included in accounts receivable in the combined statements of financial position. See Note 4 for additional information.

The Chancery provides support to various schools and missions located within the Archdiocese. The total support provided for the years ended June 30, 2012 and 2011 was \$489,868 and \$432,582, respectively.

Related party notes receivable consist of amounts due from clergy, parishes, and Catholic schools. At June 30, 2012 and 2011, such receivables totaled \$18,171,207 and \$18,155,347, respectively. Related party notes receivable at June 30, 2012 and 2011 are net of a discount to estimated present value of future payments of \$155,778 and \$204,755, respectively. The discount rate was 3.0% for the years ended June 30, 2012 and 2011, respectively. The original maturity dates vary from on demand to seven years. See Note 7 for additional information.

Related party notes payable consist of amounts due to parishes, Catholic schools and other organizations. At June 30, 2012 and 2011, such payables, after eliminations, totaled \$49,579,917 and \$48,688,858, respectively. See Note 7 for additional information.

The Chancery is a guarantor on \$300,000 in lines of credit to three Catholic high schools. There were no borrowings against these lines of credit at June 30, 2012.

The Chancery is a guarantor for approximately \$17.7 million in bank loans to parishes of the Archdiocese of Louisville at June 30, 2012. The parishes used the funds as a source of financing for capital projects. Terms of the loans and lines of credit range from two to seven years. If any parish should default, the Chancery may liquidate the parish assets to satisfy any outstanding obligation.

The Chancery is a guarantor of a \$3.0 million bank loan obtained by a Catholic foundation. These funds were then loaned by the foundation to one of the Catholic elementary schools in the Archdiocese of Louisville for funding of a capital project and to fund additional capital expenditures. The balance of the loan at June 30, 2012 was approximately \$2.1 million.

**ARCHDIOCESE OF LOUISVILLE**  
**(Chancery and Certain Entities)**

NOTES TO FINANCIAL STATEMENTS—Continued

**NOTE 14—RELATED PARTY TRANSACTIONS AND GUARANTEES —Continued**

The Chancery received no consideration for any of the guarantees. Management evaluates the loss exposure at the statement of financial position date, and no accruals for loss exposure were deemed necessary.

In December 2009, an unsecured bank qualified bond in the amount of \$10,100,000 was issued for the benefit of St. Bernadette Parish/St. Mary Academy School to replace the 2008 Series Bond. The original 2008 Series Bond was used for the land purchase and construction of St. Mary Academy School. The 2009 bond document contains certain covenants for which compliance is required by the Archdiocese, St. Bernadette Parish and St. Mary Academy.

Related party borrowings between entities generally are interest bearing at rates ranging between 2.70% and 7.31% per annum during each of the years ended June 30, 2012 and 2011.

**NOTE 15—RETIREMENT BENEFITS**

Employees and Active Clergy:

The Archdiocese has a 401(k) plan that covers Archdiocesan, parish, school, and other agencies' eligible employees, as well as active diocesan priests. The Plan allows employees' contributions, up to the statutory limit and personal management of the employees' retirement accounts. The Archdiocese, parish, school or agency contributes 6% of eligible employees' gross pay each pay period and \$200 per month for active diocesan clergy to the Plan. The Archdiocese made contributions of approximately \$452,000 and \$477,000 to the Plan for the years ended June 30, 2012 and 2011, respectively.

Retired Clergy:

Retirement benefits and supplemental medical coverage benefits for retired diocesan clergy are determined by the Archbishop. The Archdiocese makes payments to these retired diocesan clergy in accordance with instructions from the Archbishop and expenses such payments as they are made.

The parishes pay to the Archdiocese an assessment for retirement benefits for retired clergy based on total parish income at the rate of 1.34% each year for the years ended June 30, 2012 and 2011. The assessment income for retirement benefits from the parishes was approximately \$1,584,000 and \$1,632,000 for the years ended June 30, 2012 and 2011, respectively, and is included in the total of parish assessments on the combined statements of activities. Remaining designated net assets for retirement benefits at June 30, 2012 and 2011 were \$4,446,598 and \$4,888,396, respectively.

