

**Archdiocese of Louisville  
(Chancery and Certain Entities)  
Combined Financial Statements  
Years Ended June 30, 2016 and 2015**

**Archdiocese of Louisville  
(Chancery and Certain Entities)**

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## **Independent Auditor's Report**

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

### **Report on the Combined Financial Statements**

We have audited the accompanying combined financial statements of the Archdiocese of Louisville (Chancery and Certain Entities) (a nonprofit organization) (the "Archdiocese"), which comprise the combined statements of financial position as of June 30, 2016 and 2015, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

### **Management's Responsibility for the Combined Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

**Kentucky**  
**Indiana**  
**Ohio**

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## **Independent Auditor's Report (Continued)**

### **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, 2016 and 2015, 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.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying combined schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the combined financial statements. The combining statements of financial position and the combining statements of activities on pages 27 through 34 are also presented for purposes of additional analysis and is not a required part of the combined financial statements of the Archdiocese of Louisville (Chancery and Certain Entities). Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements of financial position, combining statements of activities, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the combined financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2016, on our consideration of the Archdiocese's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Archdiocese's internal control over financial reporting and compliance.



Jeffersonville, Indiana  
September 29, 2016

**Archdiocese of Louisville**  
**(Chancery and Certain Entities)**  
**Combined Statements of Financial Position**  
**June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Assets		
Cash and cash equivalents	\$ 6,891,224	\$ 7,206,174
Investments (Notes C, D and K)	114,577,268	115,665,414
Accrued interest receivable on investments (Note D)	323,813	49,086
Accounts receivable, net (Notes E and O)	2,857,158	1,937,810
Pledges receivable, net (Note F)	7,411	236,584
Grants and other receivables (Note G)	702,625	1,112,030
Prepaid expenses	165,311	148,563
Inventories	58,898	81,930
Notes receivable - parishes and other related parties, net (Notes H and O)	7,800,893	9,654,703
Accrued interest receivable on notes receivable	267,162	666,461
Beneficial interest in third-party trusts (Notes C, I and T)	1,380,886	1,444,469
Cemetery lot development costs	733,948	4,003,434
Mausoleums, columbaria, and lots	5,119,962	862,251
Property and equipment, net (Note J)	7,261,940	4,781,256
	<u>\$ 148,148,499</u>	<u>\$ 147,850,165</u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 2,446,321	\$ 2,113,668
Pledges payable, net (Note F)	-	181,387
Collections payable	389,011	237,804
Deferred revenue	1,499,587	1,433,629
Notes payable (Note M)	2,556	10,890
Notes payable - parishes and other related parties (Notes H and O)	51,496,455	49,049,264
	<u>55,833,930</u>	<u>53,026,642</u>
Net Assets		
Unrestricted net assets		
Invested in property and equipment	7,259,384	4,770,366
Expendable net assets	62,022,429	65,514,790
Designated net assets (Note S)	9,596,019	11,057,241
Regulatory restricted - perpetual care endowment (Notes K and R)	5,911,018	5,542,857
	<u>84,788,850</u>	<u>86,885,254</u>
Total Unrestricted Net Assets	84,788,850	86,885,254
Temporarily restricted (Notes K and T)	4,578,955	4,963,926
Permanently restricted (Notes K and T)	2,946,764	2,974,343
	<u>92,314,569</u>	<u>94,823,523</u>
Total Net Assets	92,314,569	94,823,523
Total Liabilities and Net Assets	<u>\$ 148,148,499</u>	<u>\$ 147,850,165</u>

See accompanying notes.

**Archdiocese of Louisville**  
**(Chancery and Certain Entities)**  
**Combined Statements of Activities**  
**Years Ended June 30, 2016 and 2015**

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Support, and Gains								
Donations, bequests, and grants (Notes S and T)	\$ 13,993,706	\$ 1,072,632	\$ 1,252	\$15,067,590	\$ 11,619,010	\$ 1,370,887	\$ 1,861	\$ 12,991,758
Parish assessments (Notes O and P)	9,255,562	-	-	9,255,562	7,878,713	-	-	7,878,713
Special collections	432,323	-	-	432,323	409,597	-	-	409,597
Burial sales, net	2,037,064	-	-	2,037,064	2,261,601	-	-	2,261,601
Catholic Services Appeal	3,584,708	-	-	3,584,708	3,228,730	-	-	3,228,730
Fee income	2,487,679	-	-	2,487,679	2,518,740	-	-	2,518,740
Program and activity income	604,586	-	-	604,586	340,845	-	-	340,845
Rental income	208,754	-	-	208,754	204,141	-	-	204,141
Advertising income	587,085	-	-	587,085	554,232	-	-	554,232
Investment income, net	2,561,913	51,149	-	2,613,062	2,488,504	75,350	-	2,563,854
Unrealized loss in market value of investments	(4,721,178)	-	-	(4,721,178)	(7,970,766)	-	-	(7,970,766)
Realized gain on sale of investments	1,345,303	-	-	1,345,303	4,423,976	-	-	4,423,976
Other income	92,085	-	-	92,085	137,613	-	-	137,613
Increase (decrease) in value of split interest agreements (Note T)	-	(34,752)	(28,831)	(63,583)	-	(17,030)	(6,906)	(23,936)
Net assets released from restrictions / other changes	1,474,000	(1,474,000)	-	-	2,535,271	(2,328,984)	(206,287)	-
Total Revenues, Support, and Gains	33,943,590	(384,971)	(27,579)	33,531,040	30,630,207	(899,777)	(211,332)	29,519,098

**Archdiocese of Louisville**  
**(Chancery and Certain Entities)**  
**Combined Statements of Activities (Continued)**  
**Years Ended June 30, 2016 and 2015**

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses								
Salary expense	9,371,504	-	-	9,371,504	9,049,901	-	-	9,049,901
Payroll added expense	2,703,150	-	-	2,703,150	2,269,232	-	-	2,269,232
Clergy retirement benefits (Note P)	1,756,919	-	-	1,756,919	1,755,386	-	-	1,755,386
Mileage and expense allowance	487,612	-	-	487,612	841,721	-	-	841,721
Education expense	777,944	-	-	777,944	603,835	-	-	603,835
Rent expense (Note N)	66,167	-	-	66,167	76,737	-	-	76,737
Office supplies and services	1,236,880	-	-	1,236,880	1,143,407	-	-	1,143,407
Plant and grounds expense	1,145,143	-	-	1,145,143	1,143,319	-	-	1,143,319
Auto expense	111,939	-	-	111,939	119,404	-	-	119,404
Public relations, donations, and grants	163,462	-	-	163,462	237,905	-	-	237,905
Advertising expense	179,056	-	-	179,056	177,677	-	-	177,677
Professional fees and services (Note F)	872,526	-	-	872,526	534,311	-	-	534,311
Program and activity expense	1,546,103	-	-	1,546,103	1,309,228	-	-	1,309,228
Broadcasting/press expense	437,024	-	-	437,024	449,630	-	-	449,630
Archdiocesan support	287,592	-	-	287,592	272,684	-	-	272,684
Education grants	1,645,203	-	-	1,645,203	405,000	-	-	405,000
Cost of sales	342,986	-	-	342,986	363,093	-	-	363,093
Papal and national organizations	106,552	-	-	106,552	105,559	-	-	105,559
Other grants and direct aid (Note O)	10,912,002	-	-	10,912,002	9,685,118	-	-	9,685,118
Other restricted expense payments	190,316	-	-	190,316	273,533	-	-	273,533
Interest expense	552,065	-	-	552,065	405,571	-	-	405,571
Depreciation expense (Note J)	445,757	-	-	445,757	438,648	-	-	438,648
Bad debt expense	292,653	-	-	292,653	365,460	-	-	365,460
Miscellaneous expense	409,439	-	-	409,439	416,693	-	-	416,693
Total Expenses	<u>36,039,994</u>	<u>-</u>	<u>-</u>	<u>36,039,994</u>	<u>32,443,052</u>	<u>-</u>	<u>-</u>	<u>32,443,052</u>
Changes in Net Assets	(2,096,404)	(384,971)	(27,579)	(2,508,954)	(1,812,845)	(899,777)	(211,332)	(2,923,954)
Net Assets, Beginning of Year	<u>86,885,254</u>	<u>4,963,926</u>	<u>2,974,343</u>	<u>94,823,523</u>	<u>88,698,099</u>	<u>5,863,703</u>	<u>3,185,675</u>	<u>97,747,477</u>
Net Assets, End of Year	<u>\$ 84,788,850</u>	<u>\$ 4,578,955</u>	<u>\$ 2,946,764</u>	<u>\$92,314,569</u>	<u>\$ 86,885,254</u>	<u>\$ 4,963,926</u>	<u>\$ 2,974,343</u>	<u>\$94,823,523</u>

See accompanying notes.

