

***The Catholic Bishop of Lincoln
Lincoln, Nebraska***

June 30, 2025 and 2024

*Financial Statements
and
Independent Auditor's Report*



CPAs & Consultants | Wealth Management

The Catholic Bishop of Lincoln
Years ended June 30, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

Finance Committee
The Catholic Bishop of Lincoln
Lincoln, Nebraska

Qualified Opinion

We have audited the accompanying financial statements of The Catholic Bishop of Lincoln which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effects of not consolidating all financially interrelated nonprofit entities as explained in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of The Catholic Bishop of Lincoln as of June 30, 2025 and 2024, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As discussed in Note A to the financial statements, the Organization does not report its financial interest in other organizations within the Diocese of Lincoln over which the Diocesan Bishop exercises control. In our opinion, accounting principles generally accepted in the United States of America require that all financially interrelated nonprofit entities be accounted for on a consolidated basis. The effect of not consolidating all financially interrelated nonprofit entities has not been determined.

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Catholic Bishop of Lincoln's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Catholic Bishop of Lincoln's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Catholic Bishop of Lincoln's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Lincoln, Nebraska
February 5, 2026

The Catholic Bishop of Lincoln

STATEMENTS OF FINANCIAL POSITION

June 30,

ASSETS

	<u>2025</u>	<u>2024</u> <u>(as restated)</u>
ASSETS		
Cash and cash equivalents (note B)	\$ 24,263,837	\$ 26,699,039
Accounts receivable, net (notes B and D)	2,364,219	1,423,298
Investments (notes B, E and F)	40,489,879	34,947,571
Prepaid expenses	6,453	350,092
Loans receivable, net (notes B and G)	777,140	1,028,018
Property and equipment, net (notes B and H)	7,127,218	7,494,274
Property held for investment or future use (note B)	2,938,302	2,938,302
Prepaid postretirement benefit, priests (note L)	1,021,557	-
Other asset (note J)	<u>319,718</u>	<u>280,465</u>
Total assets	<u>\$ 79,308,323</u>	<u>\$ 75,161,059</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 941,452	\$ 890,471
Insurance payable (note I)	1,289,000	624,000
Unearned revenue (note B)	127,886	279,164
Amounts due parishes and other diocesan entities (note J)	720,578	752,746
Accrued postretirement liability, priests (note L)	<u>-</u>	<u>835,545</u>
Total liabilities	<u>3,078,916</u>	<u>3,381,926</u>

NET ASSETS (notes B and M)

Without donor restrictions	42,419,400	39,149,613
With donor restrictions	<u>33,810,007</u>	<u>32,629,520</u>
Total net assets	<u>76,229,407</u>	<u>71,779,133</u>
Total liabilities and net assets	<u>\$ 79,308,323</u>	<u>\$ 75,161,059</u>

See accompanying notes to financial statements.

The Catholic Bishop of Lincoln

STATEMENT OF ACTIVITIES

Year ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
CHANGES IN NET ASSETS			
Operating revenue and support			
Operational assessments	\$ 6,956,440	\$ -	\$ 6,956,440
Charity and Stewardship Appeal	-	475,000	475,000
Bishop's Appeal for Vocations	-	1,305,874	1,305,874
Contributions	783,971	2,638,442	3,422,413
Program revenue	458,210	4,097	462,307
Other revenue and support	291,658	-	291,658
Premium income from Diocesan insurance programs	12,919,606	-	12,919,606
Net assets released from restrictions	<u>6,202,652</u>	<u>(6,202,652)</u>	<u>-</u>
Total operating revenue and support	<u>27,612,537</u>	<u>(1,779,239)</u>	<u>25,833,298</u>
Operating expenses			
Program services			
Family life and discipleship	1,773,783	-	1,773,783
Education	5,839,623	-	5,839,623
Saint John Vianney	326,652	-	326,652
Vocations	1,265,512	-	1,265,512
Insurance	13,970,800	-	13,970,800
Supporting services			
General and administrative	4,281,214	-	4,281,214
Stewardship and development	<u>173,479</u>	<u>-</u>	<u>173,479</u>
Total operating expenses	<u>27,631,063</u>	<u>-</u>	<u>27,631,063</u>
Change in net assets from operations	<u>(18,526)</u>	<u>(1,779,239)</u>	<u>(1,797,765)</u>
Other changes in net assets			
Investment income (note E)	2,107,806	2,959,726	5,067,532
Postretirement benefits paid	(523,995)	-	(523,995)
Change in present value of postretirement benefit obligation (note M)	<u>1,704,502</u>	<u>-</u>	<u>1,704,502</u>
Total other changes in net assets	<u>3,288,313</u>	<u>2,959,726</u>	<u>6,248,039</u>
INCREASE IN NET ASSETS	<u>3,269,787</u>	<u>1,180,487</u>	<u>4,450,274</u>
Net assets, beginning of year	<u>39,149,613</u>	<u>32,629,520</u>	<u>71,779,133</u>
Net assets, end of year	<u>\$ 42,419,400</u>	<u>\$ 33,810,007</u>	<u>\$ 76,229,407</u>