**ARCHDIOCESE OF LOUISVILLE**  
**(Chancery and Certain Entities)**

NOTES TO FINANCIAL STATEMENTS—Continued

**NOTE 15—RETIREMENT BENEFITS—Continued**

Benefits paid to retired clergy for the years ended June 30, 2012 and 2011 follow:

	2012	2011
Clergy retirement benefits	\$ 1,720,690	\$ 1,651,724
Supplemental medical coverage	193,849	174,006
Total	\$ 1,914,539	\$ 1,825,730

**NOTE 16—CONTINGENCIES**

The Archdiocese may be involved in various legal actions arising in the ordinary course of its activities. It is the opinion of management and legal counsel that the ultimate liability, if any, with respect to these matters will not materially affect the financial position of the Archdiocese.

**NOTE 17—REGULATORY RESTRICTED – PERPETUAL CARE ENDOWMENT**

Kentucky state cemetery and funeral laws mandate that cemeteries designate a certain percentage of burial site sales to a perpetual care and maintenance trust fund. In accordance with this law, Catholic Cemeteries has established an endowed fund into which is set aside the following percentage of gross sales:

Grave space	20%
Crypts	5%
Niches	10%

The balance in this endowed fund at June 30, 2012 and 2011 was \$4,332,945 and \$4,087,678 respectively.

**NOTE 18—ARCHBISHOP DESIGNATED NET ASSETS**

Archbishop designated net assets are designated for the following purposes:

	2012	2011
Closed parishes	\$ 1,352,426	\$ 1,236,709
Clergy pension	4,446,598	4,888,396
Catholic Bicentennial Initiative Fund	6,298,454	5,050,331
Other	24,551	23,527
Total	\$ 12,122,029	\$ 11,198,963

**ARCHDIOCESE OF LOUISVILLE**  
**(Chancery and Certain Entities)**

NOTES TO FINANCIAL STATEMENTS—Continued

**NOTE 19—RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	June 30, 2011	Contributions	Investment Income	Change in Beneficial Interest	Released from Restrictions	June 30, 2012
Poverty assistance	\$ 1,262,772	\$ 115,112	\$ 2,638	\$ -	\$ (396,845)	\$ 983,677
Seminarian and priest education	1,034,263	100	2,879	(53,875)	(6,349)	977,018
Specific operations	248,939	-	1,221	-	(12,160)	238,000
School scholarships	8,925	-	1,477	-	(7,536)	2,866
Maintenance and care of gravesites	580,877	-	25,142	-	(4,886)	601,133
Mission promotions	1,026,477	4,000	4,888	-	(146,442)	888,923
Building Future of Hope	4,406,342	200,198	-	-	-	4,606,540
Other	1,180,240	430,870	3,527	(1,352)	(176,287)	1,436,998
<b>Total</b>	<b>\$ 9,748,835</b>	<b>\$ 750,280</b>	<b>\$ 41,772</b>	<b>\$ (55,227)</b>	<b>\$ (750,505)</b>	<b>\$ 9,735,155</b>

	June 30, 2010	Contributions	Investment Income	Change in Beneficial Interest	Released from Restrictions	June 30, 2011
Poverty assistance	\$ 3,526,260	\$ 376,996	\$ 27,943	\$ -	\$ (2,668,427)	\$ 1,262,772
Seminarian and priest education	955,708	16,612	2,002	78,398	(18,457)	1,034,263
Specific operations	261,275	-	882	-	(13,218)	248,939
Homes for the aged	1,522,666	41,543	2,768	-	(1,566,977)	-
Catholic education	37,829	-	24	-	(37,853)	-
School scholarships	34,091	-	2,475	-	(27,641)	8,925
Maintenance and care of gravesites	561,125	-	22,540	-	(2,788)	580,877
Mission promotions	210,924	917,953	3,319	-	(105,719)	1,026,477
Building Future of Hope	7,427,850	-	-	-	(3,021,508)	4,406,342
Other	1,203,482	9,685	2,600	39,639	(75,166)	1,180,240
<b>Total</b>	<b>\$ 15,741,210</b>	<b>\$ 1,362,789</b>	<b>\$ 64,553</b>	<b>\$ 118,037</b>	<b>\$ (7,537,754)</b>	<b>\$ 9,748,835</b>