**Archdiocese of Louisville**  
**(Chancery and Certain Entities)**  
**Combined Statements of Cash Flows**  
**Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Reconciliation of Change in Net Assets to		
Net Cash Provided by (Used in) Operating Activities		
Change in Net Assets	\$ (2,508,954)	\$ (2,923,954)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	445,757	438,648
(Gain) loss on disposal of property and equipment	9,616	(2,042)
Bad debt expense	292,653	365,460
Change in discount of accounts receivable	58,426	(8,062)
Change in discount of pledges receivable	-	(82,671)
Change in discount of pledges payable	-	52,763
Forgiveness of notes receivable	66,048	610,061
Decrease in beneficial interest in third-party trusts	63,583	23,935
Unrealized loss in market value of investments	4,721,178	7,970,766
Realized investment gain	(1,345,303)	(4,423,976)
Discount on notes receivable	679	(25,296)
Other Changes:		
(Increase) decrease in:		
Accrued interest receivable on investments	(274,727)	67,212
Accounts receivable	(977,774)	257,467
Pledges receivable	229,173	1,295,668
Grants and other receivables	116,752	39,698
Prepaid expenses	(16,748)	(78,490)
Inventories	23,032	(93)
Accrued interest receivable on notes receivable	399,299	(5,211)
Mausoleums, columbaria, and lots	(988,225)	53,297
Increase (decrease) in:		
Accounts payable and accrued expenses	332,653	(443)
Pledges payable	(181,387)	(1,060,671)
Collections payable	151,207	(121,128)
Deferred revenue	65,958	316,463
	<u>682,896</u>	<u>2,759,401</u>
Net Cash Provided by Operating Activities		



**Archdiocese of Louisville**  
**(Chancery and Certain Entities)**  
**Combined Statements of Cash Flows (Continued)**  
**Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Net Cash Provided by Operating Activities	\$ 682,896	\$ 2,759,401
Cash Flows from Investing Activities		
Purchases of property and equipment	(939,057)	(420,909)
Proceeds from sale of property and equipment	3,000	28,850
Purchases of investments	(901,500)	(3,444,006)
Withdrawals from investments	(1,386,229)	-
Advances to and repayments on loans to parishes and others, net	1,995,733	1,003,970
Net Cash Used in Investing Activities	(1,228,053)	(2,832,095)
Cash Flows from Financing Activities		
Principal payments on notes payable	(8,334)	(11,627)
Deposits from parishes and others, net	238,541	455,735
Net Cash Provided by Financing Activities	230,207	444,108
Increase (Decrease) in Cash and Cash Equivalents	(314,950)	371,414
Cash and Cash Equivalents, Beginning of Year	7,206,174	6,834,760
Cash and Cash Equivalents, End of Year	<u>\$ 6,891,224</u>	<u>\$ 7,206,174</u>
 <b><u>Supplemental Cash Flow Disclosure</u></b>		
Interest paid	<u>\$ 552,065</u>	<u>\$ 405,571</u>

During the year ended June 30, 2016, the Archdiocese forgave \$2,000,000 of a note receivable with a parish in exchange for real property. The asset addition is shown as construction in progress in Note J as of June 30, 2016.

See accompanying notes.

**Archdiocese of Louisville  
(Chancery and Certain Entities)  
Notes to Combined Financial Statements  
June 30, 2016 and 2015**

**Note A - Nature of Organization**

The Archdiocese of Louisville (Chancery and Certain Entities) (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 Foundation of Louisville, Inc. ("Catholic Foundation") administers the following initiatives: Seminarian Education, Priest Retirement, Parish Assistance, and Legacy Fund as well as recently added initiatives for Catholic Charities and Catholic Cemeteries.

**Note B - Summary of Significant Accounting Policies**

This summary of significant accounting policies of the Archdiocese is presented to assist in understanding the Archdiocese's financial statements. The combined 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 combined financial statements. The more significant accounting policies of the Archdiocese are as follows:

1. 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 combined financial statements and related notes and include the Chancery (with its Deposit and Loan Fund), Catholic Cemeteries, Catholic Charities, and Catholic Foundation. 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.

2. Basis of Accounting: The combined statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Accounting Standards Codification ("ASC") as produced by the Financial Accounting Standards Board ("FASB") is the sole source of authoritative GAAP.

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)  
June 30, 2016 and 2015**

**Note B - Summary of Significant Accounting Policies (Continued)**

2. Basis of Accounting (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.

Designated Net Assets: 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 R.

*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 time restriction ends or a donor purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions in the combined statements of activities. 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 of 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.

3. 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.

4. 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.

**Archdiocese of Louisville  
(Chancery and Certain Entities)  
Notes to Combined Financial Statements (Continued)  
June 30, 2016 and 2015**

**Note B - Summary of Significant Accounting Policies (Continued)**

5. Investments: The Archdiocese invests in fixed income securities, including government and corporate bonds, and in publicly traded stocks, mutual funds, alternative strategies, and real assets.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of investments and net assets of the Archdiocese.

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.

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 \$404,000 in 2016 and \$335,000 in 2015.

6. Receivables: The Archdiocese uses the allowance method for valuing receivables, which is based upon historical experience, coupled with a review of the current status of existing receivables. See notes within the combined financial statements for specific allowances determined by management.
7. Inventories: Inventories are carried at the lower of cost (first-in, first-out) or market and consist of monuments and supplies for Catholic Cemeteries as well as bus passes, gift cards, and housewares for Catholic Charities.
8. Cemetery Lot Development Costs: Lot development costs represent actual cost incurred in development of mausoleums, columbaria, and gravesites which are in the process of being completed. During the fiscal year ended June 30, 2016, \$4,309,398 was transferred to mausoleums columbaria and lots.
9. Mausoleums, Columbaria, and Lots: Mausoleums, columbaria, and lots represent completed burial sites. As burial sites are sold, an allocated portion of the actual costs are expensed through cost of sales.
10. 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

11. 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.

**Archdiocese of Louisville  
(Chancery and Certain Entities)  
Notes to Combined Financial Statements (Continued)  
June 30, 2016 and 2015**

**Note B - Summary of Significant Accounting Policies (Continued)**

12. Deferred Revenue: Deferred revenue consists mainly of advances on grants as well as prepaid interments and lot maintenance fees. Revenues are reported in the fiscal year in which they are earned.
13. 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 years ended June 30, 2016 and 2015 that are not recognized as contributions in the combined financial statements since the recognition criteria were not met.
14. 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 Archdiocese evaluates recognition and measurement of uncertain income tax positions using a "more-likely-than-not" approach and has determined that no material adjustment for income tax uncertainties or unrecognized tax benefits is required.
15. Advertising: Expenses related to advertising and promotions are expensed as incurred. Advertising costs were approximately \$179,000 and \$178,000 for the years ended June 30, 2016 and 2015, respectively.
16. Subsequent Events: The Archdiocese has evaluated events occurring subsequent to year end through the date of the Independent Auditor's Report, the date the combined financial statements were available to be issued.

**Note C - Fair Value Measurements**

The combined 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.

The following is a description of the valuation methodologies used for the assets and liabilities measured at fair value. There have been no changes in the methodologies used to determine fair value at June 30, 2016 and 2015.

**Archdiocese of Louisville  
(Chancery and Certain Entities)  
Notes to Combined Financial Statements (Continued)  
June 30, 2016 and 2015**

**Note C - Fair Value Measurements (Continued)**

*Cash and cash equivalents:* Valued at the net asset value.

*Common stocks:* Valued at the quoted market price of the shares.

*Government backed securities:* Valued using a yield curve matrix derived from quoted prices for similar assets in active markets.

*Corporate bonds and other:* Valued at quoted market prices in exchange and active markets.

*Real assets:* Valued at quoted market prices in active markets.

*Alternative Strategies:* Valued at quoted market prices in active markets.

*Mutual funds:* Valued at quoted market prices in exchange and active markets.

*Beneficial interest in third party trusts:* Valued based on present value calculations.

