

**Archdiocese of Louisville  
(Pastoral Center and Certain Entities)**

**Combined Financial Statements**

**Years Ended June 30, 2018 and 2017**

**Archdiocese of Louisville  
(Pastoral Center and Certain Entities)**

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Years Ended June 30, 2018 and 2017

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## **Independent Auditor's Report**

To Archbishop Joseph E. Kurtz, D.D.  
and Finance Council  
**Archdiocese of Louisville**  
**(Pastoral Center and Certain Entities)**

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

We have audited the accompanying combined financial statements of the Archdiocese of Louisville (Pastoral Center and Certain Entities) (the "Archdiocese"), which comprise the combined statements of financial position as of June 30, 2018 and 2017, 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. 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**

**MCM CPAs & Advisors LLP**  
P 502.749.1900 | F 502.749.1930  
2600 Meidinger Tower | 462 South Fourth Street | Louisville, KY 40202  
www.mcmcpa.com | 888.587.1719  
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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 (Pastoral Center and Certain Entities) as of June 30, 2018 and 2017, 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 audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statements of financial position and the combining statements of activities on pages 29 through 36 are presented for purposes of additional analysis and are not a required part of the combined financial statements of the Archdiocese of Louisville (Pastoral Center 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 audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements of financial position and combining statements of activities are fairly stated, in all material respects, in relation to the combined financial statements as a whole.



Louisville, Kentucky  
September 5, 2018

Archdiocese of Louisville  
(Pastoral Center and Certain Entities)  
**Combined Statements of Financial Position**  
June 30, 2018 and 2017

	2018	2017
<b>Assets</b>		
Assets		
Cash and cash equivalents	\$ 9,813,208	\$ 8,665,283
Investments (Notes C, D and J)	135,972,946	123,533,609
Investments restricted for perpetual care (Notes C, D and Q)	6,725,641	6,336,885
Accrued interest receivable on investments (Note D)	379,445	341,179
Accounts receivable, net (Notes E and N)	1,602,736	2,220,464
Grants and other receivables (Note F)	789,815	1,646,032
Prepaid expenses	149,685	189,378
Inventories	56,337	63,200
Notes receivable - parishes and other related parties, net (Notes G and N)	4,472,943	6,859,243
Accrued interest receivable on notes receivable	259,662	260,254
Beneficial interest in third-party trusts (Notes C, H and S)	1,456,735	1,440,760
Cemetery lot development costs	781,908	767,341
Mausoleums, columbaria, and lots	5,108,604	5,103,072
Property and equipment, net (Note I)	13,127,540	11,269,272
	\$ 180,697,205	\$ 168,695,972
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 1,859,491	\$ 3,111,575
Collections payable	249,516	450,952
Deferred revenue	1,577,005	2,026,203
Notes payable (Note L)	3,236,495	4,041,856
Notes payable/advances - parishes and other related parties, net (Notes G and N)	57,900,043	54,753,372
	64,822,550	64,383,958
Total Liabilities		
Net Assets		
Unrestricted net assets		
Invested in property and equipment	9,891,045	7,227,416
Expendable net assets	72,930,177	68,020,243
Board designated net assets (Note R)	18,425,457	14,653,560
Regulatory restricted - perpetual care fund (Notes J and Q)	6,725,641	6,336,885
	107,972,320	96,238,104
Total Unrestricted Net Assets		
Temporarily restricted (Notes J and S)	4,949,085	5,091,770
Permanently restricted (Notes J and S)	2,953,250	2,982,140
	115,874,655	104,312,014
Total Net Assets		
Total Liabilities and Net Assets		
	\$ 180,697,205	\$ 168,695,972

See accompanying notes.

**Archdiocese of Louisville**  
**(Pastoral Center and Certain Entities)**  
**Combined Statements of Activities**  
**Years Ended June 30, 2018 and 2017**

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Support, and Gains								
Donations, bequests, and grants (Note S)	\$ 10,870,788	\$ 1,434,434	\$ 212	\$ 12,305,434	\$ 15,163,216	\$ 2,190,301	\$ 6,255	\$ 17,359,772
Parish assessments (Notes N and O)	9,337,900	-	-	9,337,900	9,319,095	-	-	9,319,095
Special collections	383,394	-	-	383,394	386,061	-	-	386,061
Burial sales, net	2,141,304	-	-	2,141,304	2,515,163	-	-	2,515,163
Catholic Services Appeal	4,127,444	-	-	4,127,444	3,917,241	-	-	3,917,241
Fee income	2,165,297	-	-	2,165,297	2,498,785	-	-	2,498,785
Program and activity income	533,693	-	-	533,693	412,904	-	-	412,904
Rental income	152,514	-	-	152,514	152,346	-	-	152,346
Advertising income	535,771	-	-	535,771	548,331	-	-	548,331
Investment income, net	2,272,178	58,842	-	2,331,020	1,887,391	48,560	-	1,935,951
Unrealized gain in market value of investments	7,129,287	-	-	7,129,287	11,023,275	-	-	11,023,275
Realized gain (loss) on sale of investments	1,464,816	-	-	1,464,816	(801,350)	-	-	(801,350)
Other income, net	1,388,222	-	-	1,388,222	(446,365)	-	-	(446,365)
Increase (decrease) in value of split interest agreements (Note S)	-	(2,093)	18,068	15,975	-	30,753	29,121	59,874
Net assets released from restrictions	1,681,038	(1,633,868)	(47,170)	-	1,756,799	(1,756,799)	-	-
Total Revenues, Support, and Gains	\$ 44,183,646	\$ (142,685)	\$ (28,890)	\$ 44,012,071	\$ 48,332,892	\$ 512,815	\$ 35,376	\$ 48,881,083

See accompanying notes.

Archdiocese of Louisville  
(Pastoral Center and Certain Entities)  
**Combined Statements of Activities (Continued)**  
**Years Ended June 30, 2018 and 2017**

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses and Losses								
Salary expense	\$ 9,192,062	\$ -	\$ -	\$ 9,192,062	\$ 9,556,917	\$ -	\$ -	\$ 9,556,917
Payroll added expense	2,715,332	-	-	2,715,332	2,654,868	-	-	2,654,868
Clergy retirement benefits (Note O)	1,818,379	-	-	1,818,379	1,786,001	-	-	1,786,001
Mileage and expense allowance	494,145	-	-	494,145	447,932	-	-	447,932
Education expense	887,392	-	-	887,392	836,097	-	-	836,097
Rent expense (Note M)	82,285	-	-	82,285	57,230	-	-	57,230
Office supplies and services	1,244,125	-	-	1,244,125	1,202,629	-	-	1,202,629
Plant and grounds expense	1,139,377	-	-	1,139,377	1,100,360	-	-	1,100,360
Auto expense	95,778	-	-	95,778	100,984	-	-	100,984
Public relations, donations, and grants	212,585	-	-	212,585	227,670	-	-	227,670
Advertising expense	219,128	-	-	219,128	225,527	-	-	225,527
Professional fees and services	696,304	-	-	696,304	598,560	-	-	598,560
Program and activity expense	1,630,175	-	-	1,630,175	1,797,292	-	-	1,797,292
Broadcasting/press expense	439,064	-	-	439,064	436,191	-	-	436,191
Archdiocesan support	297,186	-	-	297,186	294,573	-	-	294,573
Education grants	1,785,827	-	-	1,785,827	1,691,914	-	-	1,691,914
Cost of sales	407,023	-	-	407,023	447,098	-	-	447,098
Papal and national organizations	107,179	-	-	107,179	108,524	-	-	108,524
Other grants and direct aid (Note N)	7,014,878	-	-	7,014,878	11,988,414	-	-	11,988,414
Other restricted expense payments	73,333	-	-	73,333	115,081	-	-	115,081
Interest expense	645,966	-	-	645,966	396,266	-	-	396,266
Depreciation expense (Note I)	790,108	-	-	790,108	419,754	-	-	419,754
Bad debt expense	128,909	-	-	128,909	71,430	-	-	71,430
Miscellaneous expense	332,890	-	-	332,890	322,326	-	-	322,326
Total Expenses and Losses	32,449,430	-	-	32,449,430	36,883,638	-	-	36,883,638
Change in Net Assets	11,734,216	(142,685)	(28,890)	11,562,641	11,449,254	512,815	35,376	11,997,445
Net Assets, Beginning of Year	96,238,104	5,091,770	2,982,140	104,312,014	84,788,850	4,578,955	2,946,764	92,314,569
Net Assets, End of Year	\$ 107,972,320	\$ 4,949,085	\$ 2,953,250	\$ 115,874,655	\$ 96,238,104	\$ 5,091,770	\$ 2,982,140	\$ 104,312,014

See accompanying notes.