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is temporarily restricted for the endowment purpose:

	June 30, 2010	Contributions	Change in Beneficial Interest	June 30, 2011	Contributions	Change in Beneficial Interest	June 30, 2012
Seminarian and priest education	\$ 1,181,902	\$ -	\$ -	\$ 1,181,902	\$ -	\$ -	\$ 1,181,902
Maintenance and care of gravesites	646,669	13,940	-	660,609	10,000	-	670,609
School scholarships	696,187	-	-	696,187	-	-	696,187
Poverty assistance	405,807	-	58,424	464,231	-	(16,137)	448,094
Other	87,982	-	-	87,982	-	-	87,982
<b>Total</b>	<b>\$ 3,018,547</b>	<b>\$ 13,940</b>	<b>\$ 58,424</b>	<b>\$ 3,090,911</b>	<b>\$ 10,000</b>	<b>\$ (16,137)</b>	<b>\$ 3,084,774</b>

Permanently restricted net assets are not available to fund the unrestricted operations of the Archdiocese and are included in the combined statements of financial position in the following asset accounts.

Investment in marketable securities	\$ 2,660,554	\$ 2,670,554
Beneficial interest in third-party trusts	430,357	414,220
<b>Total</b>	<b>\$ 3,090,911</b>	<b>\$ 3,084,774</b>



702 North Shore Drive, Suite 500  
Jeffersonville, IN 47130

812.288.6621 PHONE  
812.288.2885 FAX

[mnccpa.com](http://mnccpa.com)

MEMBER PKF North America | PKF International Limited | AICPA PCPS Division  
Indiana CPA Society | Kentucky Society of CPAs

INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION

To Archbishop Joseph E. Kurtz, D.D.  
and Finance Council  
Archdiocese of Louisville  
Louisville, Kentucky

We have audited the financial statements of the Archdiocese of Louisville as of and for the year ended June 30, 2012 and 2011 and have issued our report thereon dated September 21, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The combining information 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.

*McCauley, Nicolas & Company, LLC*

McCauley, Nicolas & Company, LLC  
Certified Public Accountants

Jeffersonville, Indiana  
September 21, 2012

**ARCHDIOCESE OF LOUISVILLE**  
**(Chancery and Certain Entities)**

COMBINING STATEMENTS OF FINANCIAL POSITION  
June 30, 2012

<u>ASSETS</u>	<u>Chancery</u>	<u>Deposit and Loan Fund</u>	<u>Catholic Cemeteries</u>	<u>Catholic Charities</u>	<u>Catholic Bicentennial Initiatives Fund, Inc.</u>	<u>Eliminations</u>	<u>Combined</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 6,462,409	\$ -	\$ 448,238	\$ 105,707	\$ 6,197,131	\$ -	\$ 13,213,485
Investments	80,420,528	-	588,342	6,690	-	-	81,015,560
Accrued interest receivable on investments	130,105	-	-	-	-	-	130,105
Accounts receivable, net	1,205,797	-	178,467	190,444	101,323	(101,323)	1,574,708
Pledge receivables, net	11,000,256	-	-	-	-	-	11,000,256
Grants and other receivables	-	-	-	1,239,908	-	-	1,239,908
Prepaid expenses	116,348	-	40,436	39,672	-	-	196,456
Inventories	-	-	31,242	-	-	-	31,242
Notes receivable - parishes and other related parties, net	4,620,385	13,550,822	-	-	-	-	18,171,207
Accrued interest receivable on notes receivable	22,125	646,594	-	-	-	-	668,719
Beneficial interest in third-party trusts	406,295	-	-	878,699	-	-	1,284,994
Cemetery lot development costs	-	-	3,748,621	-	-	-	3,748,621
Mausoleums, columbariums, and lots	-	-	974,269	-	-	-	974,269
Property and equipment, net	2,876,250	-	385,867	780,939	-	-	4,043,056
Interfund receivables	-	40,431,898	9,130,049	-	-	(49,561,947)	-
<b>TOTAL ASSETS</b>	<u>\$ 107,260,498</u>	<u>\$ 54,629,314</u>	<u>\$ 15,525,531</u>	<u>\$ 3,242,059</u>	<u>\$ 6,298,454</u>	<u>\$ (49,663,270)</u>	<u>\$ 137,292,586</u>