Fair values of financial assets measured on a recurring basis at June 30, 2016, are as follows:

	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 2,579,928	\$ 2,579,928	\$ -	\$ -
Common stocks	60,518,262	60,518,262	-	-
Government backed securities	77,634	-	77,634	-
Corporate bonds and other	33,860,543	33,860,543	-	-
Mutual funds				
Real assets	4,116,548	4,116,548	-	-
Alternative strategies	1,096,335	1,096,335	-	-
Total mutual funds	5,212,883	5,212,883	-	-
Exchange traded funds				
Real assets	4,296,972	4,296,972	-	-
Hedge fund				
Alternative strategies	8,031,046	-	8,031,046	-
Beneficial interest in third-party trusts (Note I)	1,380,886	-	-	1,380,886
	<u>\$ 115,958,154</u>	<u>\$ 106,468,588</u>	<u>\$ 8,108,680</u>	<u>\$ 1,380,886</u>

**Archdiocese of Louisville  
(Chancery and Certain Entities)  
Notes to Combined Financial Statements (Continued)  
June 30, 2016 and 2015**

**Note C - Fair Value Measurements (Continued)**

Fair values of financial assets measured on a recurring basis at June 30, 2015, are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 2,382,621	\$ 2,382,621	\$ -	\$ -
Common stocks	67,788,550	67,788,550	-	-
Government backed securities	76,603	-	76,603	-
Corporate bonds and other	27,226,828	27,226,828	-	-
Mutual funds				
Real assets	3,728,158	3,728,158	-	-
Alternative strategies	1,335,386	1,335,386	-	-
Total mutual funds	<u>5,063,544</u>	<u>5,063,544</u>	<u>-</u>	<u>-</u>
Exchange traded funds				
Real assets	5,187,193	5,187,193	-	-
Hedge fund				
Alternative strategies	7,940,075	-	7,940,075	-
Beneficial interest in third-party trusts (Note I)	<u>1,444,469</u>	<u>-</u>	<u>-</u>	<u>1,444,469</u>
	<u>\$ 117,109,883</u>	<u>\$ 107,648,736</u>	<u>\$ 8,016,678</u>	<u>\$ 1,444,469</u>

The years ended June 30, 2016 and 2015 activity of the assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 investments and beneficial interests in third-party trusts) is as follows:

	<u>2016</u>	<u>2015</u>
Beginning Balance	\$ 1,444,469	\$ 1,468,404
Change in Fair Value	(15,063)	(596)
Distributions	<u>(48,520)</u>	<u>(23,339)</u>
Ending Balance	<u>\$ 1,380,886</u>	<u>\$ 1,444,469</u>

**Archdiocese of Louisville**  
**(Chancery and Certain Entities)**  
**Notes to Combined Financial Statements (Continued)**  
**June 30, 2016 and 2015**

**Note D - Investments**

Investments at June 30, 2016 and 2015, consisted of the following:

	2016		2015	
	Cost	Market	Cost	Market
Cash and cash equivalents	\$ 2,579,928	\$ 2,579,928	\$ 2,382,621	\$ 2,382,621
Common stocks	54,950,844	60,518,262	57,258,768	67,788,550
Government backed securities	77,180	77,634	77,180	76,603
Corporate bonds and other	33,355,083	33,860,543	27,648,077	27,226,828
Mutual funds				
Real assets	3,714,347	4,116,548	3,571,235	3,728,158
Alternative strategies	1,158,471	1,096,335	1,349,611	1,335,386
Total mutual funds	<u>4,872,818</u>	<u>5,212,883</u>	<u>4,920,846</u>	<u>5,063,544</u>
Exchange traded funds				
Real assets	6,839,772	4,296,972	6,839,774	5,187,193
Hedge fund				
Alternative strategies	<u>7,600,000</u>	<u>8,031,046</u>	<u>7,600,000</u>	<u>7,940,075</u>
Total	<u>\$ 110,275,625</u>	<u>\$ 114,577,268</u>	<u>\$ 106,727,266</u>	<u>\$ 115,665,414</u>

Accrued interest earned from the above investments was \$323,813 and \$49,086 as of June 30, 2016 and 2015, respectively.

**Note E - 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, 2016 and 2015, is as follows:

	2016	2015
Accounts receivable	\$ 5,530,284	\$ 4,552,510
Less discount	(19,013)	(31,932)
Less allowance for doubtful accounts	<u>(2,654,113)</u>	<u>(2,582,768)</u>
Balance at End of Year	<u>\$ 2,857,158</u>	<u>\$ 1,937,810</u>



**Archdiocese of Louisville  
(Chancery and Certain Entities)  
Notes to Combined Financial Statements (Continued)  
June 30, 2016 and 2015**

**Note F - Pledges Receivable/Pledges Payable**

Unconditional promises to give at June 30, 2016 and 2015 from the Building a Future of Hope capital campaign that officially ended December 31 2015, are as follows:

	<u>2016</u>	<u>2015</u>
Pledges receivable:		
Receivable in less than one year	\$ 7,411	\$ 236,584
Total Pledges Receivable	<u>\$ 7,411</u>	<u>\$ 236,584</u>

Pledges payable to parishes at June 30, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
Pledges payable to parishes:		
Payable in less than one year	\$ -	\$ 181,387
Total Pledges Payable	<u>\$ -</u>	<u>\$ 181,387</u>

**Note G - Grants and Other Receivables**

Grants and other receivables at June 30, 2016 and 2015, totaling \$702,625 and \$1,112,030, 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.

**Note H - Deposit and Loan Fund**

The Archdiocese maintains a centralized financing program through its Deposit and Loan Fund. The Deposit and 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, 2016 and 2015, were \$6,637,937 and \$8,391,006, 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 2.7% and 3.0% per annum for fiscal years 2016 and 2015. 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 and Loan Fund. Amounts due to parishes and other organizations at June 30, 2016 and 2015, were \$44,371,806 and \$42,075,694, 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 years 2016 and 2015. The deposit rate is equal to the six month U.S. Treasury bill rate, and is adjusted every six months. However, the Archdiocese has established a minimum rate which is to be paid to the various parishes and other organizations of .50%.

**Archdiocese of Louisville  
(Chancery and Certain Entities)  
Notes to Combined Financial Statements (Continued)  
June 30, 2016 and 2015**

**Note I - 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/distributions received from these trusts for the years ended June 30, 2016 and 2015, was \$23,460 and \$27,813, respectively. The income received from the trusts are restricted for elderly service programs. The change in value of the trusts for the years ended June 30, 2016 and 2015, was a decrease of \$46,225 and a decrease of \$5,653, 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 one charitable remainder uni-trust. The total estimated net present value of future cash flows from these trusts as of June 30, 2016 and 2015, assuming a 3.5% rate of return, was \$387,067 and \$404,425, respectively. Distributions received from these trusts for the years ended June 30, 2016 and 2015, were \$25,060 and \$25,564, respectively, and are restricted for seminarian education. The change in value of the trusts was a decrease of \$17,358 and \$18,283 for the years ended June 30, 2016 and 2015, respectively, and is included as a component in the change in temporarily restricted net assets on the combined statement of activities.

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, 2016 and 2015 was as follows:

	2016		2015	
	Cost	Market	Cost	Market
Cash and cash equivalents	\$ 4,609	\$ 4,609	\$ 38,452	\$ 38,452
Mutual funds - corporate bonds	281,101	286,242	273,609	272,023
Mutual funds - common stock	503,048	702,968	492,746	729,569
Subtotal	<u>\$ 788,758</u>	<u>\$ 993,819</u>	<u>\$ 804,807</u>	<u>\$ 1,040,044</u>
Estimated value of beneficial interest in charitable remainder uni-trusts		<u>387,067</u>		<u>404,425</u>
Total		<u>\$ 1,380,886</u>		<u>\$ 1,444,469</u>

**Archdiocese of Louisville  
(Chancery and Certain Entities)  
Notes to Combined Financial Statements (Continued)  
June 30, 2016 and 2015**

**Note J - Property and Equipment**

Property and equipment consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land and improvements	\$ 1,332,633	\$ 1,741,174
Construction in progress	2,309,270	-
Buildings and improvements	10,667,344	9,795,528
Furniture and equipment	<u>4,734,848</u>	<u>4,623,247</u>
Subtotal	19,044,095	16,159,949
Less accumulated depreciation	<u>(11,782,155)</u>	<u>(11,378,693)</u>
Total	<u>\$ 7,261,940</u>	<u>\$ 4,781,256</u>

Total depreciation expense was \$445,757 and \$438,648 for the years ended June 30, 2016 and 2015, respectively.

**Note K - 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.

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

**Archdiocese of Louisville  
(Chancery and Certain Entities)  
Notes to Combined Financial Statements (Continued)  
June 30, 2016 and 2015**

**Note K - Endowments (Continued)**

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.

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 with a floor of 50 basis points. 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>June 30, 2016</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 832,232	\$ 2,489,211	\$ 3,321,443
Regulatory-restricted endowment funds	5,911,018	-	-	5,911,018
Total Funds	<u>\$ 5,911,018</u>	<u>\$ 832,232</u>	<u>\$ 2,489,211</u>	<u>\$ 9,232,461</u>
<u>June 30, 2015</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 831,000	\$ 2,487,959	\$ 3,318,959
Regulatory-restricted endowment funds	5,542,857	-	-	5,542,857
Total Funds	<u>\$ 5,542,857</u>	<u>\$ 831,000</u>	<u>\$ 2,487,959</u>	<u>\$ 8,861,816</u>

**Archdiocese of Louisville  
(Chancery and Certain Entities)  
Notes to Combined Financial Statements (Continued)  
June 30, 2016 and 2015**

**Note K - Endowments (Continued)**

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 5,542,857	\$ 831,000	\$ 2,487,959	\$ 8,861,816
Net investment income	114,346	27,426	9,796	151,568
Contributions	253,815	-	3,386	257,201
Appropriation of endowment assets for expenditure	-	(35,990)	(2,134)	(38,124)
Transfer to temporarily restricted	-	9,796	(9,796)	-
	<u>5,911,018</u>	<u>832,232</u>	<u>2,489,211</u>	<u>9,232,461</u>
Endowment Net Assets, End of Year	<u>\$ 5,911,018</u>	<u>\$ 832,232</u>	<u>\$ 2,489,211</u>	<u>\$ 9,232,461</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 4,916,289	\$ 834,121	\$ 2,694,519	\$ 8,444,929
Net investment income	105,296	26,892	10,278	142,466
Contributions	521,272	-	1,000	522,272
Appropriation of endowment assets for expenditure	-	(40,291)	(207,560)	(247,851)
Transfer to temporarily restricted	-	10,278	(10,278)	-
	<u>5,542,857</u>	<u>831,000</u>	<u>2,487,959</u>	<u>8,861,816</u>
Endowment Net Assets, End of Year	<u>\$ 5,542,857</u>	<u>\$ 831,000</u>	<u>\$ 2,487,959</u>	<u>\$ 8,861,816</u>

**Note L - Line of Credit**

The Chancery has a \$1,000,000 secured line of credit that expires May 1, 2017. The line of credit bears interest at LIBOR plus 1.25% at the Archdiocese's option. The daily LIBOR rate at June 30, 2016 was 0.46%. The interest rate at June 30, 2016 and 2015, was 1.71% and 1.44%, respectively. The note is secured by investments. There were no amounts outstanding on the line at June 30, 2016 and 2015.