See accompanying notes to financial statements.

The Catholic Bishop of Lincoln

STATEMENT OF ACTIVITIES

Year ended June 30, 2024
(as restated)

	Without Donor Restrictions	With Donor Restrictions	Total
CHANGES IN NET ASSETS			
Operating revenue and support			
Operational assessments	\$ 6,088,291	\$ -	\$ 6,088,291
Charity and Stewardship Appeal	-	486,874	486,874
Bishop's Appeal for Vocations	-	1,218,228	1,218,228
Contributions	2,851,401	1,318,510	4,169,911
Program revenue	775,781	-	775,781
Catholic Foundation distributions	12,624	-	12,624
Other revenue and support	232,978	-	232,978
Premium income from Diocesan insurance programs	11,790,621	-	11,790,621
Net assets released from restrictions	4,138,399	(4,138,399)	-
Total operating revenue and support	<u>25,890,095</u>	<u>(1,114,787)</u>	<u>24,775,308</u>
Operating expenses			
Program services			
Family life and discipleship	1,739,206	-	1,739,206
Education	5,514,086	-	5,514,086
Saint John Vianney	580,083	-	580,083
Vocations	1,536,783	-	1,536,783
Insurance	11,316,453	-	11,316,453
Supporting services			
General and administrative	2,199,119	-	2,199,119
Stewardship and development	322,327	-	322,327
Total operating expenses	<u>23,208,057</u>	<u>-</u>	<u>23,208,057</u>
Change in net assets from operations	<u>2,682,038</u>	<u>(1,114,787)</u>	<u>1,567,251</u>
Other changes in net assets			
Investment income (note E)	1,518,240	2,889,740	4,407,980
Postretirement benefits paid	(759,868)	-	(759,868)
Change in present value of postretirement benefit obligation (note M)	(684,006)	-	(684,006)
Total other changes in net assets	<u>74,366</u>	<u>2,889,740</u>	<u>2,964,106</u>
INCREASE IN NET ASSETS	<u>2,756,404</u>	<u>1,774,953</u>	<u>4,531,357</u>
Net assets, beginning of year, as previously stated	37,013,309	30,234,467	67,247,776
Prior period adjustment (note Q)	(620,100)	620,100	-
Net assets, beginning of year	<u>36,393,209</u>	<u>30,854,567</u>	<u>67,247,776</u>
Net assets, end of year	<u>\$ 39,149,613</u>	<u>\$ 32,629,520</u>	<u>\$ 71,779,133</u>

See accompanying notes to financial statements.