See independent auditors' report on supplemental information.

**ARCHDIOCESE OF LOUISVILLE**  
**(Chancery and Certain Entities)**

COMBINING STATEMENT OF FINANCIAL POSITION—Continued  
June 30, 2012

<u>LIABILITIES AND EQUITY</u>	<u>Chancery</u>	<u>Deposit and Loan Fund</u>	<u>Catholic Cemeteries</u>	<u>Catholic Charities</u>	<u>Catholic Bicentennial Initiatives Fund, Inc.</u>	<u>Eliminations</u>	<u>Combined</u>
<b>LIABILITIES</b>							
Accounts payable and accrued expenses	\$ 1,090,761	\$ -	\$ 111,925	\$ 1,061,018	\$ -	\$ (101,323)	\$ 2,162,381
Pledges payable	7,347,276	-	-	-	-	-	7,347,276
Grants payable	966	-	-	-	-	-	966
Collections payable	206,953	-	-	-	-	-	206,953
Deferred revenue	20,543	-	679,054	-	-	-	699,597
Interfund payables	40,431,898	-	-	-	-	(40,431,898)	-
Note payable	2,000,000	-	-	42,269	-	-	2,042,269
Notes payable - parishes and other related parties	6,808,938	51,839,407	-	61,621	-	(9,130,049)	49,579,917
<b>TOTAL LIABILITIES</b>	<u>57,907,335</u>	<u>51,839,407</u>	<u>790,979</u>	<u>1,164,908</u>	<u>-</u>	<u>(49,663,270)</u>	<u>62,039,359</u>
<b>NET ASSETS</b>							
Unrestricted net assets							
Invested in property and equipment	2,876,250	-	385,867	738,670	-	-	4,000,787
Expendable net assets	30,363,915	2,789,907	8,743,998	79,717	-	-	41,977,537
Archbishop designated	5,823,575	-	-	-	6,298,454	-	12,122,029
Regulatory restricted - perpetual care endowment	-	-	4,332,945	-	-	-	4,332,945
<b>Total Unrestricted Net Assets</b>	<u>39,063,740</u>	<u>2,789,907</u>	<u>13,462,810</u>	<u>818,387</u>	<u>6,298,454</u>	<u>-</u>	<u>62,433,298</u>
Temporarily restricted	8,289,478	-	601,133	844,544	-	-	9,735,155
Permanently restricted	1,999,945	-	670,609	414,220	-	-	3,084,774
<b>TOTAL NET ASSETS</b>	<u>49,353,163</u>	<u>2,789,907</u>	<u>14,734,552</u>	<u>2,077,151</u>	<u>6,298,454</u>	<u>-</u>	<u>75,253,227</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 107,260,498</u>	<u>\$ 54,629,314</u>	<u>\$ 15,525,531</u>	<u>\$ 3,242,059</u>	<u>\$ 6,298,454</u>	<u>\$ (49,663,270)</u>	<u>\$ 137,292,586</u>

See independent auditors' report on supplemental information.