Catholic Charities has a \$250,000 line of credit agreement that expires January 31, 2017. The line of credit bears interest at LIBOR plus 3% (3.46% at June 30, 2016). The note is secured by The Archdiocese of Louisville's guarantee. There were no amounts outstanding at June 30, 2016 and 2015.

**Archdiocese of Louisville  
(Chancery and Certain Entities)  
Notes to Combined Financial Statements (Continued)  
June 30, 2016 and 2015**

**Note M - Notes Payable**

Long-term debt is summarized as follows:

	<u>2016</u>	<u>2015</u>
Ford Credit:		
Note payable in monthly installments of \$757, plus interest at 9.49%, matured in December 2015.	\$ -	\$ 4,420
Tiger Leasing:		
Note payable in monthly installments of \$383, including interest at 14.44%, maturing in January 2017. Secured by equipment.	<u>2,556</u>	<u>6,470</u>
	<u>\$ 2,556</u>	<u>\$ 10,890</u>

The following is a schedule of maturity requirements on long-term debt as of June 30, 2016:

<u>Year Ending June 30</u>	<u>Amount</u>
2017	<u>\$ 2,556</u>
Total	<u>\$ 2,556</u>

**Note N - Lease Obligations**

Catholic Charities is a party to a month-to-month building lease and storage lease which requires monthly payments of approximately \$800 and \$121, respectively.

During June 2015, Catholic Charities entered into a lease agreement with Catholic Charities, Diocese of Covington for the use of office space. The lease requires payments of \$1,200 per month to be made on a biannual basis.

During November 2014, Catholic Charities entered into a lease agreement with Catholic Charities, Diocese of Lexington for the use of office space. The lease requires payments of \$1,000 per month to be made on a biannual basis.

During the year ended June 30, 2010, Catholic Charities entered into a lease agreement with the Archdiocese of Louisville/Roman Catholic Bishop of Louisville, Inc. ("RCBL"), a Corporation Sole. The terms of the agreement allow Catholic Charities to lease from RCBL the entire campus of a parish church. The term of the lease is 25 years at an annual payment of \$1.

The Archdiocese will periodically lease/rent other items on an as needed basis. Total rent expense for the years ended June 30, 2016 and 2015 was \$66,167 and \$76,737, respectively.

**Note O - 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, 2016 and 2015, were \$9,255,562 and \$7,878,713, respectively. Assessments receivable, net of allowance for doubtful accounts and discounts, at June 30, 2016 and 2015, were \$457,120 and \$210,830, respectively, and are included in accounts receivable in the combined statements of financial position. See Note E for additional information.

**Archdiocese of Louisville  
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Notes to Combined Financial Statements (Continued)  
June 30, 2016 and 2015**

**Note O - Related Party Transactions and Guarantees (Continued)**

The Chancery provides support to various schools and missions located within the Archdiocese. The total support provided for the years ended June 30, 2016 and 2015, was \$2,716,940 and \$1,209,208, respectively. The increase is largely due to the Catholic school tuition assistance initiative which will provide financial assistance to qualifying student families. This initiative was funded by a 1% assessment placed on gross parish income.

Related party notes receivable consist of amounts due from clergy, parishes, and Catholic schools. At June 30, 2016 and 2015, such receivables totaled \$7,800,893 and \$9,654,703, respectively. Related party notes receivable at June 30, 2016 and 2015, are net of a discount to estimated present value of future payments of \$54,556 and \$53,877, respectively. No allowance for uncollectible notes receivable was determined necessary, however, a discount rate of 3.5% was used for each of the years ended June 30, 2016 and 2015. The original maturity dates vary from on demand to seven years. See Note H for additional information.

Related party notes payable consist of amounts due to parishes, Catholic schools and other organizations. At June 30, 2016 and 2015, such payables totaled \$51,496,455 and \$49,049,264, respectively. See Note H for additional information.

The Chancery is a guarantor on \$300,000 in lines of credit to two Catholic high schools. There were \$65,000 in borrowings against these lines of credit at June 30, 2016.

The Chancery is a guarantor for approximately \$25,200,000 in bank loans to parishes of the Archdiocese of Louisville at June 30, 2016. The parishes used the funds as a source of financing for capital projects. Terms of the loans and lines of credit range from one 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 \$3,000,000 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, 2016, was approximately \$860,000.

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. The balance of the bond was \$10,100,000 at June 30, 2012. In March 2013, an unsecured bank qualified bond in the amount of \$10,000,000 was issued as a replacement. The 2013 bond document contained certain covenants for which compliance is required by the Archdiocese, St. Bernadette Parish and St. Mary Academy. The balance of the bond was \$9,987,129 at June 30, 2016.

During the year ended June 30, 2015, St. Francis Desales High School, through the city of Shively, was the recipient of a \$5 million Revenue Bond, Series 2015. Total borrowings were \$3,128,729 and \$391,842 as of June 30, 2016 and 2015, respectively. The Archdiocese is the guarantor on this bond.

**Archdiocese of Louisville  
 (Chancery and Certain Entities)  
 Notes to Combined Financial Statements (Continued)  
 June 30, 2016 and 2015**

**Note P - Retirement Benefits**

Employees and Active Clergy:

The Archdiocese has a 401(k) plan that covers Archdiocesan 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 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 \$491,000 and \$468,000 to the Plan for the years ended June 30, 2016 and 2015, 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 .84% for both years ended June 30, 2016 and 2015. The assessment income for retirement benefits from the parishes was approximately \$1,051,000 and \$1,035,000 for the years ended June 30, 2016 and 2015, respectively, and is included in the total of parish assessments in the combined statements of activities. Remaining designated net assets for retirement benefits at June 30, 2016 and 2015, were \$2,298,914 and \$2,939,369, respectively.

Benefits paid to retired clergy for the years ended June 30, 2016 and 2015 follow:

	<u>2016</u>	<u>2015</u>
Clergy retirement benefits	\$ 1,756,919	\$ 1,755,386
Supplemental medical coverage	<u>206,543</u>	<u>163,106</u>
Total	<u>\$ 1,963,462</u>	<u>\$ 1,918,492</u>

**Note Q - 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.



**Archdiocese of Louisville  
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**Note R - 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, 2016 and 2015, was \$5,911,018 and \$5,542,857 respectively.

**Note S - Archbishop Designated Net Assets**

Archbishop designated net assets are designated for the following purposes:

	<u>2016</u>	<u>2015</u>
Closed parishes	\$ 791,467	\$ 943,924
Clergy pension	2,298,914	2,939,369
Catholic Foundation of Louisville, Inc.	6,369,997	7,112,169
Other	135,641	61,779
Total	<u>\$ 9,596,019</u>	<u>\$ 11,057,241</u>

**Note T -Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

	<u>June 30, 2015</u>	<u>Contributions</u>	<u>Investment Income</u>	<u>Change in Beneficial Interest</u>	<u>Released from Restrictions / Other Changes</u>	<u>June 30, 2016</u>
Poverty assistance	\$ 604,094	\$ 282,584	\$ 1,569	\$ -	\$ (391,125)	\$ 497,122
Seminarian and priest education	903,610	576,065	8,491	-	(409,103)	1,079,063
Specific operations	194,422	-	951	-	(12,000)	183,373
School scholarships	373,291					373,291
Maintenance and care of gravesites	664,377	-	27,426	-	(5,550)	686,253
Mission promotions	418,448	2,513	1,817	-	(154,223)	268,555
Hersche Trust	555,794	-	-		(17,394)	538,400
Food service program	272,132	174,825	1,768		(148,169)	300,556
Multicultural ministry	560,475	547	2,502		(88,741)	474,783
Other	417,283	36,098	6,625	(34,752)	(247,695)	177,559
Total	<u>\$ 4,963,926</u>	<u>\$ 1,072,632</u>	<u>\$ 51,149</u>	<u>\$ (34,752)</u>	<u>\$(1,474,000)</u>	<u>\$ 4,578,955</u>