The Catholic Bishop of Lincoln

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2025

	Program Services					Total Program Services	Supporting Services			Total
	Family Life and Discipleship	Education	Saint John Vianney	Vocations	Insurance		General and Administrative	Stewardship and Development	Total Supporting Services	
Payroll and benefits	\$ 1,049,683	\$ 1,401,665	\$ 167,783	\$ 124,343	\$ 59,345	\$ 2,802,819	\$ 1,514,270	\$ 112,078	\$ 1,626,348	\$ 4,429,167
Administrative, office, and programs	573,089	120,720	3,381	71,665	2,929	771,784	611,171	37,437	648,608	1,420,392
Education and professional development	36,955	42,999	1,270	1,067,800	-	1,149,024	205,023	-	205,023	1,354,047
Technology related expenses	67,201	1,021,096	-	-	1,197	1,089,494	126,825	19,427	146,252	1,235,746
Professional services	17,316	46,643	10,733	235	101,881	176,808	856,036	1,840	857,876	1,034,684
Occupancy	20,238	8,986	1,386	469	200	31,279	433,372	1,197	434,569	465,848
Scholarships and contributions	9,301	3,197,514	142,099	1,000	-	3,349,914	73,213	1,500	74,713	3,424,627
Payments to providers on Diocesan insurance programs	-	-	-	-	13,805,248	13,805,248	-	-	-	13,805,248
Depreciation	-	-	-	-	-	-	367,056	-	367,056	367,056
Bad debt expense	-	-	-	-	-	-	94,248	-	94,248	94,248
Total operating expense	\$ 1,773,783	\$ 5,839,623	\$ 326,652	\$ 1,265,512	\$ 13,970,800	\$ 23,176,370	\$ 4,281,214	\$ 173,479	\$ 4,454,693	\$ 27,631,063

The Catholic Bishop of Lincoln

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2024

	Program Services					Total Program Services	Supporting Services			Total
	Family Life and Discipleship	Education	Saint John Vianney	Vocations	Insurance		General and Administrative	Stewardship and Development	Total Supporting Services	
Payroll and benefits	\$ 823,245	\$ 1,354,388	\$ 420,366	\$ 154,760	\$ 133,135	\$ 2,885,894	\$ 965,393	\$ 196,943	\$ 1,162,336	\$ 4,048,230
Administrative, office, and programs	750,432	115,887	2,706	183,429	68,037	1,120,491	787,285	28,409	815,694	1,936,185
Education and professional development	-	-	-	1,115,268	-	1,115,268	-	-	-	1,115,268
Technology related expenses	-	927,809	-	-	-	927,809	-	-	-	927,809
Professional services	500	39,288	10,107	83,326	64,800	198,021	163,376	28,400	191,776	389,797
Occupancy	3,956	2,333	118,526	-	600	125,415	278,651	2,882	281,533	406,948
Scholarships and contributions	161,073	3,074,381	28,378	-	-	3,263,832	102,023	29,287	131,310	3,395,142
Payments to providers on Diocesan insurance programs	-	-	-	-	11,049,881	11,049,881	-	-	-	11,049,881
Depreciation	-	-	-	-	-	-	370,595	-	370,595	370,595
Bad debt expense (recoveries)	-	-	-	-	-	-	(468,204)	36,406	(431,798)	(431,798)
Total operating expense	\$ 1,739,206	\$ 5,514,086	\$ 580,083	\$ 1,536,783	\$ 11,316,453	\$ 20,686,611	\$ 2,199,119	\$ 322,327	\$ 2,521,446	\$ 23,208,057

See accompanying notes to financial statements.

The Catholic Bishop of Lincoln
STATEMENTS OF CASH FLOWS

Years ended June 30,

	<u>2025</u>	<u>2024</u>
Increase in net assets	\$ 4,450,274	\$ 4,531,357
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	367,056	370,595
Bad debt expense (recovery) on loans	(73,044)	(498,962)
Gain on investments, realized and unrealized	(3,162,545)	(2,741,203)
(Increase) decrease in assets		
Accounts receivable	(940,921)	(540,592)
Contributions receivable	-	104,855
Prepaid expenses	343,639	(135,485)
Prepaid postretirement benefit, priests	(1,021,557)	-
Other asset	(39,253)	(23,919)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	50,981	(186,650)
Insurance payable	665,000	(41,000)
Unearned revenue	(151,278)	(68,183)
Amounts due parishes and other diocesan entities	(32,168)	(96,782)
Accrued postretirement liability, priests	(835,545)	789,887
Total adjustments to increase in net assets	<u>(4,829,635)</u>	<u>(3,067,439)</u>
Net cash provided (used) by operating activities	<u>(379,361)</u>	<u>1,463,918</u>
Cash flows from investing activities		
Purchase of investments	(4,633,024)	(5,011,573)
Proceeds from sale of investments	2,253,261	2,654,253
Purchase of property and equipment	-	(72,500)
Net payments received on other loans receivable	323,922	585,381
Net cash used by investing activities	<u>(2,055,841)</u>	<u>(1,844,439)</u>
Cash flows from financing activities		
Payments on long-term obligations	-	(85,033)
Net decrease in cash and cash equivalents	(2,435,202)	(465,554)
Cash and cash equivalents, beginning of year	<u>26,699,039</u>	<u>27,164,593</u>
Cash and cash equivalents, end of year	<u>\$ 24,263,837</u>	<u>\$ 26,699,039</u>

See accompanying notes to financial statements.