**ARCHDIOCESE OF LOUISVILLE  
(Chancery and Certain Entities)**

**COMBINING STATEMENT OF FINANCIAL POSITION  
June 30, 2011**

<u>ASSETS</u>	<u>Chancery</u>	<u>Deposit and Loan Fund</u>	<u>Catholic Cemeteries</u>	<u>Catholic Charities</u>	<u>Catholic Bicentennial Initiatives Fund, Inc.</u>	<u>Eliminations</u>	<u>Combined</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 4,068,137	\$ -	\$ 494,775	\$ 54,294	4,864,089	\$ -	\$ 9,481,295
Investments	80,928,650	-	519,864	6,630	-	-	81,455,144
Accrued interest receivable on investments	125,427	-	-	-	-	-	125,427
Accounts receivable, net	1,607,973	-	266,867	-	186,242	(186,241)	1,874,841
Pledge receivables, net	19,440,486	-	-	-	-	-	19,440,486
Grants and other receivables	-	-	-	926,731	-	-	926,731
Prepaid expenses	121,869	-	40,116	12,663	-	-	174,648
Inventories	-	-	31,515	-	-	-	31,515
Notes receivable - parishes and other related parties, net	3,099,283	15,056,064	-	-	-	-	18,155,347
Accrued interest receivable on notes receivable	22,708	645,555	-	-	-	-	668,263
Beneficial interest in third-party trusts	460,170	-	-	896,188	-	-	1,356,358
Cemetery lot development costs	-	-	3,153,530	-	-	-	3,153,530
Mausoleums, columbariums, and lots	-	-	1,011,140	-	-	-	1,011,140
Property and equipment	2,844,971	-	434,338	742,320	-	-	4,021,629
Interfund receivables	-	37,815,266	9,070,981	-	-	(46,886,247)	-
<b>TOTAL ASSETS</b>	<u>\$ 112,719,674</u>	<u>\$ 53,516,885</u>	<u>\$ 15,023,126</u>	<u>\$ 2,638,826</u>	<u>\$ 5,050,331</u>	<u>\$ (47,072,488)</u>	<u>\$ 141,876,354</u>

See independent auditors' report on supplemental information.

**ARCHDIOCESE OF LOUISVILLE**  
**(Chancery and Certain Entities)**

COMBINING STATEMENT OF FINANCIAL POSITION—Continued  
June 30, 2011

<u>LIABILITIES AND EQUITY</u>	Chancery	Deposit and Loan Fund	Catholic Cemeteries	Catholic Charities	Catholic Bicentennial Initiatives Fund	Eliminations	Combined
<b>LIABILITIES</b>							
Accounts payable and accrued expenses	\$ 1,282,055	\$ -	\$ 129,176	764,202	\$ -	\$ (186,241)	\$ 1,989,192
Pledges payable	12,323,422	-	-	-	-	-	12,323,422
Grants payable	2,866	-	-	-	-	-	2,866
Collections payable	180,521	-	-	-	-	-	180,521
Deferred revenue	108,158	-	608,861	200	-	-	717,219
Interfund payables	37,815,266	-	-	-	-	(37,815,266)	-
Notes payable	-	-	-	33,064	-	-	33,064
Notes payable - parishes and other related parties	<u>6,756,710</u>	<u>50,900,628</u>	<u>-</u>	<u>102,501</u>	<u>-</u>	<u>(9,070,981)</u>	<u>48,688,858</u>
<b>TOTAL LIABILITIES</b>	<u>58,468,998</u>	<u>50,900,628</u>	<u>738,037</u>	<u>899,967</u>	<u>-</u>	<u>(47,072,488)</u>	<u>63,935,142</u>
<b>NET ASSETS</b>							
Unrestricted net assets							
Invested in property and equipment	2,844,971	-	434,338	709,256	-	-	3,988,565
Expendable net assets	34,678,178	2,616,257	8,521,587	10,238	-	-	45,826,260
Archbishop designated	6,148,632	-	-	-	5,050,331	-	11,198,963
Regulatory restricted - perpetual care endowment	<u>-</u>	<u>-</u>	<u>4,087,678</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,087,678</u>
Total Unrestricted Net Assets	<u>43,671,781</u>	<u>2,616,257</u>	<u>13,043,603</u>	<u>719,494</u>	<u>5,050,331</u>	<u>-</u>	<u>65,101,466</u>
Temporarily restricted	8,578,950	-	580,877	589,008	-	-	9,748,835
Permanently restricted	<u>1,999,945</u>	<u>-</u>	<u>660,609</u>	<u>430,357</u>	<u>-</u>	<u>-</u>	<u>3,090,911</u>
<b>TOTAL NET ASSETS</b>	<u>54,250,676</u>	<u>2,616,257</u>	<u>14,285,089</u>	<u>1,738,859</u>	<u>5,050,331</u>	<u>-</u>	<u>77,941,212</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 112,719,674</u>	<u>\$ 53,516,885</u>	<u>\$ 15,023,126</u>	<u>\$ 2,638,826</u>	<u>\$ 5,050,331</u>	<u>\$ (47,072,488)</u>	<u>\$ 141,876,354</u>