**Archdiocese of Louisville  
(Chancery and Certain Entities)  
Notes to Combined Financial Statements (Continued)  
June 30, 2016 and 2015**

**Note T -Restricted Net Assets (Continued)**

	June 30, 2014	Contributions	Investment Income	Change in Beneficial Interest	Released from Restrictions / Other Changes	June 30, 2015
Poverty assistance	\$ 648,206	\$ 127,722	\$ 2,244	\$ -	\$ (174,078)	\$ 604,094
Seminarian and priest education	962,405	28,692	8,568	(18,283)	(77,772)	903,610
Specific operations	205,422	-	1,000	-	(12,000)	194,422
School scholarships	502,723	-	4,769	-	(134,201)	373,291
Maintenance and care of gravesites	643,281	-	26,324	-	(5,228)	664,377
Mission promotions	578,719	3,319	2,557	-	(166,147)	418,448
Hersche Trust	554,442	1,352	-	-	-	555,794
Food service program	252,186	167,838	1,523	-	(149,415)	272,132
Multicultural ministry	649,548	-	2,906	-	(91,979)	560,475
Other	866,771	1,041,964	25,459	1,253	(1,518,164)	417,283
<b>Total</b>	<b>\$ 5,863,703</b>	<b>\$ 1,370,887</b>	<b>\$ 75,350</b>	<b>\$ (17,030)</b>	<b>\$(2,328,984)</b>	<b>\$ 4,963,926</b>

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

	June 30, 2014	Contributions	Closed Fund	Change in Beneficial Interest	June 30, 2015	Contributions	Change in Beneficial Interest	June 30, 2016
Seminarian and priest education	\$ 1,181,902	\$ -	\$ -	\$ -	\$ 1,181,902	\$ -	\$ -	\$ 1,181,902
Maintenance and care of gravesites	692,575	1,000	-	-	693,575	1,252	-	694,827
School scholarships	696,187	-	(183,287)	-	512,900	-	-	512,900
Poverty assistance	525,030	-	(8,873)	(6,906)	509,251	-	(28,831)	480,420
Other	89,981	861	(14,127)	-	76,715	-	-	76,715
<b>Total</b>	<b>\$ 3,185,675</b>	<b>\$ 1,861</b>	<b>\$ (206,287)</b>	<b>\$ (6,906)</b>	<b>\$ 2,974,343</b>	<b>\$ 1,252</b>	<b>\$ (28,831)</b>	<b>\$ 2,946,764</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:

	2016	2015
Investment in marketable securities	\$ 2,559,697	\$ 2,569,918
Beneficial interest in third-party trusts	387,067	404,425
	<b>\$ 2,946,764</b>	<b>\$ 2,974,343</b>

**Archdiocese of Louisville**  
**(Chancery and Certain Entities)**  
**Notes to Combined Financial Statements (Continued)**  
**June 30, 2016 and 2015**

**Note U - Functional Expenses**

A summary of expenses by functional classification, net of eliminations, for the years ended June 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
<b>Chancery (post eliminations)</b>		
<b>Program</b>		
Retired Priest, Other Clergy and Seminarians	\$ 2,996,273	\$ 2,922,311
Archdiocesan Communications Center	1,866,152	1,849,973
Office of Lifelong Learning and Education	1,433,309	1,357,432
Campus Ministries	137,122	136,236
Education Grants	2,215,428	1,060,066
Office of Multicultural Ministries	593,620	541,040
Other Grants	822,945	876,280
Family Ministries	409,736	366,274
Tribunal Office	336,039	326,418
Grants to Other Catholic Organizations	287,592	272,684
Worship Office	237,872	227,663
Other Archdiocesan support	301,036	315,823
Vocation Office	202,237	195,633
Diaconate Office	260,519	202,631
Priest Personnel	153,022	154,869
Evangelization	108,158	105,504
	<u>12,361,060</u>	<u>10,910,837</u>
<b>Supporting Activities</b>		
Administrative Support	3,132,373	3,476,820
Other Interest Expense	167,016	166,216
	<u>3,299,389</u>	<u>3,643,036</u>
<b>Fundraising Expense</b>		
Office of Mission Advancement	629,695	395,305
	<u>629,695</u>	<u>395,305</u>
<b>Total Expenses Chancery</b>	<b>16,290,144</b>	<b>14,949,178</b>
<b>Deposit and Loan Fund (post eliminations)</b>	<b>408,017</b>	<b>403,409</b>

**Archdiocese of Louisville  
(Chancery and Certain Entities)  
Notes to Combined Financial Statements (Continued)  
June 30, 2016 and 2015**

**Note U - Functional Expenses (Continued)**

	2016	2015
	<u>                    </u>	<u>                    </u>
<b>Catholic Cemeteries (post eliminations)</b>		
<b>Program</b>		
Cemetery Operations	\$ 1,721,782	\$ 1,611,353
Cost of Sales	<u>342,987</u>	<u>363,093</u>
	2,064,769	1,974,446
<b>Supporting activities</b>		
Administrative services	463,827	445,842
<b>Total Expenses Catholic Cemeteries</b>	<b>2,528,596</b>	<b>2,420,288</b>
<b>Catholic Charities (post eliminations)</b>		
<b>Program</b>		
Refugee programs	12,732,407	10,801,090
Language and immigration legal services	1,209,780	1,222,563
Case management services	1,617,001	1,591,215
Catholic identity and external relations	<u>280,898</u>	<u>240,717</u>
	15,840,086	13,855,585
<b>Supporting Activities</b>		
Administrative services	808,997	437,917
<b>Fundraising Expense</b>	<u>110,480</u>	<u>254,176</u>
<b>Total Expenses Catholic Charities</b>	<b>16,759,563</b>	<b>14,547,678</b>
<b>Catholic Foundation of Louisville, Inc. (post eliminations)</b>	<b>53,674</b>	<b>122,499</b>
<b>Total Expenses Combined</b>	<b><u>\$ 36,039,994</u></b>	<b><u>\$ 32,443,052</u></b>

**Note V - Reclassifications**

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the previously reported change in net assets or total net assets.

**Note W - Subsequent Event**

Archdiocese of Louisville, through the city of Audubon Park, was the recipient of a \$5,000,000 revenue bond series 2016 in July 2016 to be used for renovation and construction of the new Pastoral Center for the Diocese.

## **Supplementary Information**

**Archdiocese of Louisville**  
**(Chancery and Certain Entities)**  
**Combining Statements of Financial Position**  
**June 30, 2016**

	Chancery	Deposit and Loan Fund	Catholic Cemeteries	Catholic Charities	Catholic Foundation	Eliminations	Combined
<b>Assets</b>							
Assets							
Cash and cash equivalents	\$ 6,074,827	\$ -	\$ 581,378	\$ 234,627	\$ 392	\$ -	\$ 6,891,224
Investments	107,282,264	-	925,398	-	6,369,606	-	114,577,268
Accrued interest receivable on investments	323,813	-	-	-	-	-	323,813
Accounts receivable, net	1,855,224	-	281,363	721,075	-	(504)	2,857,158
Pledges receivable, net	7,411	-	-	-	-	-	7,411
Grants and other receivables	-	-	-	702,625	-	-	702,625
Prepaid expenses	98,875	-	24,007	42,429	-	-	165,311
Inventories	-	-	26,540	32,358	-	-	58,898
Notes receivable - parishes and other related parties, net	1,162,956	6,637,937	-	-	-	-	7,800,893
Accrued interest receivable on notes receivable	16,076	251,086	-	-	-	-	267,162
Beneficial interest in third-party trusts	387,067	-	-	993,819	-	-	1,380,886
Cemetery lot development costs	-	-	733,948	-	-	-	733,948
Mausoleums, columbariums, and lots	-	-	5,119,962	-	-	-	5,119,962
Property and equipment, net	5,053,570	-	1,502,226	706,144	-	-	7,261,940
Interfund receivables	-	49,547,444	9,217,595	-	-	(58,765,039)	-
<b>Total Assets</b>	<b>\$ 122,262,083</b>	<b>\$ 56,436,467</b>	<b>\$ 18,412,417</b>	<b>\$ 3,433,077</b>	<b>\$ 6,369,998</b>	<b>\$ (58,765,543)</b>	<b>\$ 148,148,499</b>

**Archdiocese of Louisville**  
**(Chancery and Certain Entities)**  
**Combining Statements of Financial Position (Continued)**  
**June 30, 2016**