**Archdiocese of Louisville**  
**(Pastoral Center and Certain Entities)**  
**Combined Statements of Cash Flows**  
**Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
Change in net assets	\$ 11,562,641	\$ 11,997,445
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	790,108	419,754
Amortization of debt issuance costs	1,808	301
(Gain) loss on disposal of property and equipment	(1,279,456)	398,499
Bad debt expense	128,909	71,430
Change in discount of accounts receivable	-	31,234
Change in discount of pledges receivable	-	24,055
Forgiveness of notes receivable	94,017	214,971
Increase in beneficial interest in third-party trusts	(15,975)	(59,874)
Unrealized gain in market value of investments	(7,129,287)	(11,037,102)
Realized investment (gain) loss	(1,464,816)	801,350
Change in discount of notes receivable	(7,457)	(4,526)
Other Changes:		
(Increase) decrease in		
Accrued interest receivable on investments	(38,266)	(17,366)
Accounts receivable	488,819	534,030
Pledges receivable	-	(16,644)
Grants and other receivables	856,217	(943,407)
Prepaid expenses	39,693	(24,067)
Inventories	6,863	(4,302)
Accrued interest receivable on notes receivable	592	6,908
Mausoleums, columbaria, and lots	(20,099)	(16,503)
Increase (decrease) in		
Accounts payable and accrued expenses	(1,289,438)	40,110
Collections payable	(201,436)	61,941
Deferred revenue	(449,198)	526,616
	<u>\$ 2,074,239</u>	<u>\$ 3,004,853</u>
Net Cash Provided by Operating Activities	<u>\$ 2,074,239</u>	<u>\$ 3,004,853</u>

See accompanying notes.



**Archdiocese of Louisville**  
**(Pastoral Center and Certain Entities)**  
**Combined Statements of Cash Flows (Continued)**  
**Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Net Cash Provided by Operating Activities	\$ 2,074,239	\$ 3,004,853
Cash Flows from Investing Activities		
Purchases of property and equipment	(1,911,578)	(201,915)
Proceeds from sale of property and equipment	1,502,010	43,029
Purchases of investments	(11,337,394)	(23,846,768)
Proceeds from sale of investments	7,103,404	18,789,294
Advances to and repayments on loans to parishes and others, net	<u>2,299,740</u>	<u>946,505</u>
Net Cash Used in Investing Activities	(2,343,818)	(4,269,855)
Cash Flows from Financing Activities		
Principal payments on notes payable	(1,729,167)	(2,556)
Deposits from parishes and others, net	<u>3,146,671</u>	<u>3,041,617</u>
Net Cash Provided by Financing Activities	<u>1,417,504</u>	<u>3,039,061</u>
Increase in Cash and Cash Equivalents	1,147,925	1,774,059
Cash and Cash Equivalents, Beginning of Year	<u>8,665,283</u>	<u>6,891,224</u>
Cash and Cash Equivalents, End of Year	<u>\$ 9,813,208</u>	<u>\$ 8,665,283</u>
Supplemental Cash Flow Disclosure		
Property and equipment financed with debt	\$ 921,998	\$ 4,041,555
Property and equipment included in accounts payable	37,354	625,144
Interest paid	645,966	396,266

See accompanying notes.

**Archdiocese of Louisville  
(Pastoral Center and Certain Entities)  
Notes to Combined Financial Statements  
Years Ended June 30, 2018 and 2017**

**Note A - Nature of Organization**

The Archdiocese of Louisville (Pastoral Center and Certain Entities) (the "Archdiocese") is a religious organization affiliated with the Roman Catholic Church. The Pastoral Center provides support for the administration of pastoral, vocational, educational, and other services to the parish communities of central Kentucky. The Pastoral Center derives its revenue mainly from donations, parish assessments, Catholic Services Appeal, and investment returns. The Pastoral Center 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 funds for the following initiatives: Seminarian Education, Priest Retirement, Parish Assistance, Legacy Fund, Catholic Charities, and Catholic Cemeteries. Catholic Foundation also maintains investments for various parishes that elect to invest through them.

**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 Pastoral Center (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  
(Pastoral Center and Certain Entities)  
Notes to Combined Financial Statements (Continued)  
Years Ended June 30, 2018 and 2017**

**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.
- Board 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 Fund: See Notes J and Q.

*Temporarily Restricted Net Assets* include contributions 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, not designated for a specific purpose.

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  
(Pastoral Center and Certain Entities)  
Notes to Combined Financial Statements (Continued)  
Years Ended June 30, 2018 and 2017**

**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 has 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 is 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 \$510,000 in 2018 and \$439,000 in 2017.

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 at June 30, 2018 are carried at the lower of cost (first-in, first-out) or net realizable value pursuant to the adoption of Accounting Standards Update (ASU) 2015-11, *Inventory (Topic 330) - Simplifying the Measurement of Inventory*. Net realizable value is defined as the estimated selling price of inventory in the ordinary course of business, less reasonably predictable costs of completion, disposal, and/or transportation. At June 30, 2017, inventories are stated at the lower of cost (first-in, first-out) or market. There was no financial statement impact for the adoption of ASU 2015-11 with respect to 2018. Inventories 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 costs incurred in development of mausoleums, columbaria, and gravesites which are in the process of being completed.
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

**Archdiocese of Louisville**  
**(Pastoral Center and Certain Entities)**  
**Notes to Combined Financial Statements (Continued)**  
**Years Ended June 30, 2018 and 2017**

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

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.
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 fair market 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, 2018 and 2017 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 \$219,000 and \$226,000 for the years ended June 30, 2018 and 2017, 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.
17. Recent Accounting Pronouncements: In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This updated guidance changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors and other users. This guidance includes qualitative and quantitative requirements in the following areas: 1) net asset classes; 2) investment return; 3) expenses; 4) liquidity and availability of resources; and 5) presentation of operating cash flows. This standard will be effective for the fiscal year ending June 30, 2019.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the fiscal year ending June 30, 2020.

**Archdiocese of Louisville**  
**(Pastoral Center and Certain Entities)**  
**Notes to Combined Financial Statements (Continued)**  
**Years Ended June 30, 2018 and 2017**

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

17. Recent Accounting Pronouncements (Continued): In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this standard should assist entities in 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and 2) determining whether a contribution is conditional. This standard will be effective for the fiscal year ending June 30, 2020.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the combined statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the combined statement of activities. This standard will be effective for the fiscal year ending June 30, 2021.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of activities will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the fiscal year ending June 30, 2022.

The Archdiocese is currently evaluating this guidance and its related impact on the combined financial statements of the Archdiocese.