See independent auditors' report on supplemental information.

**ARCHDIOCESE OF LOUISVILLE**  
**(Chancery and Certain Entities)**

COMBINING STATEMENTS OF ACTIVITIES  
for the year ended June 30, 2012

	Chancery	Deposit and Loan Fund	Catholic Cemeteries	Catholic Charities	Catholic Bicentennial Initiatives Fund, Inc.	Eliminations	Combined
<b>REVENUE, SUPPORT, AND GAINS</b>							
Donations, bequests, and grants	\$ 1,110,054	\$ -	\$ 10,000	\$ 13,272,897	\$ 1,536,673	\$ (2,609,836)	\$ 13,319,788
Parish assessments	8,334,769	-	-	-	-	(115,104)	8,219,665
Special collections	452,854	-	-	-	-	-	452,854
Burial sales	-	-	1,824,584	-	-	-	1,824,584
Catholic Services Appeal	2,148,660	-	-	-	-	-	2,148,660
Fee income	229,370	-	806,024	1,007,111	-	(150)	2,042,355
Program and activity income	448,227	-	-	13,877	-	(10,414)	451,690
Rental income	200,908	-	21,798	2,200	-	(51,587)	173,319
Advertising income	624,115	-	-	-	-	(8,307)	615,808
Investment income, net	1,599,865	189,375	188,632	39,455	11,450	-	2,028,777
Interfund interest	(198,198)	198,198	-	-	-	-	-
Decrease in value of split interest agreements	(53,875)	-	-	(17,489)	-	-	(71,364)
Realized gain on sale of investment	450,260	-	-	-	-	-	450,260
Other income	162,928	-	11,833	32,237	-	(16,162)	190,836
<b>TOTAL REVENUES, SUPPORT, AND GAINS</b>	<b>\$ 15,509,937</b>	<b>\$ 387,573</b>	<b>\$ 2,862,871</b>	<b>\$ 14,350,288</b>	<b>\$ 1,548,123</b>	<b>\$ (2,811,560)</b>	<b>\$ 31,847,232</b>

See independent auditors' report on supplemental information.