	Chancery	Deposit and Loan Fund	Catholic Cemeteries	Catholic Charities	Catholic Foundation	Eliminations	Combined
<b>Liabilities and Net Assets</b>							
Liabilities							
Accounts payable and accrued expenses	\$ 1,107,782	\$ -	\$ 120,015	\$ 1,219,028	\$ -	\$ (504)	\$ 2,446,321
Collections payable	389,011	-	-	-	-	-	389,011
Deferred revenue	62,150	-	1,043,237	394,200	-	-	1,499,587
Interfund payables	49,547,444	9,217,595	-	-	-	(58,765,039)	-
Notes payable	-	-	-	2,556	-	-	2,556
Notes payable - parishes and other related parties	7,124,649	44,371,806	-	-	-	-	51,496,455
Total Liabilities	58,231,036	53,589,401	1,163,252	1,615,784	-	(58,765,543)	55,833,930
Net Assets							
Unrestricted net assets							
Invested in property and equipment	5,053,570	-	1,502,226	703,588	-	-	7,259,384
Expendable net assets	50,724,725	2,847,066	8,454,841	(4,203)	-	-	62,022,429
Designated net assets	3,226,021	-	-	-	6,369,998	-	9,596,019
Regulatory restricted - perpetual care endowment	-	-	5,911,018	-	-	-	5,911,018
Total Unrestricted Net Assets	59,004,316	2,847,066	15,868,085	699,385	6,369,998	-	84,788,850
Temporarily restricted	3,230,212	-	686,253	662,490	-	-	4,578,955
Permanently restricted	1,796,519	-	694,827	455,418	-	-	2,946,764
Total Net Assets	64,031,047	2,847,066	17,249,165	1,817,293	6,369,998	-	92,314,569
Total Liabilities and Net Assets	<u>\$ 122,262,083</u>	<u>\$ 56,436,467</u>	<u>\$ 18,412,417</u>	<u>\$ 3,433,077</u>	<u>\$ 6,369,998</u>	<u>\$ (58,765,543)</u>	<u>\$ 148,148,499</u>

**Archdiocese of Louisville**  
**(Chancery and Certain Entities)**  
**Combining Statements of Financial Position**  
**June 30, 2015**

	Chancery	Deposit and Loan Fund	Catholic Cemeteries	Catholic Charities	Catholic Foundation	Eliminations	Combined
<b>Assets</b>							
Assets							
Cash and cash equivalents	\$ 6,317,460	\$ -	\$ 682,672	\$ 205,542	\$ 500	\$ -	\$ 7,206,174
Investments	107,749,483	-	807,393	-	7,108,538	-	115,665,414
Accrued interest receivable on investments	49,086	-	-	-	-	-	49,086
Accounts receivable, net	1,331,986	-	248,033	357,791	3,131	(3,131)	1,937,810
Pledges receivable, net	236,584	-	-	-	-	-	236,584
Grants and other receivables	-	-	-	1,112,030	-	-	1,112,030
Prepaid expenses	105,826	-	28,422	14,315	-	-	148,563
Inventories	-	-	27,412	54,518	-	-	81,930
Notes receivable - parishes and other related parties, net	1,263,697	8,391,006	-	-	-	-	9,654,703
Accrued interest receivable on notes receivable	24,702	641,759	-	-	-	-	666,461
Beneficial interest in third-party trusts	404,425	-	-	1,040,044	-	-	1,444,469
Cemetery lot development costs	-	-	4,003,434	-	-	-	4,003,434
Mausoleums, columbariums, and lots	-	-	862,251	-	-	-	862,251
Property and equipment, net	2,774,706	-	1,263,526	743,024	-	-	4,781,256
Interfund receivables	-	45,718,178	9,808,324	-	-	(55,526,502)	-
<b>Total Assets</b>	<b>\$ 120,257,955</b>	<b>\$ 54,750,943</b>	<b>\$ 17,731,467</b>	<b>\$ 3,527,264</b>	<b>\$ 7,112,169</b>	<b>\$ (55,529,633)</b>	<b>\$ 147,850,165</b>



**Archdiocese of Louisville**  
**(Chancery and Certain Entities)**  
**Combining Statements of Financial Position (Continued)**  
**June 30, 2015**

	Chancery	Deposit and Loan Fund	Catholic Cemeteries	Catholic Charities	Catholic Foundation	Eliminations	Combined
<b>Liabilities and Net Assets</b>							
Liabilities							
Accounts payable and accrued expenses	\$ 977,636	\$ -	\$ 100,332	\$ 1,038,831	\$ -	\$ (3,131)	\$ 2,113,668
Pledges payable, net	181,387	-	-	-	-	-	181,387
Collections payable	237,804	-	-	-	-	-	237,804
Deferred revenue	223,723	-	918,109	291,797	-	-	1,433,629
Interfund payables	45,718,178	9,808,324	-	-	-	(55,526,502)	-
Notes payable	-	-	-	10,890	-	-	10,890
Notes payable - parishes and other related parties	6,973,570	42,075,694	-	-	-	-	49,049,264
<b>Total Liabilities</b>	<b>54,312,298</b>	<b>51,884,018</b>	<b>1,018,441</b>	<b>1,341,518</b>	<b>-</b>	<b>(55,529,633)</b>	<b>53,026,642</b>
Net Assets							
Unrestricted net assets							
Invested in property and equipment	2,774,706	-	1,263,526	732,134	-	-	4,770,366
Expendable net assets	53,837,460	2,866,925	8,548,691	261,714	-	-	65,514,790
Designated net assets	3,945,072	-	-	-	7,112,169	-	11,057,241
Regulatory restricted - perpetual care endowment	-	-	5,542,857	-	-	-	5,542,857
<b>Total Unrestricted Net Assets</b>	<b>60,557,238</b>	<b>2,866,925</b>	<b>15,355,074</b>	<b>993,848</b>	<b>7,112,169</b>	<b>-</b>	<b>86,885,254</b>
Temporarily restricted	3,591,900	-	664,377	707,649	-	-	4,963,926
Permanently restricted	1,796,519	-	693,575	484,249	-	-	2,974,343
<b>Total Net Assets</b>	<b>65,945,657</b>	<b>2,866,925</b>	<b>16,713,026</b>	<b>2,185,746</b>	<b>7,112,169</b>	<b>-</b>	<b>94,823,523</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 120,257,955</b>	<b>\$ 54,750,943</b>	<b>\$ 17,731,467</b>	<b>\$ 3,527,264</b>	<b>\$ 7,112,169</b>	<b>\$ (55,529,633)</b>	<b>\$ 147,850,165</b>

**Archdiocese of Louisville**  
**(Chancery and Certain Entities)**  
**Combining Statements of Activities**  
**For the Year Ended June 30, 2016**

	Chancery	Deposit and Loan Fund	Catholic Cemeteries	Catholic Charities	Catholic Foundation	Eliminations	Combined
Revenue, Support, and Gains							
Donations, bequests, and grants	\$ 1,084,384	\$ -	\$ 1,893	\$ 15,116,716	\$ 61,230	\$ (1,196,633)	\$ 15,067,590
Parish assessments	9,383,590	-	-	-	-	(128,028)	9,255,562
Special collections	432,323	-	-	-	-	-	432,323
Burial sales, net	-	-	2,037,064	-	-	-	2,037,064
Catholic Services Appeal	3,584,708	-	-	-	-	-	3,584,708
Fee income	122,772	-	1,113,489	1,251,418	-	-	2,487,679
Program and activity income	557,752	-	-	46,834	-	-	604,586
Rental income	229,077	-	26,175	-	-	(46,498)	208,754
Advertising income	587,085	-	-	-	-	-	587,085
Investment income, net	2,109,504	388,158	6,245	(4,557)	113,712	-	2,613,062
Unrealized loss in market value of investments	(4,493,959)	-	-	-	(227,219)	-	(4,721,178)
Realized gain (loss) on sale of investments	1,681,523	-	-	-	(336,220)	-	1,345,303
Other income	839,106	-	7,897	26,924	-	(781,842)	92,085
Decrease in value of split interest agreements	(17,358)	-	-	(46,225)	-	-	(63,583)
<b>Total Revenues, Support, and Gains</b>	<b>\$ 16,100,507</b>	<b>\$ 388,158</b>	<b>\$ 3,192,763</b>	<b>\$ 16,391,110</b>	<b>\$ (388,497)</b>	<b>\$ (2,153,001)</b>	<b>\$ 33,531,040</b>

Archdiocese of Louisville

(Chancery and Certain Entities)

Combining Statements of Activities (Continued)