The Catholic Bishop of Lincoln

NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF OPERATIONS

The content of these financial statements is limited to The Catholic Bishop of Lincoln (CBL/The Organization). The Catholic Diocese of Lincoln (the Diocese) includes the areas in Nebraska south of the Platte River. These financial statements do not include the parishes, missions, schools, and other related ecclesiastical entities, which are organized as separate nonprofit corporations and operated separately from CBL. CBL consists of various offices in order to organize events, monitor activities, coordinate efforts, and support the parishes and schools throughout the Diocese. The offices are classified into the following programs:

- General and administrative includes the Office of the Curia which provides certain administrative functions of CBL including the oversight of overall operations, including all ministry, mission and social services activities of the various agencies and parishes and provides training, resources and leadership for the activities undertaken by the agencies. The office coordinates the financial, accounting, and information technology of the Diocese and provides financial services to parishes by assisting with budgeting, financial management, accounting and payroll services. Oversees the retirement plans for lay employees and for clergy.

Maintains the various properties owned by the Diocese including the Chancery Office, John XXIII Diocesan Center, Bonacum House (priest retirement home), Kucera Hall (a 5-unit apartment complex), The John Paul II Institute, one convent and three rectories including the homes of the Bishop and Retired Bishop. Costs include repairs, maintenance, utilities, depreciation and other expenses associated with maintaining these properties.

- Stewardship and development serves the parishes of the Diocese by providing education and consultation about stewardship and development. Fundraising coordinates and administers diocesan wide campaigns, Charity and Stewardship Appeal and Bishop's Appeal for Vocations, as well as the Joy of the Gospel campaign. Also coordinates the use of a standard church management platform for parishes.
- Family Life and Discipleship administers and coordinates the ministries of religious education and formation of children and young adults including retreats, events, and educational programs for spiritual enrichment. Provides programs to strengthen and support family life. Apostolic services include, but are not limited to, Hispanic ministry, hospital and nursing home ministries, prison chaplaincy and pro-life programs. Also includes Diocesan communications which oversees the publication of the *Southern Nebraska Register*, media relations, diocesan communications, Diocesan website content and video and audio productions.
- Education provides for the needs of the various Catholic elementary and high schools of the Diocese. This includes the Educational Technology department which provides equipment, guidelines, and standards for school software, hardware, connectivity, security, safety, technical support and training for staff and students.
- Saint John Vianney provides retirement, medical and other assistance to priests including a monthly pension benefit and certain health and dental insurance premiums to retired priests and is also used to provide support for priests with disabilities or priests not otherwise assigned.
- Vocations promotes and encourages vocations in relation to the priesthood and religious life.
- Insurance provides for the administration of the health care insurance plan and property and liability insurance program for all Diocesan employees, parishes, schools, and related entities.

The Catholic Bishop of Lincoln

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the accompanying financial statements follows.

Basis of Presentation. The financial statements include the accounts of CBL. They do not include related entities, although they may be ultimately responsible to the Bishop. These entities maintain separate financial records and administer their own series and programs.

The financial statements also do not include the accounts of organizations within the Diocese such as parishes, parish schools, cemeteries, homes, offices and other institutions owned and operated by religious orders of men and women. These organizations may or may not be separate corporations under civil law; however, each is an operating entity distinct from CBL, maintains separate accounts and carries on its own services and programs. Transactions between CBL and such organizations are recorded on bases agreed upon by the parties.

Method of Accounting. The accompanying financial statements have been prepared on the accrual method of accounting.

Net Asset Classification. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without donor restrictions. Net assets available for use in general operations and not subject to donor or grantor restrictions.