**ARCHDIOCESE OF LOUISVILLE**  
**(Chancery and Certain Entities)**

COMBINING STATEMENTS OF ACTIVITIES—Continued  
for the year ended June 30, 2012

	Chancery	Deposit and Loan Fund	Catholic Cemeteries	Catholic Charities	Catholic Bicentennial Initiatives Fund, Inc.	Eliminations	Combined
<b>EXPENSES AND LOSSES</b>							
Salary expense	\$ 4,469,366	\$ -	\$ 1,123,849	\$ 2,824,889	\$ -	\$ -	\$ 8,418,104
Payroll added expense	1,150,988	-	365,679	777,725	-	-	2,294,392
Clergy retirement benefits	1,720,690	-	-	-	-	-	1,720,690
Mileage and expense allowance	567,067	-	8,815	156,258	-	-	732,140
Education expense	610,282	-	537	55,843	-	-	666,662
Rent expense	88,655	-	431	52,130	-	(47,500)	93,716
Office supplies and services	872,134	-	52,071	120,951	-	-	1,045,156
Plant and grounds expense	557,195	-	192,222	55,864	-	-	805,281
Auto expense	5,670	-	69,227	21,835	-	(295)	96,437
Public relations, donations, and grants	76,124	-	115,104	-	300,000	(415,104)	76,124
Advertising expense	167,894	-	17,363	-	-	(9,737)	175,520
Professional fees and services	301,980	-	27,162	292,456	-	(16,960)	604,638
Program and activity expense	672,149	-	-	193,297	-	(6,841)	858,605
Broadcasting/press expense	471,558	-	-	82,478	-	-	554,036
Archdiocesan support	2,589,725	-	-	32,176	-	(2,309,836)	312,065
Education grants	393,000	-	-	568,793	-	-	961,793
Cost of sales	-	-	275,799	-	-	-	275,799
Papal and national organizations	151,093	-	-	-	-	-	151,093
Other grants and direct aid	1,794,455	-	-	8,664,892	-	-	10,459,347
Other restricted expense payments	65,632	-	-	-	-	(5,135)	60,497
Interest expense	136,151	213,923	-	5,777	-	-	355,851
Depreciation expense	229,674	-	124,673	47,824	-	-	402,171
Unrealized loss in market value of investments	2,661,426	-	-	-	-	-	2,661,426
Bad debt expense	394,296	-	-	-	-	-	394,296
Miscellaneous expense	260,246	-	40,476	58,808	-	(152)	359,378
<b>TOTAL EXPENSES AND LOSSES</b>	<u>20,407,450</u>	<u>213,923</u>	<u>2,413,408</u>	<u>14,011,996</u>	<u>300,000</u>	<u>(2,811,560)</u>	<u>34,535,217</u>
<b>CHANGE IN NET ASSETS</b>	(4,897,513)	173,650	449,463	338,292	1,248,123	-	(2,687,985)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>54,250,676</u>	<u>2,616,257</u>	<u>14,285,089</u>	<u>1,738,859</u>	<u>5,050,331</u>	<u>-</u>	<u>77,941,212</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 49,353,163</u>	<u>\$ 2,789,907</u>	<u>\$ 14,734,552</u>	<u>\$ 2,077,151</u>	<u>\$ 6,298,454</u>	<u>\$ -</u>	<u>\$ 75,253,227</u>

See independent auditors' report on supplemental information.

**ARCHDIOCESE OF LOUISVILLE  
(Chancery and Certain Entities)**

COMBINING STATEMENTS OF ACTIVITIES  
for the year ended June 30, 2011

	Chancery	Deposit and Loan Fund	Catholic Cemeteries	Catholic Charities	Catholic Bicentennial Initiatives Fund, Inc.	Eliminations	Combined
<b>REVENUE, SUPPORT, AND GAINS</b>							
Donations, bequests, and grants	\$ 1,795,595	\$ -	\$ 14,015	\$ 11,947,161	\$ 2,573,247	\$ (3,531,242)	\$ 12,798,776
Parish assessments	8,560,617	-	-	-	-	(105,600)	8,455,017
Special collections	483,106	-	-	-	-	-	483,106
Burial sales	670	-	2,043,666	-	-	-	2,044,336
Catholic Services Appeal	2,001,568	-	-	-	-	-	2,001,568
Fee income	222,877	-	786,859	906,928	-	-	1,916,664
Program and activity income	241,665	-	-	2,121	-	(2,835)	240,951
Rental income	187,699	-	17,102	3,618	-	(61,676)	146,743
Advertising income	646,558	-	-	-	-	(5,829)	640,729
Investment income, net	1,753,517	238,646	174,328	32,060	10,783	-	2,209,334
Interfund interest	(128,149)	128,149	-	-	-	-	-
Increase in value of split interest agreements	69,693	-	-	106,768	-	-	176,461
Unrealized gain in market value of investments	10,889,483	-	-	-	-	-	10,889,483
Realized gain on sale of investment	2,254,603	-	-	-	-	-	2,254,603
Other income (loss)	689,321	-	15,627	41,224	-	(915)	745,257
<b>TOTAL REVENUES, SUPPORT, AND GAINS</b>	<u>\$ 29,668,823</u>	<u>\$ 366,795</u>	<u>\$ 3,051,597</u>	<u>\$ 13,039,880</u>	<u>\$ 2,584,030</u>	<u>\$ (3,708,097)</u>	<u>\$ 45,003,028</u>