18. Reclassifications: Certain amounts presented in the prior year combined financial statements have been reclassified to conform to the current year presentation. Amounts reclassified had no impact on the prior year change in net assets.

**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.

**Archdiocese of Louisville  
(Pastoral Center and Certain Entities)  
Notes to Combined Financial Statements (Continued)  
Years Ended June 30, 2018 and 2017**

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

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, 2018 and 2017.

- *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.
- *Mutual funds*: Valued at quoted market prices in exchange and active markets.
- *Hedge funds*: Valued based on net asset value of units held, which is determined by the investment manager based upon the value of the underlying assets.
- *Beneficial interest in third party trusts*: Valued at the fair value of the underlying investments held in third-party trusts, which is estimated to approximate the present value of future cash flows.

Fair values of financial assets measured on a recurring basis at June 30, 2018, are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 2,654,009	\$ 2,654,009	\$ -	\$ -
Common stocks	85,212,543	85,212,543	-	-
Government backed securities	65,937	-	65,937	-
Corporate bonds and other	37,429,635	37,429,635	-	-
Mutual funds				
Real assets	8,119,186	8,119,186	-	-
Alternative strategies	<u>245,437</u>	<u>245,437</u>	-	-
Total Mutual Funds	8,364,623	8,364,623	-	-
Hedge fund				
Alternative strategies	8,971,840	-	8,971,840	-
Beneficial interest in third-party trusts (Note H)	<u>1,456,735</u>	<u>-</u>	<u>1,456,735</u>	<u>-</u>
	<u>\$144,155,322</u>	<u>\$133,660,810</u>	<u>\$ 10,494,512</u>	<u>\$ -</u>

**Archdiocese of Louisville  
(Pastoral Center and Certain Entities)  
Notes to Combined Financial Statements (Continued)  
Years Ended June 30, 2018 and 2017**

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

Fair values of financial assets measured on a recurring basis at June 30, 2017, are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 2,134,827	\$ 2,134,827	\$ -	\$ -
Common stocks	75,387,461	75,387,461	-	-
Government backed securities	69,494	-	69,494	-
Corporate bonds and other	36,418,522	36,418,522	-	-
Mutual funds				
Real assets	7,566,426	7,566,426	-	-
Alternative strategies	211,565	211,565	-	-
Total Mutual Funds	7,777,991	7,777,991	-	-
Hedge fund				
Alternative strategies	8,082,199	-	8,082,199	-
Beneficial interest in third-party trusts (Note H)	1,440,760	-	1,440,760	-
	<u>\$131,311,254</u>	<u>\$121,718,801</u>	<u>\$ 9,592,453</u>	<u>\$ -</u>

**Note D - Investments**

Investments at June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash and cash equivalents	\$ 2,654,009	\$ 2,654,009	\$ 2,134,827	\$ 2,134,827
Common stocks	64,893,413	85,212,543	60,314,177	75,387,461
Government backed securities	65,277	65,937	68,799	69,494
Corporate bonds and other	36,334,893	37,429,635	31,708,416	36,418,522
Mutual funds				
Real assets	8,043,769	8,119,186	7,501,002	7,566,426
Alternative strategies	244,800	245,437	213,392	211,565
Total Mutual Funds	8,288,569	8,364,623	7,714,394	7,777,991
Hedge fund				
Alternative strategies	7,600,000	8,971,840	7,600,000	8,082,199
Total	<u>\$119,836,161</u>	<u>\$142,698,587</u>	<u>\$109,540,613</u>	<u>\$129,870,494</u>

Accrued interest earned from the above investments is \$379,445 and \$341,179 as of June 30, 2018 and 2017, respectively.



**Archdiocese of Louisville  
(Pastoral Center and Certain Entities)  
Notes to Combined Financial Statements (Continued)  
Years Ended June 30, 2018 and 2017**

**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, 2018 and 2017, is as follows:

	<u>2018</u>	<u>2017</u>
Accounts receivable	\$ 4,360,473	\$ 4,948,879
Less allowance for doubtful accounts	<u>(2,757,737)</u>	<u>(2,728,415)</u>
Balance at End of Year	<u>\$ 1,602,736</u>	<u>\$ 2,220,464</u>

**Note F - Grants and Other Receivables**

Grants and other receivables at June 30, 2018 and 2017, totaling \$789,815 and \$1,646,032, 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 G - 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, 2018 and 2017, were \$3,877,544 and \$5,784,907, respectively. These amounts are included in notes receivable - parishes and other related parties on the combined statements of financial position.

Interest rates on these loans range between 2.70% and 3.25% per annum for fiscal years 2018 and 2017. 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, 2018 and 2017, were \$48,483,531 and \$47,115,311, respectively. These amounts are included in notes payable/advances - parishes and other related parties on the combined statements of financial position and are due on demand. Interest accrued at .75% and .50% per annum was paid on funds on deposit for fiscal years 2018 and 2017, respectively. 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 .75%. Subsequent to year end and effective July 1, 2018, the Archdiocese increased the rate to 1.00%.

**Archdiocese of Louisville  
(Pastoral Center and Certain Entities)  
Notes to Combined Financial Statements (Continued)  
Years Ended June 30, 2018 and 2017**

**Note H - Beneficial Interest in Third-party Trusts**

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

Catholic Charities 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, 2018 and 2017, was \$43,621 and \$49,445, respectively. The income received from the trusts are restricted for elderly service programs. The net change in value of the trusts for the years ended June 30, 2018 and 2017, was an increase of \$26,191 and an increase of \$49,842, 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 this trust as of June 30, 2018 and 2017, assuming a 3.5% rate of return, is \$386,883 and \$397,099, respectively. Distributions received from this trust for the years ended June 30, 2018 and 2017, were \$24,975 and \$24,375, respectively, and are restricted for seminarian education. The net change in value of the trust was a decrease of \$10,216 and increase of \$10,032 for the years ended June 30, 2018 and 2017, 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-trust at June 30, 2018 and 2017 are as follows:

	2018		2017	
	Cost	Market	Cost	Market
Cash and cash equivalents	\$ 9,061	\$ 9,061	\$ 13,492	\$ 13,492
Mutual funds - corporate bonds	287,225	282,158	268,048	270,787
Mutual funds - common stock	483,632	778,633	505,829	759,382
Subtotal	<u>\$ 779,918</u>	<u>\$ 1,069,852</u>	<u>\$ 787,369</u>	<u>\$ 1,043,661</u>
Estimated value of beneficial interest in charitable remainder uni-trusts		<u>386,883</u>		<u>397,099</u>
Total		<u>\$ 1,456,735</u>		<u>\$ 1,440,760</u>

**Archdiocese of Louisville  
(Pastoral Center and Certain Entities)  
Notes to Combined Financial Statements (Continued)  
Years Ended June 30, 2018 and 2017**

**Note I - Property and Equipment**

Property and equipment consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land and improvements	\$ 2,088,819	\$ 1,667,830
Construction in progress	-	5,882,265
Buildings and improvements	16,865,047	10,823,893
Furniture and equipment	<u>5,138,637</u>	<u>5,060,747</u>
Subtotal	24,092,503	23,434,735
Less accumulated depreciation	<u>(10,964,963)</u>	<u>(12,165,463)</u>
Total	<u>\$ 13,127,540</u>	<u>\$ 11,269,272</u>

Total depreciation expense was \$790,108 and \$419,754 for the years ended June 30, 2018 and 2017, respectively.