With donor restrictions. Net assets subject to donor- or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported in the statements of activities as net assets released from restrictions.

Contributions restricted by donors received in the same period when the associated stipulated time or purpose restriction is accomplished are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions.

Cash and Cash Equivalents. For purposes of the statements of cash flows, CBL considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents are measured at amortized cost, thus, evaluated for expected credit losses. Based on management's review of historical data in addition to current conditions and forecasts, CBL has not recognized an expected credit loss.

Accounts Receivable. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Allowance for credit losses is based on management's review of historical losses based on aging receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant. CBL believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the entities have remained consistent.

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions Receivable and Contributions. Contributions are recognized when the donor makes a promise to give to CBL that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

CBL uses the “allowance method” to determine uncollectible contributions receivable. The allowance is based on prior years’ experience and management’s analysis of specific promises made.

Investments. Investments are recorded at fair market value. Realized and unrealized gains and losses are included in investment income. Contributed securities are recorded as contributions equal to the fair market value of the securities at the date of the gift.

Loans Receivable. Loans receivable consists of loans made to parishes and other diocesan entities primarily for non-capital needs. CBL establishes an expected credit loss reserve based on management’s assessment of the credit history of the debtors having outstanding balances, current relationships with them, and reasonable and supportable forecasts regarding future events. The initial measurement of expected credit losses, as well as any subsequent change in the estimate of expected credit losses, is recorded as a credit loss expense (or reversal in the current period statement of activities).

Property and Equipment and Depreciation. Property and equipment is stated at cost, if purchased, or at estimated fair value if donated, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the related assets. It is CBL’s policy to capitalize property and equipment over \$10,000. Lesser amounts are expensed. Estimated useful lives by asset class are as follows:

Buildings and improvements	5-39 years
Office furniture and equipment	3-7 years
Vehicles	5 years

Property Held for Investment or Future Use. The cost of new properties for future parish sites are also included in the statements of financial position as property held for investment or future use. The property is stated at cost, if purchased, or at estimated fair value at the time of donation, if donated.

Contract Balances. Contract assets represent CBL’s right to consideration in exchange for goods or services that have been transferred before payment is due. Contract liabilities include consideration due or paid prior to when the CBL transfers goods or services and represent CBL’s obligation to the user. Contract liabilities include unearned revenue.

Unearned Revenue. Event registration fees received in advance are deferred and then recognized as revenue in the year in which the event is held. Unearned revenue at June 30, 2025, 2024, and 2023 was \$127,886, \$279,164, and \$347,347.

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition. The following is a description of the CBL's principal sources of revenue:

Operational assessment. An annual contribution is assessed to parishes in order to cover the centralized ministries and services of the Diocese, priest retirement, and communications costs. Assessment revenue is recognized over time, in the fiscal year it is assessed.

Contributions and appeals. Contributions are recognized when a donor makes a promise to give that is, in substance, unconditional. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. CBL has not received any conditional contributions.

Program revenue. Fees charged to program users for various retreats and educational programs. Revenue is recognized at a point in time when the event occurs. Any program fees prepaid by users are accounted for as deferred revenue.

Premium income from insurance programs. The Diocese administers the health care insurance plan and property and liability insurance program for all Diocesan employees, parishes, schools, and related entities. Premium revenue is recognized over time, over the covered period.

Functional Expenses. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, salaries and wages, benefits, payroll taxes, and administrative other, which are allocated on the basis of estimates of time and effort.

Income Taxes. CBL is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as a public charity under Section 509(a) under the group tax exemption of the United States Conference of Catholic Bishops (USCCB) and included in the Official Catholic Directory for 2025. As such, income earned in the performance of its exempt purpose is not subject to income tax. Any income earned through activities not related to its exempt purpose is subject to income tax at normal corporate rates. CBL qualifies as a church-affiliated organization and is not required to file an annual Federal Return of Organization Exempt from Income Tax (Form 990).