See independent auditors' report on supplemental information.

**ARCHDIOCESE OF LOUISVILLE**  
**(Chancery and Certain Entities)**

COMBINING STATEMENTS OF ACTIVITIES—Continued  
for the year ended June 30, 2011

	Chancery	Deposit and Loan Fund	Catholic Cemeteries	Catholic Charities	Catholic Bicentennial Initiatives Fund, Inc.	Eliminations	Combined
<b>EXPENSES AND LOSSES</b>							
Salary expense	\$ 4,493,876	\$ -	\$ 1,152,732	\$ 2,951,709	\$ -	\$ -	\$ 8,598,317
Payroll added expense	1,135,534	-	368,710	779,684	-	-	2,283,928
Clergy retirement benefits	1,651,724	-	-	-	-	-	1,651,724
Mileage and expense allowance	615,503	-	6,804	141,992	-	(45)	764,254
Education expense	603,870	-	492	57,318	-	(1,383)	660,297
Rent expense	99,700	-	3,665	103,641	-	(58,700)	148,306
Office supplies and services	838,198	-	86,466	180,715	-	-	1,105,379
Plant and grounds expense	556,717	-	259,482	68,107	-	-	884,306
Auto expense	6,082	-	59,070	21,995	-	-	87,147
Public relations, donations, and grants	122,698	-	105,600	-	200,000	(306,471)	121,827
Advertising expense	161,996	-	6,152	-	-	(4,321)	163,827
Professional fees and services	259,613	-	31,666	278,090	-	-	569,369
Program and activity expense	480,838	-	-	192,987	-	(5,731)	668,094
Broadcasting/press expense	475,456	-	-	94,001	-	-	569,457
Archdiocesan support	3,609,542	-	-	37,724	-	(3,331,242)	316,024
Education grants	348,626	-	-	434,202	-	-	782,828
Cost of sales	-	-	282,000	-	-	-	282,000
Papal and national organizations	134,217	-	-	-	-	-	134,217
Other grants and direct aid	566,096	-	-	7,999,199	-	-	8,565,295
Other restricted expense payments	1,282,754	-	-	-	-	-	1,282,754
Interest expense	112,093	144,903	-	1,680	-	-	258,676
Depreciation expense	224,782	-	121,722	41,241	-	-	387,745
Miscellaneous expense	76,546	-	102,608	68,990	-	(204)	247,940
<b>Total Expenses and Losses</b>	<u>17,856,461</u>	<u>144,903</u>	<u>2,587,169</u>	<u>13,453,275</u>	<u>200,000</u>	<u>(3,708,097)</u>	<u>30,533,711</u>
<b>CHANGE IN NET ASSETS</b>	11,812,362	221,892	464,428	(413,395)	2,384,030	-	14,469,317
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>42,438,314</u>	<u>2,394,365</u>	<u>13,820,661</u>	<u>2,152,254</u>	<u>2,666,301</u>	<u>-</u>	<u>63,471,895</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 54,250,676</u>	<u>\$ 2,616,257</u>	<u>\$ 14,285,089</u>	<u>\$ 1,738,859</u>	<u>\$ 5,050,331</u>	<u>\$ -</u>	<u>\$ 77,941,212</u>

See independent auditors' report on supplemental information.