For the Year Ended June 30, 2016

	Chancery	Deposit and Loan Fund	Catholic Cemeteries	Catholic Charities	Catholic Foundation	Eliminations	Combined
Expenses and Losses							
Salary expense	\$ 4,696,881	\$ -	\$ 1,246,073	\$ 3,428,550	\$ -	\$ -	\$ 9,371,504
Payroll added expense	1,449,434	-	361,267	892,449	-	-	2,703,150
Clergy retirement benefits	1,756,919	-	-	-	-	-	1,756,919
Mileage and expense allowance	240,597	-	2,470	244,545	-	-	487,612
Education expense	777,335	-	609	-	-	-	777,944
Rent expense	87,498	-	1,621	23,546	-	(46,498)	66,167
Office supplies and services	914,390	-	91,736	230,754	-	-	1,236,880
Plant and grounds expense	511,027	-	242,842	391,274	-	-	1,145,143
Auto expense	3,278	-	52,434	56,227	-	-	111,939
Public relations, donations, and grants	109,388	-	128,428	-	353,674	(428,028)	163,462
Advertising expense	168,187	-	10,869	-	-	-	179,056
Professional fees and services	449,215	-	27,351	395,960	-	-	872,526
Program and activity expense	722,173	-	-	823,930	-	-	1,546,103
Broadcasting/press expense	437,024	-	-	-	-	-	437,024
Archdiocesan support	1,184,225	-	-	-	-	(896,633)	287,592
Education grants	1,645,203	-	-	-	-	-	1,645,203
Cost of sales	-	-	342,986	-	-	-	342,986
Papal and national organizations	106,552	-	-	-	-	-	106,552
Other grants and direct aid	1,051,955	-	-	9,860,047	-	-	10,912,002
Other restricted expense payments	972,158	-	-	-	-	(781,842)	190,316
Interest expense	143,297	408,017	-	751	-	-	552,065
Depreciation expense	235,223	-	110,793	99,741	-	-	445,757
Bad debt expense	67,967	-	-	224,686	-	-	292,653
Miscellaneous expense	285,191	-	37,145	87,103	-	-	409,439
Total Expenses and Losses	18,015,117	408,017	2,656,624	16,759,563	353,674	(2,153,001)	36,039,994
Change in Net Assets	(1,914,610)	(19,859)	536,139	(368,453)	(742,171)	-	(2,508,954)
Net Assets, Beginning of Year	65,945,657	2,866,925	16,713,026	2,185,746	7,112,169	-	94,823,523
Net Assets, End of Year	\$ 64,031,047	\$ 2,847,066	\$ 17,249,165	\$ 1,817,293	\$ 6,369,998	\$ -	\$ 92,314,569

**Archdiocese of Louisville**  
**(Chancery and Certain Entities)**  
**Combining Statements of Activities**  
**For the Year Ended June 30, 2015**

	Chancery	Deposit and Loan Fund	Catholic Cemeteries	Catholic Charities	Catholic Foundation	Eliminations	Combined
Revenue, Support, and Gains							
Donations, bequests, and grants	\$ 949,339	\$ -	\$ 1,138	\$ 13,177,561	\$ 234,662	\$ (1,370,942)	\$ 12,991,758
Parish assessments	7,987,073	-	-	-	-	(108,360)	7,878,713
Special collections	409,597	-	-	-	-	-	409,597
Burial sales, net	-	-	2,261,601	-	-	-	2,261,601
Catholic Services Appeal	3,228,730	-	-	-	-	-	3,228,730
Fee income	135,550	-	1,101,365	1,281,825	-	-	2,518,740
Program and activity income	330,652	-	-	10,193	-	-	340,845
Rental income	229,739	-	18,700	2,200	-	(46,498)	204,141
Advertising income	554,232	-	-	-	-	-	554,232
Investment income, net	2,005,087	384,311	4,637	51,038	118,781	-	2,563,854
Unrealized loss in market value of investments	(7,685,754)	-	-	-	(285,012)	-	(7,970,766)
Realized gain on sale of investments	4,308,487	-	-	-	115,489	-	4,423,976
Other income	102,568	-	5,878	29,167	-	-	137,613
Decrease in value of split interest agreements	(18,283)	-	-	(5,653)	-	-	(23,936)
<b>Total Revenues, Support, and Gains</b>	<b>\$ 12,537,017</b>	<b>\$ 384,311</b>	<b>\$ 3,393,319</b>	<b>\$ 14,546,331</b>	<b>\$ 183,920</b>	<b>\$ (1,525,800)</b>	<b>\$ 29,519,098</b>

**Archdiocese of Louisville**  
**(Chancery and Certain Entities)**  
**Combining Statements of Activities (Continued)**  
**For the Year Ended June 30, 2015**

	Chancery	Deposit and Loan Fund	Catholic Cemeteries	Catholic Charities	Catholic Foundation	Eliminations	Combined
<b>Expenses and Losses</b>							
Salary expense	\$ 4,595,145	\$ -	\$ 1,171,291	\$ 3,283,465	\$ -	\$ -	\$ 9,049,901
Payroll added expense	1,102,040	-	339,565	827,627	-	-	2,269,232
Clergy retirement benefits	1,755,386	-	-	-	-	-	1,755,386
Mileage and expense allowance	594,335	-	6,182	241,204	-	-	841,721
Education expense	603,305	-	530	-	-	-	603,835
Rent expense	87,498	-	1,785	33,952	-	(46,498)	76,737
Office supplies and services	828,294	-	77,947	237,166	-	-	1,143,407
Plant and grounds expense	527,515	-	208,667	407,137	-	-	1,143,319
Auto expense	6,038	-	57,643	55,723	-	-	119,404
Public relations, donations, and grants	115,406	-	108,360	-	422,499	(408,360)	237,905
Advertising expense	166,740	-	10,937	-	-	-	177,677
Professional fees and services	208,231	-	20,642	305,438	-	-	534,311
Program and activity expense	530,633	-	-	778,595	-	-	1,309,228
Broadcasting/press expense	449,630	-	-	-	-	-	449,630
Archdiocesan support	1,343,626	-	-	-	-	(1,070,942)	272,684
Education grants	405,000	-	-	-	-	-	405,000
Cost of sales	-	-	363,093	-	-	-	363,093
Papal and national organizations	105,559	-	-	-	-	-	105,559
Other grants and direct aid	1,425,787	-	-	8,259,331	-	-	9,685,118
Other restricted expense payments	273,533	-	-	-	-	-	273,533
Interest expense	-	403,409	-	2,162	-	-	405,571
Depreciation expense	250,766	-	108,946	78,936	-	-	438,648
Bad debt expense	365,460	-	-	-	-	-	365,460
Miscellaneous expense	326,691	-	53,060	36,942	-	-	416,693
<b>Total Expenses and Losses</b>	<b>16,066,618</b>	<b>403,409</b>	<b>2,528,648</b>	<b>14,547,678</b>	<b>422,499</b>	<b>(1,525,800)</b>	<b>32,443,052</b>
<b>Changes in Net Assets</b>	<b>(3,529,601)</b>	<b>(19,098)</b>	<b>864,671</b>	<b>(1,347)</b>	<b>(238,579)</b>	<b>-</b>	<b>(2,923,954)</b>
<b>Net Assets, Beginning of Year</b>	<b>69,475,258</b>	<b>2,886,023</b>	<b>15,848,355</b>	<b>2,187,093</b>	<b>7,350,748</b>	<b>-</b>	<b>97,747,477</b>
<b>Net Assets, End of Year</b>	<b>\$ 65,945,657</b>	<b>\$ 2,866,925</b>	<b>\$ 16,713,026</b>	<b>\$ 2,185,746</b>	<b>\$ 7,112,169</b>	<b>\$ -</b>	<b>\$ 94,823,523</b>

**Archdiocese of Louisville  
(Chancery and Certain Entities)  
Combined Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016**

<b>Federal Grantor/Pass Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Agency or Pass-through Number</b>	<b>Pass-through to Sub- Recipients</b>	<b>Total Federal Expenditures</b>
<b>Archdiocese of Louisville:</b>				
<b>Department of Agriculture</b>				
Pass-through-Commonwealth of Kentucky				
Department of Education:				
Child Nutrition Cluster				
National School Lunch Program	10.555	10186	\$ 708,418	\$ 708,418
School Breakfast Program	10.553		8,584	8,584
Special Milk Program	10.556		17,661	17,661
Total from Department of Education			<u>734,663</u>	<u>734,663</u>
Pass-through-Commonwealth of Kentucky				
Department of Agriculture:				
National School Lunch Program - Commodities Distribution Program	10.555	4002630	414,089	414,089
<b>Total Expenditures of Federal Awards-Archdiocese of Louisville</b>			<u><b>1,148,752</b></u>	<u><b>1,148,752</b></u>
<b>Catholic Charities of Louisville, Inc.:</b>				
<b>Department of Health and Human Services:</b>				
Refugee and Entrant Assistance - State Administered (Refugee Social Services)	93.566	1301KYRSOC 1401KYRSOC 1501KYRSOC		51,805 452,413 1,185,971
			<u>1,144,304</u>	<u>1,690,189</u>
Services for Elderly Refugees Set Aside	93.566	1601KYRSOC	56,625	72,878
Cuban/Haitian Refugees Set Aside	93.566	1601KRRSOC	303,101	335,138
Refugee and Entrant Assistance - Refugee Cash and Medical Assistance Program	93.566	1501KYRCMA 1601KYRCMA		409,141 1,376,368
			<u>-</u>	<u>1,785,509</u>
Subtotal	93.566		<u>1,504,030</u>	<u>3,883,714</u>
Refugee and Entrant Assistance - Wilson/Fish Program	93.583	90RW0036/05 90RW0045/01		862,570 3,346,075
			<u>771,369</u>	<u>4,208,645</u>
Refugee and Entrant Assistance - Refugee Targeted Assistance	93.584	14A1KYRTAG 15A1KYRTAG		296,922 717,869
			<u>642,876</u>	<u>1,014,791</u>
Refugee and Entrant Assistance - Discretionary Grants				
Centers for Disease Control and Prevention - Investigation and Technical Assistance	93.283	5U50CK000288-03	22,444	22,444
Surveillance for Diseases Among Immigrants and Refugees Financed in Part by Prevention and Public Health Funds	93.755	5U50CK000288-04 3U50CK000288-04S1		66,072 52,205
			<u>83,241</u>	<u>118,277</u>
Services for Elderly Refugees	93.576	90RL0169/03	23,135	30,938