CBL has evaluated all tax positions and concluded that there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in accordance with FASB ASC 740, as of June 30, 2025 and 2024. CBL is subject to routine audits by taxing jurisdiction; however, there are currently no audits for any year in progress. All tax years remain open and subject to examination.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Catholic Bishop of Lincoln

NOTES TO FINANCIAL STATEMENTS

NOTE C - LIQUIDITY AND AVAILABILITY

CBL's financial assets available within one year of the balance sheet date for general expenditure as of June 30, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Financial assets, at year-end:		
Cash and cash equivalents	\$ 24,263,837	\$ 26,699,039
Accounts receivable, net	2,364,219	1,423,298
Investments	40,489,879	34,947,571
Other loans receivable	<u>777,140</u>	<u>1,028,018</u>
	67,895,075	64,097,926
Less those unavailable for general expenditure within one year due to contractual or donor-imposed restrictions:		
Cash and investments restricted for Programs	(3,829,984)	(4,238,374)
Quasi-endowment funds, primarily for long-term investing	(26,109,784)	(24,897,343)
Tax Increment Financing Bond	-	(39,242)
Amounts held for other Diocesan entities	(1,131,958)	(1,122,615)
Amounts held with other donor imposed restrictions	(6,042,357)	(3,095,478)
Loans receivable in one year or more	(444,610)	(468,849)
Less management-designated funds:		
Health plan accumulated surplus	(1,344,129)	(2,600,254)
Property insurance plan accumulated surplus	(646,636)	(390,915)
Capital needs	(3,848,913)	(3,848,913)
St. John Vianney Association	(3,155,000)	(2,745,841)
Other funds designated	<u>(592,092)</u>	<u>(370,370)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 20,749,612</u>	<u>\$ 20,279,732</u>

A significant portion of CBL's annual expenditures will be funded by current year operating revenues.

In the event of an unanticipated liquidity need, CBL could sell a portion of the property held for investment or future use, see Note B for further discussion.

NOTE D - ACCOUNTS RECEIVABLE

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Accounts receivable consist of:			
Parishes and schools	\$ 2,599,349	\$ 1,220,003	\$ 914,785
General accommodation payments	-	577	25,171
Other miscellaneous receivables	<u>32,824</u>	<u>303,380</u>	<u>10,549</u>
	2,632,173	1,523,960	950,505
Less allowance for credit losses	<u>(267,954)</u>	<u>(100,662)</u>	<u>(67,799)</u>
	<u>\$ 2,364,219</u>	<u>\$ 1,423,298</u>	<u>\$ 882,706</u>

The Catholic Bishop of Lincoln

NOTES TO FINANCIAL STATEMENTS

NOTE E - INVESTMENTS

	<u>2025</u>	<u>2024</u>
Investments at fair market value consist of the following :		
Common stock	\$ 9,042,731	\$ 6,488,809
Mutual funds	1,763,486	823,170
U.S. government and agency obligations	858,376	1,355,221
Corporate bonds	2,715,502	1,343,786
Tax increment financing bond	-	39,242
Held at Catholic Foundation of Southern Nebraska	<u>26,109,784</u>	<u>24,897,343</u>
	<u>\$ 40,489,879</u>	<u>\$ 34,947,571</u>

Investment income consists of the following:

Interest and dividends	\$ 2,146,852	\$ 1,968,357
Net realized and unrealized gains	3,162,545	2,741,203
Investment management expenses	<u>(241,865)</u>	<u>(301,580)</u>
	<u>\$ 5,067,532</u>	<u>\$ 4,407,980</u>

NOTE F - FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. CBL utilizes a framework to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that CBL has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Catholic Bishop of Lincoln
NOTES TO FINANCIAL STATEMENTS

NOTE F - FAIR VALUE MEASUREMENTS – CONTINUED

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in methodologies used during the years ended June 30, 2025 and 2024.

Common stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the observable net asset value (NAV) of shares held by CBL at year end.

Corporate bonds: Valued using independent pricing models.

U.S. Treasury notes: Valued using independent pricing models.

Tax increment financing bonds: Valued using independent pricing models based on stated interest rate.

Investments in the Catholic Foundation of Southern Nebraska: Valued using observable inputs of the underlying assets. All underlying assets are assigned to Level 1, 2, or 3 by the Catholic Foundation of Southern Nebraska.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although CBL believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2025.