**Note J - Endowments**

The Archdiocese's endowments include donor-restricted endowment funds and perpetual care assets required by law to operate as an endowment. 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**  
**(Pastoral Center and Certain Entities)**  
**Notes to Combined Financial Statements (Continued)**  
**Years Ended June 30, 2018 and 2017**

**Note J - 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 six 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

June 30, 2018	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 839,417	\$ 2,450,643	\$ 3,290,060
Regulatory-restricted funds	<u>6,725,641</u>	<u>-</u>	<u>-</u>	<u>6,725,641</u>
Total Funds	<u>\$ 6,725,641</u>	<u>\$ 839,417</u>	<u>\$ 2,450,643</u>	<u>\$ 10,015,701</u>
June 30, 2017	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 830,502	\$ 2,497,601	\$ 3,328,103
Regulatory-restricted funds	<u>6,336,885</u>	<u>-</u>	<u>-</u>	<u>6,336,885</u>
Total Funds	<u>\$ 6,336,885</u>	<u>\$ 830,502</u>	<u>\$ 2,497,601</u>	<u>\$ 9,664,988</u>

**Archdiocese of Louisville  
(Pastoral Center and Certain Entities)  
Notes to Combined Financial Statements (Continued)  
Years Ended June 30, 2018 and 2017**

**Note J - Endowments (Continued)**

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 6,336,885	\$ 830,502	\$ 2,497,601	\$ 9,664,988
Net investment income	146,596	32,112	14,201	192,909
Contributions	242,160	-	212	242,372
Appropriation of endowment assets for expenditure	-	(37,398)	-	(37,398)
Transfer to temporarily restricted	-	14,201	(14,201)	-
Release from endowment restriction	-	-	(47,170)	(47,170)
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Endowment Net Assets, End of Year	<u>\$ 6,725,641</u>	<u>\$ 839,417</u>	<u>\$ 2,450,643</u>	<u>\$ 10,015,701</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 5,911,018	\$ 832,232	\$ 2,489,212	\$ 9,232,462
Net investment income	121,843	27,877	9,652	159,372
Contributions	304,024	-	6,255	310,279
Appropriation of endowment assets for expenditure	-	(39,259)	2,134	(37,125)
Transfer to temporarily restricted	-	9,652	(9,652)	-
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Endowment Net Assets, End of Year	<u>\$ 6,336,885</u>	<u>\$ 830,502</u>	<u>\$ 2,497,601</u>	<u>\$ 9,664,988</u>

**Note K - Line of Credit**

The Pastoral Center has a \$1,000,000 secured line of credit that expires May 1, 2019. The line of credit bears interest at LIBOR plus 1.25% (3.34% at June 30, 2018). The note is secured by investments. There were no amounts outstanding on the line at June 30, 2018 and 2017.

Catholic Charities has a \$250,000 line of credit agreement that expires January 31, 2019. The line of credit bears interest at LIBOR plus 1.50% (3.59% at June 30, 2018). The note is secured by the Archdiocese of Louisville's guarantee. There were no amounts outstanding at June 30, 2018 and 2017.

**Archdiocese of Louisville  
(Pastoral Center and Certain Entities)  
Notes to Combined Financial Statements (Continued)  
Years Ended June 30, 2018 and 2017**

**Note L - Notes Payable**

Long-term debt is summarized as follows:

	<u>2018</u>	<u>2017</u>
City of Audubon Park, Kentucky Revenue Note Series 2016		
Note payable in monthly installments of \$20,833 beginning August 1, 2017, plus interest at the rate of 70% of the Daily One-Month LIBOR Rate, plus .94 (2.40% at June 30, 2018). Matures July 1, 2037 and subject to mandatory prepayment in whole on July 25, 2023.	\$ 3,270,833	\$ 4,078,002
Less unamortized debt issuance costs	<u>(34,338)</u>	<u>(36,146)</u>
Notes Payable	<u>\$ 3,236,495</u>	<u>\$ 4,041,856</u>

Estimated future maturities of notes payable as of June 30, 2018 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2019	\$ 250,000
2020	250,000
2021	250,000
2022	250,000
2023	250,000
Thereafter	<u>2,020,833</u>
Total	<u>\$ 3,270,833</u>

Effective July 1, 2017, the Archdiocese entered into an interest rate swap agreement to secure a fixed rate of interest on half of the City of Audubon Park, Kentucky Revenue Note Series 2016 principal (\$2,500,000, the original notional amount, which reduces as the outstanding debt balance is paid down). Under this contract, the Archdiocese pays interest at a fixed rate of 2.973% and receives interest at the rate of 70% of the Daily One-Month LIBOR rate, plus .94%. The swap agreement is effective through July 2037. The Archdiocese has determined that the fair value of the interest rate swap at June 30, 2018 is de minimis; therefore, no value has been recorded.

**Note M - Lease Obligations**

Catholic Charities is a party to a month-to-month building lease and storage lease which requires monthly payments of approximately \$900 and \$121, respectively.

During June 2015, Catholic Charities entered into a month-to-month 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. The lease was terminated on March 31, 2018.

**Archdiocese of Louisville  
(Pastoral Center and Certain Entities)  
Notes to Combined Financial Statements (Continued)  
Years Ended June 30, 2018 and 2017**

**Note M - Lease Obligations (Continued)**

During November 2014, Catholic Charities entered into a month-to-month 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.

The Archdiocese will periodically lease/rent other items on an as needed basis. Total rent expense for the years ended June 30, 2018 and 2017 was \$82,285 and \$57,230, respectively.

**Note N - 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, 2018 and 2017, were \$9,337,900 and \$9,319,095, respectively. Assessments receivable, net of allowance for doubtful accounts and discounts at June 30, 2018 and 2017, are \$550,752 and \$351,528, respectively, and are included in accounts receivable in the combined statements of financial position. See Note E for additional information.

The Pastoral Center provides support to various schools and missions located within the Archdiocese. The total support provided for the years ended June 30, 2018 and 2017 was \$2,505,905 and \$2,438,005, respectively.

Related party notes receivable consist of amounts due from clergy, parishes, and Catholic schools. At June 30, 2018 and 2017, such receivables totaled \$4,472,943 and \$6,859,243, respectively. Related party notes receivable at June 30, 2018 and 2017, are net of a discount to estimated present value of future payments of \$42,568 and \$50,030, 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, 2018 and 2017. The original maturity dates vary from on demand to seven years. See Note G for additional information.

Related party notes payable/advances consist of amounts due to parishes, Catholic schools and other organizations. At June 30, 2018 and 2017, such payables totaled \$57,900,043 and \$54,753,372, respectively. See Note G for additional information.

The Pastoral Center is a guarantor on \$350,000 in lines of credit to two Catholic high schools. There were no borrowings against these lines of credit at June 30, 2018.

The Pastoral Center is a guarantor for approximately \$21,619,000 in bank loans to parishes of the Archdiocese of Louisville at June 30, 2018. 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 Pastoral Center may liquidate the parish assets to satisfy any outstanding obligation.

The Pastoral Center 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, 2018 and 2017 is approximately \$182,000 and \$528,000, respectively.

The Pastoral Center 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.

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 bond was used for the land purchase and construction of St. Mary Academy School. The bond document contains certain covenants for which compliance is required by St. Bernadette Parish and St. Mary Academy. The balance of the bond is \$7,200,000 and \$7,437,129 at June 30, 2018 and 2017, respectively. The Archdiocese is the guarantor on this bond.

**Archdiocese of Louisville  
(Pastoral Center and Certain Entities)  
Notes to Combined Financial Statements (Continued)  
Years Ended June 30, 2018 and 2017**

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

St. Francis Desales High School, through the city of Shively, was the recipient of a \$5 million Revenue Bond, Series 2015. The balance of the bond is \$4,623,707 and \$4,838,207 as of June 30, 2018 and 2017, respectively. The Archdiocese is the guarantor on this bond.