Archdiocese of Louisville  
(Chancery and Certain Entities)  
Combined Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2016

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass-through Number	Pass-through to Sub- Recipients	Federal Expenditures
<b>Department of Health and Human Services (Continued):</b>				
Refugee School Impact Grant	93.576	90ZE0215/01 90ZE0215/02		236,046 189,678 <u>425,724</u>
			382,250	
Preventive Health	93.576	90RX0259/01 90RX0259/02		40,506 94,524 <u>135,030</u>
			23,806	
Cuban/Haitian Refugees & Entrant	93.576	90RQ0042/03	-	<u>117,065</u>
Targeted Assistance	93.576	90RT0164/02 90RT0164/03		43,422 111,653 <u>155,075</u>
			146,616	
Subtotal	93.576		575,807	863,832
KY Tri-City Rescue and Restore Project	93.598	90ZV0103/01 90ZV0103/02		50,190 131,904 <u>182,094</u>
			-	
Total Refugee and Entrant Assistance - Discretionary Grants			681,492	<u>1,186,647</u>
<b>Total received directly from the Department of Health and Human Services</b>			<u>3,599,767</u>	<u>10,293,797</u>
Passed through the United States Catholic Conference of Bishops Bishops Migration and Refugee Services:				
Voluntary Agency Matching Grant Program	93.567	90RV00305		<u>412,070</u>
Total passed through from the United States Catholic Conference of Bishops			-	<u>412,070</u>
Passed through the Kentuckiana Regional Planning and Development Agency				
Elder Abuse, Title VII	93.041	M05186930(KATH)		11,382
Long-Term Care Ombudsman Title VII	93.042	M05186930(KATH)		19,115
Grants for Supportive Services Title III-B	93.044	M05186930(KATH)		<u>38,873</u>
Total passed through from the Kentuckiana Regional Planning and Development Agency			-	69,370
<b>Total from Department of Health and Human Services</b>			<u>3,599,767</u>	<u>10,775,237</u>
<b>Department of State</b>				
Passed through the United States Catholic Conference of Bishops Migration and Refugee Services:				
Refugee Admissions Program	19.510			<u>1,355,115</u>
<b>Total from Department of State</b>			-	<u>1,355,115</u>
<b>Department of Homeland Security</b>				
Passed through the United States Catholic Conference of Bishops Migration and Refugee Services:				
Cuban/Haitian Entrant Program	97.009			<u>373,653</u>
<b>Total from Department of Homeland Security</b>			-	<u>373,653</u>

Archdiocese of Louisville  
(Chancery and Certain Entities)  
**Combined Schedule of Expenditures of Federal Awards (Continued)**  
For the Year Ended June 30, 2016

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass-through Number	Pass-through to Sub- Recipients	Federal Expenditures
<b>Department of Justice</b>				
Passed through the Commonwealth of Kentucky Justice and Public Safety Cabinet Collaborative Legal Services for Immigrant Victims of Domestic Abuse	16.588	6784-VA3-1/07	-	25,639
Passed through the Commonwealth of Kentucky Justice and Public Safety Cabinet Case Management and Victims of Human Trafficking	16.320	VAWA-2014-00218	-	51,395
Passed through the Commonwealth of Kentucky Justice and Public Safety Cabinet OVC Service of Victims of Human Trafficking	16.320		-	239,363
Subtotal	16.320		-	290,758
<b>Total from Department of Justice</b>			-	<b>316,397</b>
<b>Department of Transportation</b>				
Passed through the Transit Authority of River City Job Access and Reverse Commute (JARC)	20.516	37-X017	-	14,192
<b>Total from Department of Transportation</b>			-	<b>14,192</b>
<b>Department of Agriculture</b>				
Passed through the University of Kentucky Research Foundation KYFarm Start II: A Whole Farm Mgmt. Education Program for Beginning Farmers	10.311	2012-49400-19557	-	1,421
<b>Total from Department of Agriculture</b>			-	<b>1,421</b>
<b>Total Expenditures of Federal Awards - Catholic Charities of Louisville, Inc.</b>			<b>3,599,767</b>	<b>12,836,015</b>
<b>Total Schedule of Expenditures of Federal Awards</b>			<b>\$ 4,748,519</b>	<b>\$ 13,984,767</b>

See accompanying independent auditor's report.



**Archdiocese of Louisville  
(Chancery and Certain Entities)  
Notes to Combined Schedule of Expenditures of Federal Awards  
June 30, 2016**

**Note A - Basis of Presentation**

Reporting entities:

The accompanying combined schedule of expenditures of federal awards includes the federal grant activity of Archdiocese of Louisville (Chancery and Certain Entities) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. When the Archdiocese acts as a pass-through agent, the award monies are reflected on the combined statements of financial position as awards to be received from the federal agencies to be passed to the subrecipients.

Separate entity reporting:

Catholic Charities of Louisville, Inc.'s expenditures of federal awards totaling \$12,836,015 have been audited and reported separately to the Office of Management and Budget and are included in the schedule as required under combination rules.

**Note B - Nonmonetary Assistance**

Nonmonetary assistance value of \$414,089 in the form of U.S. Department of Agriculture food commodities is reported in the combined schedule of expenditures of federal awards based on the commodity prices established by the U.S. Department of Agriculture.

**Note C - Indirect Cost Rate**

The amount expended includes certain costs claimed as an indirect cost recovery using Archdiocese of Louisville's cost allocation plan. The Archdiocese of Louisville (Chancery and Certain Entities) has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note D - Procurement Policy**

The Archdiocese of Louisville (Chancery and Certain Entities) has elected to delay adopting the procurement requirements specified in the Uniform Guidance.



**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Archdiocese of Louisville (Chancery and Certain Entities) (the "Archdiocese"), which comprise the combined statement of financial position as of June 30, 2016, and the related combined statements of activities, and cash flows for the year then ended, and the related notes to the combined financial statements, which comprise the Archdiocese's basic combined financial statements and have issued our report thereon dated September 29, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the combined financial statements, we considered the Archdiocese's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Archdiocese's internal control. Accordingly, we do not express an opinion on the effectiveness of the Archdiocese's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Archdiocese's combined financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards* (Continued)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Archdiocese's combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of combined financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Archdiocese's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Archdiocese's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jeffersonville, Indiana  
September 29, 2016



**Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance**

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

**Report on Compliance for Each Major Federal Program**

We have audited the Archdiocese of Louisville (Chancery and Certain Entities)'s (the "Archdiocese") compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Archdiocese's major federal programs for the year ended June 30, 2016. The Archdiocese's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Archdiocese's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Archdiocese's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Archdiocese's compliance.

**Independent Auditor's Report on Compliance For Each Major Federal Program and Report  
on Internal Control Over Compliance in Accordance with the Uniform Guidance (Continued)**

***Opinion on Each Major Federal Program***

In our opinion, the Archdiocese complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

**Report on Internal Control over Compliance**

Management of the Archdiocese is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Archdiocese's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Archdiocese's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Jeffersonville, Indiana  
September 29, 2016

**Archdiocese of Louisville  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2016**

**Section I - Summary of Auditor's Results**

Combined Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:  
 Material weakness(es) identified? \_\_\_\_\_ yes  X  no  
 Significant deficiency(ies) identified not considered to be  
 material weaknesses? \_\_\_\_\_ yes  X  none reported  
 Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

Federal Awards

Internal control over major programs:  
 Material weakness(es) identified? \_\_\_\_\_ yes  X  no  
 Significant deficiency(ies) identified not considered to be  
 material weaknesses? \_\_\_\_\_ yes  X  none reported

Type of auditors' report issued on compliance for major  
 programs: Unmodified

Any audit findings disclosed that are required to be reported  
 in accordance with the Uniform Guidance? \_\_\_\_\_ yes  X  no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.555	National School Lunch Program
10.555	National School Lunch Program - Commodities Distribution Program
10.553	School Breakfast Program
10.556	Special Milk Program

Dollar threshold used to distinguish between Type A and  
 Type B programs: \$ 750,000

Auditee qualified as a low risk auditee?  X  yes \_\_\_\_\_ no

**Section II - Financial Statement Findings**

None

**Section III - Major Federal Award Programs Audit Findings**

None

**Archdiocese of Louisville  
(Chancery and Certain Entities)  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2016**

None.