	Fair Value	Quoted Prices in Active Markets for identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Common stocks				
Domestic	\$ 8,135,902	\$ 8,135,902	\$ -	\$ -
Foreign	906,829	906,829	-	-
Mutual funds				
Fixed income	409,855	409,855	-	-
International funds	1,353,631	1,353,631	-	-
Corporate bonds	2,715,502	2,715,502	-	-
U.S. Treasury notes	858,376	858,376	-	-
Catholic Foundation				
U.S. Treasury notes	4,772,932	-	4,772,932	-
U.S. government agencies	68,804	-	68,804	-
Corporate bonds	3,013,978	-	3,013,978	-
Municipal bonds	10,804	-	10,804	-
Mortgage backed securities	242,111	-	242,111	-
Other fixed income	140,316	-	140,316	-
Mutual funds	140,406	-	140,406	-
Common stocks	17,246,315	-	17,246,315	-
Other equity investments	474,118	-	-	474,118
	<u>\$ 40,489,879</u>	<u>\$ 14,380,095</u>	<u>\$ 25,635,666</u>	<u>\$ 474,118</u>

The Catholic Bishop of Lincoln
NOTES TO FINANCIAL STATEMENTS

NOTE F - FAIR VALUE MEASUREMENTS – CONTINUED

The following table sets forth the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2024.

	Fair Value	Quoted Prices in Active Markets for identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Common stocks				
Domestic	\$ 5,955,524	\$ 5,955,524	\$ -	\$ -
Foreign	533,285	533,285	-	-
Mutual funds				
Fixed income	1,435	1,435	-	-
International funds	821,735	821,735	-	-
Corporate bonds	1,343,786	1,343,786	-	-
U.S. Treasury notes	1,355,221	1,355,221	-	-
Tax increment financing bonds	39,242	-	39,242	-
Catholic Foundation				
U.S. Treasury notes	4,555,642	-	4,555,642	-
U.S. government agencies	67,313	-	67,313	-
Corporate bonds	2,937,201	-	2,937,201	-
Municipal bonds	10,536	-	10,536	-
Mortgage backed securities	290,778	-	290,778	-
Other fixed income	137,020	-	137,020	-
Mutual funds	140,526	-	140,526	-
Common stocks	16,668,341	-	16,668,341	-
Other equity investments	89,986	-	-	89,986
	<u>\$ 34,947,571</u>	<u>\$ 10,010,986</u>	<u>\$ 24,846,599</u>	<u>\$ 89,986</u>

The following table sets forth a summary of changes in the fair value of CBL's level 3 assets for the year ended June 30, 2024.

	Contributions receivable
Beginning balance	\$ 104,855
Contributions receivable paid during the year	(70,555)
Change in allowance for doubtful accounts	(34,300)
Ending balance	<u>\$ -</u>

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NOTES TO FINANCIAL STATEMENTS

NOTE G - LOANS RECEIVABLE

Loans receivable consist of:

	<u>2025</u>	<u>2024</u>
Loan balance	\$ 1,186,434	\$ 1,810,764
Allowance for doubtful loans	<u>(409,294)</u>	<u>(782,746)</u>
	<u>\$ 777,140</u>	<u>\$ 1,028,018</u>

Expected repayments on loans receivable for the years following June 30, 2025 are as follows:

2026	\$ 332,530
2027	200,000
2028	175,000
2029	<u>69,610</u>
	<u>\$ 777,140</u>

CBL has evaluated the loans individually based on risk characteristics and historical ability to pay.

NOTE H - PROPERTY AND EQUIPMENT

Property and equipment consists of:

Operating properties, lan	\$ 1,219,408	\$ 1,219,408
Operating properties, buildings and improvements	13,019,476	13,019,476
Office furniture and equipment	815,666	815,666
Vehicles	<u>165,838</u>	<u>165,838</u>
	15,220,388	15,220,388
Less accumulated depreciation	<u>(8,093,170)</u>	<u>(7,726,114)</u>
	<u>\$ 7,127,218</u>	<u>\$ 7,494,274</u>

Depreciation expense for the years ended June 30, 2025 and 2024 was \$367,056 and \$370,595, respectively.