**Note O - 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. Prior to revision, the Archdiocese or agency contributed 6% of eligible employees' gross pay each pay period and \$200 per month for active Diocesan clergy to the Plan. The Archdiocese revised the policy governing its contributions to this plan effective January 1, 2018. The Archdiocese or agency now contributes 4% of eligible employees' gross pay each pay period and \$100 per month for active Diocesan clergy to the Plan. Additionally, the Archdiocese or agency will make a matching contribution for each participant in an amount equal to 100% of the first 2% of compensation deferred by a participant and 50% of the next 2% of compensation deferred. The Archdiocese made contributions of approximately \$512,000 and \$495,000 to the Plan for the years ended June 30, 2018 and 2017, respectively.

Retired Clergy:

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

The parishes pay to the Archdiocese an assessment for retirement benefits for retired clergy based on total parish income at the rate of 1.34% for the years ended June 30, 2018 and 2017. The assessment income for retirement benefits from the parishes was approximately \$1,796,000 and \$1,693,000 for the years ended June 30, 2018 and 2017, respectively, and is included in the total of parish assessments in the combined statements of activities. Remaining board designated net assets for retirement benefits at June 30, 2018 and 2017, were \$4,164,294 and \$3,979,088, respectively.

Benefits paid to retired clergy for the years ended June 30, 2018 and 2017 follow:

	<u>2018</u>	<u>2017</u>
Clergy retirement benefits	\$ 1,818,379	\$ 1,786,001
Supplemental medical coverage	<u>270,160</u>	<u>214,166</u>
Total	<u>\$ 2,088,539</u>	<u>\$ 2,000,167</u>

**Note P - Contingencies**

*Legal Contingencies*

The Archdiocese is involved in various legal actions and regulatory issues from time to time 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  
(Pastoral Center and Certain Entities)  
Notes to Combined Financial Statements (Continued)  
Years Ended June 30, 2018 and 2017**

**Note P - Contingencies (Continued)**

*Affordable Housing Project Contingencies*

Catholic Charities has executed various Regulatory Agreements with the U.S. Department of Housing and Urban Development ("HUD") as a sponsor under the Section 202 - Supportive Housing for the Elderly program. Catholic Charities is the sponsor for various affordable housing projects receiving forgivable capital grants funded under the Section 202 program. In the role of sponsor, Catholic Charities signs with the project owner as co-borrower on the forgivable grants. These Regulatory Agreements stipulate that in order for the grants to be forgiven, the underlying properties must maintain compliance with HUD throughout the term of the grant, which is typically 40 years.

As of June 30, 2018, Catholic Charities has executed four Section 202 Regulatory Agreements with projects borrowing a total of approximately \$12,865,000. There is no expectation of repayment due to HUD's ultimate recourse being the property and improvements utilized to fulfill the objectives of the Section 202 Program. In the event of default with respect to the Regulatory Agreements, Catholic Charities would relieve any obligation owed to HUD by transferring all title and interest in the projects back to HUD.

The operations of the projects sponsored by Catholic Charities are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules, and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

*Major Funding Source*

Catholic Charities is substantially funded by grants awarded directly and indirectly by the federal government. The funding is subject to federal government appropriations and potential funding reductions. Recent Presidential Executive Orders have significantly curtailed Catholic Charities' refugee resettlement work. Catholic Charities continues to make changes to adjust to a lower level of funding.

*Asset Retirement Obligation*

The ASC requires that an asset retirement obligation ("ARO") associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred or becomes determinable (as defined by the standard) even when the timing and/or method of settlement may be conditional on a future event. The Archdiocese's conditional ARO primarily relates to asbestos possibly contained in buildings that the Archdiocese owns. Environmental regulations exist that require the Archdiocese to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished.

No liability has been recorded in relation to the ARO because the fair value cannot be reasonably determined. Absent any definite plans to do major renovations, there is an indeterminate settlement date for the asset retirement obligation because the range of time over which the Archdiocese may settle the obligation is unknown or cannot be estimated.

**Note Q - 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 regulatory endowed fund at June 30, 2018 and 2017, is \$6,725,641 and \$6,336,885 respectively.

**Archdiocese of Louisville  
(Pastoral Center and Certain Entities)  
Notes to Combined Financial Statements (Continued)  
Years Ended June 30, 2018 and 2017**

**Note R - Board Designated Net Assets**

Board designated net assets are designated for the following purposes:

	2018	2017
Catholic Foundation of Louisville, Inc.	\$ 7,539,247	\$ 6,846,307
Priest Retirement Fund	4,164,294	3,979,088
Catholic Charities of Louisville	2,110,075	1,000,000
Southern KY Missions	2,000,000	1,000,000
Capital reserves	1,000,000	500,000
High School Tuition assistance	1,000,000	500,000
Closed parishes	496,362	674,261
Other	115,479	153,904
<b>Total</b>	<b>\$ 18,425,457</b>	<b>\$ 14,653,560</b>

**Note S - Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

	June 30, 2017	Contributions	Investment Income	Change in Beneficial Interest	Released from Restrictions / Other Changes	June 30, 2018
Poverty assistance	\$ 424,962	\$ 489,125	\$ 4,235	\$ -	\$ (271,287)	\$ 647,035
Seminarian and priest education	2,035,985	894,838	11,619	(10,216)	(809,078)	2,123,148
Specific operations	38	-	-	-	(38)	-
School scholarships	255,474	8,879	5,139	-	(109,549)	159,943
Maintenance and care of gravesites	711,367	-	32,113	-	-	743,480
Mission promotions	295,822	11,592	1,739	-	(159,894)	149,259
Hersche Trust	559,122	-	-	8,123	-	567,245
Food service program	230,560	-	-	-	(92,580)	137,980
Multicultural ministry	405,153	-	2,521	-	(112,944)	294,730
Other	173,287	30,000	1,476	-	(78,498)	126,265
<b>Total</b>	<b>\$ 5,091,770</b>	<b>\$ 1,434,434</b>	<b>\$ 58,842</b>	<b>\$ (2,093)</b>	<b>\$ (1,633,868)</b>	<b>\$ 4,949,085</b>

**Archdiocese of Louisville  
(Pastoral Center and Certain Entities)  
Notes to Combined Financial Statements (Continued)  
Years Ended June 30, 2018 and 2017**

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

	June 30, 2016	Contributions	Investment Income	Change in Beneficial Interest	Released from Restrictions / Other Changes	June 30, 2017
Poverty assistance	\$ 497,122	\$ 240,183	\$ 1,664	\$ -	\$ (314,007)	\$ 424,962
Seminarian and priest education	1,079,063	1,527,914	8,049	10,031	(589,072)	2,035,985
Specific operations	183,373	-	638	-	(183,973)	38
School scholarships	373,291	13,879	3,976	-	(135,672)	255,474
Maintenance and care of gravesites	686,253	-	27,877	-	(2,763)	711,367
Mission promotions	268,555	174,367	1,266	-	(148,366)	295,822
Hersche Trust	538,400	-	-	20,722	-	559,122
Food service program	300,556	151,134	1,787	-	(222,917)	230,560
Multicultural ministry	474,783	-	2,135	-	(71,765)	405,153
Other	177,559	82,824	1,168	-	(88,264)	173,287
<b>Total</b>	<b>\$ 4,578,955</b>	<b>\$ 2,190,301</b>	<b>\$ 48,560</b>	<b>\$ 30,753</b>	<b>\$ (1,756,799)</b>	<b>\$ 5,091,770</b>

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

	June 30, 2016	Contributions	Change in Beneficial Interest	June 30, 2017	Contributions	Change in Beneficial Interest	Other Release	June 30, 2018
Seminarian and priest education	\$ 1,181,902	\$ -	\$ -	\$ 1,181,902	\$ -	\$ -	\$ -	\$ 1,181,902
Maintenance and care of gravesites	694,827	6,255	-	701,082	212	-	-	701,294
School scholarships	512,900	-	-	512,900	-	-	-	512,900
Poverty assistance	480,420	-	29,121	509,541	-	18,068	-	527,609
Other	76,715	-	-	76,715	-	-	(47,170)	29,545
<b>Total</b>	<b>\$ 2,946,764</b>	<b>\$ 6,255</b>	<b>\$ 29,121</b>	<b>\$ 2,982,140</b>	<b>\$ 212</b>	<b>\$ 18,068</b>	<b>\$ (47,170)</b>	<b>\$ 2,953,250</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:

	2018	2017
Investment in marketable securities	\$ 2,450,643	\$ 2,497,601
Beneficial interest in third-party trusts	502,607	484,539
	<u>\$ 2,953,250</u>	<u>\$ 2,982,140</u>

**Archdiocese of Louisville  
(Pastoral Center and Certain Entities)  
Notes to Combined Financial Statements (Continued)  
Years Ended June 30, 2018 and 2017**

**Note T - Functional Expenses**

A summary of expenses by functional classification, net of eliminations, for the years ended June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
<b>Pastoral Center (post eliminations)</b>		
<b>Program</b>		
Retired Priest, Other Clergy and Seminarians	\$ 3,148,566	\$ 2,933,021
Archdiocesan Communications Center	1,838,933	1,836,650
Office of Catholic Schools	636,127	665,774
Office of Formation	330,890	353,802
Office of Youth/Young Adult Ministry	423,182	238,217
Campus Ministries	143,239	104,957
Education Grants	1,691,810	1,691,912
Office of Multicultural Ministries	650,788	615,837
Other Grants	927,517	954,554
Family Ministries	423,730	417,319
Tribunal Office	323,160	344,040
Grants to Other Catholic Organizations	297,186	294,573
Worship Office	249,249	248,203
Other Archdiocesan Support	384,222	515,803
Vocation Office	168,502	160,451
Diaconate Office	249,029	228,497
Priest Personnel	155,794	138,513
Parish Leadership Development	84,497	101,919
	<u>12,126,421</u>	<u>11,844,042</u>
<b>Supporting Activities</b>		
Administrative Support	3,814,912	3,135,836
Other Interest Expense	<u>134,214</u>	<u>161,645</u>
	3,949,126	3,297,481
<b>Fundraising Expense</b>		
Office of Mission Advancement	<u>737,304</u>	<u>697,122</u>
<b>Total Expenses Pastoral Center</b>	16,812,851	15,838,644
<b>Deposit and Loan Fund Interest (post eliminations)</b>	511,752	234,319

Archdiocese of Louisville  
(Pastoral Center and Certain Entities)  
Notes to Combined Financial Statements (Continued)  
Years Ended June 30, 2018 and 2017

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

	2018	2017
<b>Catholic Charities (post eliminations)</b>		
<b>Program</b>		
Refugee Programs	\$ 8,387,903	\$ 14,047,603
Language and Immigration Legal Services	1,600,950	1,573,708
Case Management Services	1,620,228	1,521,723
Catholic Identity and External Relations	304,532	246,349
	<u>11,913,613</u>	<u>17,389,383</u>
<b>Supporting Activities</b>		
Administrative Services	279,127	440,394
<b>Fundraising Expense</b>	<u>169,283</u>	<u>134,947</u>
<b>Total Expenses Catholic Charities</b>	12,362,023	17,964,724
<b>Catholic Cemeteries (post eliminations)</b>		
<b>Program</b>		
Cemetery Operations	1,696,287	1,739,426
Cost of Sales	407,021	447,098
	<u>2,103,308</u>	<u>2,186,524</u>
<b>Supporting Activities</b>		
Administrative Services	<u>563,574</u>	<u>542,234</u>
<b>Total Expenses Catholic Cemeteries</b>	2,666,882	2,728,758
<b>Catholic Foundation of Louisville, Inc. (post eliminations)</b>	<u>95,922</u>	<u>117,193</u>
<b>Total Expenses Combined</b>	<u>\$ 32,449,430</u>	<u>\$ 36,883,638</u>

**Note U - Subsequent Event**

Subsequent to June 30, 2018, the Archdiocese became guarantor on a \$3,500,000 tax-exempt bond issue for the benefit of Bethlehem High School, a related party.

## **Supplementary Information**

**Archdiocese of Louisville**  
**(Pastoral Center and Certain Entities)**  
**Combining Statement of Financial Position**  
**June 30, 2018**

	Pastoral Center	Deposit and Loan Fund	Catholic Cemeteries	Catholic Charities	Catholic Foundation	Eliminations	Combined
<b>Assets</b>							
Cash and cash equivalents	\$ 8,065,997	\$ -	\$ 1,235,573	\$ 511,480	\$ 158	\$ -	\$ 9,813,208
Investments	122,446,440	-	3,012,536	-	12,372,229	(1,858,259)	135,972,946
Investments restricted for perpetual care	6,725,641	-	-	-	-	-	6,725,641
Accrued interest receivable on investments	379,445	-	-	-	-	-	379,445
Accounts receivable, net	1,103,548	-	277,497	221,691	-	-	1,602,736
Grants and other receivables	-	-	-	789,815	-	-	789,815
Prepaid expenses	56,544	-	43,849	49,292	-	-	149,685
Inventories	-	-	45,914	10,423	-	-	56,337
Notes receivable - parishes and other related parties, net	595,399	3,877,544	-	-	-	-	4,472,943
Accrued interest receivable on notes receivable	15,878	243,784	-	-	-	-	259,662
Beneficial interest in third-party trusts	386,883	-	-	1,069,852	-	-	1,456,735
Cemetery lot development costs	-	-	781,908	-	-	-	781,908
Mausoleums, columbariums, and lots	-	-	5,108,604	-	-	-	5,108,604
Property and equipment, net	11,115,880	-	1,431,366	580,294	-	-	13,127,540
Interfund receivables	-	55,192,569	8,174,084	-	-	(63,366,653)	-
<b>Total Assets</b>	<b>\$ 150,891,655</b>	<b>\$ 59,313,897</b>	<b>\$ 20,111,331</b>	<b>\$ 3,232,847</b>	<b>\$ 12,372,387</b>	<b>\$ (65,224,912)</b>	<b>\$ 180,697,205</b>

See independent auditor's report.

**Archdiocese of Louisville**  
**(Pastoral Center and Certain Entities)**  
**Combining Statement of Financial Position (Continued)**  
**June 30, 2018**

	Pastoral Center	Deposit and Loan Fund	Catholic Cemeteries	Catholic Charities	Catholic Foundation	Eliminations	Combined
<b>Liabilities and Net Assets</b>							
Liabilities							
Accounts payable and accrued expenses	\$ 960,911	\$ -	\$ 133,846	\$ 764,734	\$ -	\$ -	\$ 1,859,491
Collections payable	249,516	-	-	-	-	-	249,516
Deferred revenue	12,033	-	1,271,217	293,755	-	-	1,577,005
Interfund payables	55,192,569	8,174,084	-	-	1,858,259	(65,224,912)	-
Notes payable	3,236,495	-	-	-	-	-	3,236,495
Notes payable/advances - parishes and other related parties, net	6,441,631	48,483,531	-	-	2,974,881	-	57,900,043
<b>Total Liabilities</b>	<b>66,093,155</b>	<b>56,657,615</b>	<b>1,405,063</b>	<b>1,058,489</b>	<b>4,833,140</b>	<b>(65,224,912)</b>	<b>64,822,550</b>
Net Assets							
Unrestricted net assets							
Invested in property and equipment	7,879,385	-	1,431,366	580,294	-	-	9,891,045
Expendable net assets	60,645,196	2,656,282	9,104,487	524,212	-	-	72,930,177
Board designated net assets	10,886,210	-	-	-	7,539,247	-	18,425,457
Regulatory restricted - perpetual care fund	-	-	6,725,641	-	-	-	6,725,641
<b>Total Unrestricted Net Assets</b>	<b>79,410,791</b>	<b>2,656,282</b>	<b>17,261,494</b>	<b>1,104,506</b>	<b>7,539,247</b>	<b>-</b>	<b>107,972,320</b>
Temporarily restricted	3,638,360	-	743,480	567,245	-	-	4,949,085
Permanently restricted	1,749,349	-	701,294	502,607	-	-	2,953,250
<b>Total Net Assets</b>	<b>84,798,500</b>	<b>2,656,282</b>	<b>18,706,268</b>	<b>2,174,358</b>	<b>7,539,247</b>	<b>-</b>	<b>115,874,655</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 150,891,655</b>	<b>\$ 59,313,897</b>	<b>\$ 20,111,331</b>	<b>\$ 3,232,847</b>	<b>\$ 12,372,387</b>	<b>\$ (65,224,912)</b>	<b>\$ 180,697,205</b>

See independent auditor's report.



**Archdiocese of Louisville**  
**(Pastoral Center and Certain Entities)**  
**Combining Statement of Financial Position**  
**June 30, 2017**

	Pastoral Center	Deposit and Loan Fund	Catholic Cemeteries	Catholic Charities	Catholic Foundation	Eliminations	Combined
<b>Assets</b>							
Cash and cash equivalents	\$ 7,390,389	\$ -	\$ 1,012,838	\$ 260,974	\$ 1,082	\$ -	\$ 8,665,283
Investments	112,567,897	-	2,771,338	-	9,926,216	(1,731,842)	123,533,609
Investments restricted for perpetual care	6,336,885	-	-	-	-	-	6,336,885
Accrued interest receivable on investments	341,179	-	-	-	-	-	341,179
Accounts receivable, net	1,537,635	-	370,468	312,361	-	-	2,220,464
Grants and other receivables	-	-	-	1,646,032	-	-	1,646,032
Prepaid expenses	97,345	-	38,220	53,813	-	-	189,378
Inventories	-	-	43,462	19,738	-	-	63,200
Notes receivable - parishes and other related parties, net	1,074,336	5,784,907	-	-	-	-	6,859,243
Accrued interest receivable on notes receivable	16,042	244,212	-	-	-	-	260,254
Beneficial interest in third-party trusts	397,099	-	-	1,043,661	-	-	1,440,760
Cemetery lot development costs	-	-	767,341	-	-	-	767,341
Mausoleums, columbariums, and lots	-	-	5,103,072	-	-	-	5,103,072
Property and equipment, net	9,125,900	-	1,493,131	650,241	-	-	11,269,272
Interfund receivables	-	51,669,584	7,752,976	-	-	(59,422,560)	-
<b>Total Assets</b>	<b>\$ 138,884,707</b>	<b>\$ 57,698,703</b>	<b>\$ 19,352,846</b>	<b>\$ 3,986,820</b>	<b>\$ 9,927,298</b>	<b>\$ (61,154,402)</b>	<b>\$ 168,695,972</b>

See independent auditor's report.

**Archdiocese of Louisville**  
**(Pastoral Center and Certain Entities)**  
**Combining Statement of Financial Position (Continued)**  
**June 30, 2017**

	Pastoral Center	Deposit and Loan Fund	Catholic Cemeteries	Catholic Charities	Catholic Foundation	Eliminations	Combined
<b>Liabilities and Net Assets</b>							
Liabilities							
Accounts payable and accrued expenses	\$ 1,630,678	\$ -	\$ 129,735	\$ 1,351,162	\$ -	\$ -	\$ 3,111,575
Collections payable	450,952	-	-	-	-	-	450,952
Deferred revenue	186,520	-	1,163,613	676,070	-	-	2,026,203
Interfund payables	51,669,584	7,752,976	-	-	1,731,842	(61,154,402)	-
Notes payable	4,041,856	-	-	-	-	-	4,041,856
Notes payable/advances - parishes and other related parties, net	6,288,912	47,115,311	-	-	1,349,149	-	54,753,372
Total Liabilities	64,268,502	54,868,287	1,293,348	2,027,232	3,080,991	(61,154,402)	64,383,958
Net Assets							
Unrestricted net assets							
Invested in property and equipment	5,084,044	-	1,493,131	650,241	-	-	7,227,416
Expendable net assets	56,304,182	2,830,416	8,817,033	68,612	-	-	68,020,243
Board designated net assets	7,807,253	-	-	-	6,846,307	-	14,653,560
Regulatory restricted - perpetual care fund	-	-	6,336,885	-	-	-	6,336,885
Total Unrestricted Net Assets	69,195,479	2,830,416	16,647,049	718,853	6,846,307	-	96,238,104
Temporarily restricted	3,624,207	-	711,367	756,196	-	-	5,091,770
Permanently restricted	1,796,519	-	701,082	484,539	-	-	2,982,140
Total Net Assets	74,616,205	2,830,416	18,059,498	1,959,588	6,846,307	-	104,312,014
Total Liabilities and Net Assets	\$ 138,884,707	\$ 57,698,703	\$ 19,352,846	\$ 3,986,820	\$ 9,927,298	\$ (61,154,402)	\$ 168,695,972

See independent auditor's report.

**Archdiocese of Louisville**  
**(Pastoral Center and Certain Entities)**  
**Combining Statement of Activities**  
**Year Ended June 30, 2018**

	Pastoral Center	Deposit and Loan Fund	Catholic Cemeteries	Catholic Charities	Catholic Foundation	Eliminations	Combined
Revenue, Support, and Gains							
Donations, bequests, and grants	\$ 1,636,488	\$ -	\$ 558	\$ 11,191,388	\$ 502,000	\$ (1,025,000)	\$ 12,305,434
Parish assessments	9,468,244	-	-	-	-	(130,344)	9,337,900
Special collections	383,394	-	-	-	-	-	383,394
Burial sales, net	-	-	2,141,304	-	-	-	2,141,304
Catholic Services Appeal	4,127,444	-	-	-	-	-	4,127,444
Fee income	5,392	-	940,838	1,219,067	-	-	2,165,297
Program and activity income	445,738	-	-	87,955	-	-	533,693
Rental income	163,750	-	27,464	-	-	(38,700)	152,514
Advertising income	535,771	-	-	-	-	-	535,771
Investment income, net	1,489,871	516,354	229,156	44,765	229,610	(178,736)	2,331,020
Unrealized gain (loss) in market value of investments	7,192,754	-	90,117	-	(153,584)	-	7,129,287
Realized gain on sale of investments	1,103,980	-	-	-	360,836	-	1,464,816
Other income (expense)	1,939,791	-	14,564	7,427	-	(573,560)	1,388,222
Increase (decrease) in value of split interest agreements	(10,216)	-	-	26,191	-	-	15,975
<b>Total Revenues, Support, and Gains</b>	<b>\$ 28,482,401</b>	<b>\$ 516,354</b>	<b>\$ 3,444,001</b>	<b>\$ 12,576,793</b>	<b>\$ 938,862</b>	<b>\$ (1,946,340)</b>	<b>\$ 44,012,071</b>

See independent auditor's report.

**Archdiocese of Louisville**  
**(Pastoral Center and Certain Entities)**  
**Combining Statement of Activities (Continued)**  
**Year Ended June 30, 2018**

	Pastoral Center	Deposit and Loan Fund	Catholic Cemeteries	Catholic Charities	Catholic Foundation	Eliminations	Combined
Expenses and Losses							
Salary expense	\$ 4,780,064	\$ -	\$ 1,226,830	\$ 3,185,168	\$ -	\$ -	\$ 9,192,062
Payroll added expense	1,530,933	-	342,250	842,149	-	-	2,715,332
Clergy retirement benefits	1,818,379	-	-	-	-	-	1,818,379
Mileage and expense allowance	232,550	-	6,773	254,822	-	-	494,145
Education expense	887,244	-	148	-	-	-	887,392
Rent expense	80,940	-	1,938	38,107	-	(38,700)	82,285
Office supplies and services	868,600	-	97,318	278,207	-	-	1,244,125
Plant and grounds expense	577,511	-	314,553	247,313	-	-	1,139,377
Auto expense	5,075	-	52,857	37,846	-	-	95,778
Public relations, donations, and grants	111,560	-	136,369	-	245,000	(280,344)	212,585
Advertising expense	206,860	-	12,268	-	-	-	219,128
Professional fees and services	342,190	-	34,568	319,546	-	-	696,304
Program and activity expense	754,069	-	-	876,106	-	-	1,630,175
Broadcasting/press expense	439,064	-	-	-	-	-	439,064
Archdiocesan support	1,172,186	-	-	-	-	(875,000)	297,186
Education grants	1,785,827	-	-	-	-	-	1,785,827
Cost of sales	-	-	407,023	-	-	-	407,023
Papal and national organizations	107,179	-	-	-	-	-	107,179
Other grants and direct aid	820,336	-	-	6,194,542	-	-	7,014,878
Other restricted expense payments	646,893	-	-	-	-	(573,560)	73,333
Interest expense	134,214	690,488	-	-	-	(178,736)	645,966
Depreciation expense	594,587	-	112,156	83,365	-	-	790,108
Bad debt expense	120,350	-	8,559	-	-	-	128,909
Miscellaneous expense	283,495	-	43,621	4,852	922	-	332,890
<b>Total Expenses and Losses</b>	<b>18,300,106</b>	<b>690,488</b>	<b>2,797,231</b>	<b>12,362,023</b>	<b>245,922</b>	<b>(1,946,340)</b>	<b>32,449,430</b>
<b>Change in Net Assets</b>	<b>10,182,295</b>	<b>(174,134)</b>	<b>646,770</b>	<b>214,770</b>	<b>692,940</b>	<b>-</b>	<b>11,562,641</b>
<b>Net Assets, Beginning of Year</b>	<b>74,616,205</b>	<b>2,830,416</b>	<b>18,059,498</b>	<b>1,959,588</b>	<b>6,846,307</b>	<b>-</b>	<b>104,312,014</b>
<b>Net Assets, End of Year</b>	<b>\$ 84,798,500</b>	<b>\$ 2,656,282</b>	<b>\$ 18,706,268</b>	<b>\$ 2,174,358</b>	<b>\$ 7,539,247</b>	<b>\$ -</b>	<b>\$ 115,874,655</b>

See independent auditor's report.

**Archdiocese of Louisville**  
**(Pastoral Center and Certain Entities)**  
**Combining Statement of Activities**  
**Year Ended June 30, 2017**

	Pastoral Center	Deposit and Loan Fund	Catholic Cemeteries	Catholic Charities	Catholic Foundation	Eliminations	Combined
Revenue, Support, and Gains							
Donations, bequests, and grants	\$ 1,964,164	\$ -	\$ 6,355	\$ 16,426,242	\$ 2,011	\$ (1,039,000)	\$ 17,359,772
Parish assessments	9,438,939	-	-	-	-	(119,844)	9,319,095
Special collections	386,061	-	-	-	-	-	386,061
Burial sales, net	-	-	2,515,163	-	-	-	2,515,163
Catholic Services Appeal	3,917,241	-	-	-	-	-	3,917,241
Fee income	106,058	-	926,915	1,465,812	-	-	2,498,785
Program and activity income	332,986	-	-	79,918	-	-	412,904
Rental income	172,185	-	26,375	-	-	(46,214)	152,346
Advertising income	548,331	-	-	-	-	-	548,331
Investment income, net	1,314,415	400,813	194,525	56,167	153,175	(183,144)	1,935,951
Unrealized gain (loss) in market value of investments	10,583,305	-	(13,827)	-	453,797	-	11,023,275
Realized gain (loss) on sale of investments	(935,869)	-	-	-	134,519	-	(801,350)
Other income (expense)	103,420	-	3,449	29,037	-	(582,271)	(446,365)
Increase in value of split interest agreements	10,031	-	-	49,843	-	-	59,874
<b>Total Revenues, Support, and Gains</b>	<b>\$ 27,941,267</b>	<b>\$ 400,813</b>	<b>\$ 3,658,955</b>	<b>\$ 18,107,019</b>	<b>\$ 743,502</b>	<b>\$ (1,970,473)</b>	<b>\$ 48,881,083</b>

See independent auditor's report.

**Archdiocese of Louisville**  
**(Pastoral Center and Certain Entities)**  
**Combining Statement of Activities (Continued)**  
**Year Ended June 30, 2017**

	Pastoral Center	Deposit and Loan Fund	Catholic Cemeteries	Catholic Charities	Catholic Foundation	Eliminations	Combined
Expenses and Losses							
Salary expense	\$ 4,727,041	\$ -	\$ 1,244,097	\$ 3,585,779	\$ -	\$ -	\$ 9,556,917
Payroll added expense	1,399,660	-	359,051	896,157	-	-	2,654,868
Clergy retirement benefits	1,786,001	-	-	-	-	-	1,786,001
Mileage and expense allowance	214,231	-	8,761	224,940	-	-	447,932
Education expense	835,841	-	256	-	-	-	836,097
Rent expense	87,544	-	1,498	14,402	-	(46,214)	57,230
Office supplies and services	877,857	-	103,927	220,845	-	-	1,202,629
Plant and grounds expense	509,005	-	321,507	269,848	-	-	1,100,360
Auto expense	3,383	-	51,062	46,539	-	-	100,984
Public relations, donations, and grants	107,681	-	122,833	-	267,000	(269,844)	227,670
Advertising expense	215,580	-	9,947	-	-	-	225,527
Professional fees and services	317,418	-	21,927	259,215	-	-	598,560
Program and activity expense	590,126	-	-	1,207,166	-	-	1,797,292
Broadcasting/press expense	436,191	-	-	-	-	-	436,191
Archdiocesan support	1,183,573	-	-	-	-	(889,000)	294,573
Education grants	1,691,914	-	-	-	-	-	1,691,914
Cost of sales	-	-	447,098	-	-	-	447,098
Papal and national organizations	108,524	-	-	-	-	-	108,524
Other grants and direct aid	893,994	-	-	11,094,420	-	-	11,988,414
Other restricted expense payments	697,352	-	-	-	-	(582,271)	115,081
Interest expense	161,947	417,463	-	-	-	(183,144)	396,266
Depreciation expense	215,408	-	108,226	96,120	-	-	419,754
Bad debt expense	47,375	-	3,555	20,500	-	-	71,430
Miscellaneous expense	248,463	-	44,877	28,793	193	-	322,326
Total Expenses and Losses	17,356,109	417,463	2,848,622	17,964,724	267,193	(1,970,473)	36,883,638
Changes in Net Assets	10,585,158	(16,650)	810,333	142,295	476,309	-	11,997,445
Net Assets, Beginning of Year	64,031,047	2,847,066	17,249,165	1,817,293	6,369,998	-	92,314,569
Net Assets, End of Year	\$ 74,616,205	\$ 2,830,416	\$ 18,059,498	\$ 1,959,588	\$ 6,846,307	\$ -	\$ 104,312,014

See independent auditor's report.