The Catholic Bishop of Lincoln

NOTES TO FINANCIAL STATEMENTS

NOTE I - INSURANCE PROGRAMS

CBL maintains health, property, general liability and workers compensation plans for itself and participating affiliates. Each entity participating in the plans is charged premiums to cover estimated losses, administrative costs and excess insurance policy premiums.

Under the health plan, the first \$200,000 of each individual loss and aggregate annual losses up to a formulated amount as of December 31, 2025 are self-insured. Aggregate annual losses totaled \$9,002,304 and \$7,756,404 as of June 30, 2025 and 2024, respectively. Included in insurance payable is the amount of estimated health insurance claims payable of \$1,200,000 and \$500,000 as of June 30, 2025 and 2024, respectively.

Workers' compensation coverage is 100% insured and CBL does not retain any exposure for this coverage.

CBL purchases coverage for property and casualty exposures through The Catholic Mutual Relief Society of America (Catholic Mutual). The coverage from Catholic Mutual includes property, liability, crime, directors and officer's liability and other excess liability coverage with each having its own limit and deductible. Under the plan, \$30,000 of each property loss and \$20,000 of each crime loss are self-insured up to an annual aggregate of \$400,000. Included in insurance payable is the amount of estimated property insurance claims payable of \$89,000 and \$124,000 as of June 30, 2025 and 2024.

CBL also participates in the Catholic Umbrella Pool II (the Pool), a separate and distinct fund within Catholic Mutual, administrator for the pool. This fund is a self-insurance fund providing excess liability coverage for its membership, which consists of 69 small to medium sized (Arch)Dioceses. The Diocese's participation in the Pool varies by certificate year and approximates 2%. The Pool is responsible for 20% of individual casualty claims of its members, which exceed \$500,000 to a limit of \$10,000,000. Participating dioceses are liable (in proportion to their participation interest) for any losses beyond the Pool's ability to fund such losses.

Participation by the Diocese means that it has approximately a 2% share in all contribution income, investment income, claims and other operating expenses of the Pool. At June 30, 2025 and 2024, CBL has included \$319,718 and \$280,464, respectively as their equity in the Pool in Other Asset. Equity has been determined by the Pool and is net of estimated future loss obligations.

NOTE J - AMOUNTS DUE TO PARISHES AND OTHER DIOCESAN ENTITIES

Contributions solicited and received by CBL on behalf of other related entities are not recorded as contributions on CBL's statements of activities. For the annual Charity and Stewardship Appeal (CSA), CBL received pledge payments of \$2,185,331 and \$2,598,762 in fiscal year 2025 and 2024 respectively. Of the pledge payments \$475,000 and \$486,874 were retained by CBL, while the remainder is distributed to other entities and parishes.

Amounts due to parishes and other diocesan entities consists of:

	<u>2025</u>	<u>2024</u>
Parish gift due to parishes	\$ -	\$ 2,411
CSA contributions due to beneficiaries	203,125	210,125
CSA contributions due to parishes	<u>517,453</u>	<u>540,210</u>
	<u>\$ 720,578</u>	<u>\$ 752,746</u>

The Catholic Bishop of Lincoln

NOTES TO FINANCIAL STATEMENTS

NOTE K - PENSION PLAN - EMPLOYEES

CBL sponsors a 401(k) plan for all diocesan employees, clergy and lay, who are regularly scheduled to work more than 25 hours per week. Eligible lay employees receive non-elective contributions to the plan equal to 5% of compensation after one year of employment. Additionally, the Diocese matches 50% of lay employee contributions up to a maximum of 4% of eligible wages. Employer contributions vest 20% per year over the first 5 years of service, after five years employees are fully vested. The plan allows employees to make contributions of up to 100% of their compensation, subject to IRS annual limits. Contributions may be made on either a pre-tax or post-tax basis.

NOTE L - POSTRETIREMENT PLAN - PRIESTS

CBL has a postretirement benefit plan for retired priests. Benefits are provided based on a percentage of average annual compensation of priests during the retirement period. In addition, supplemental medical expenses are provided. The postretirement benefit obligation for retired priests has been actuarially determined.

The following amounts relate to the priests' postretirement benefit plan:

	<u>2025</u>	<u>2024</u>
Benefit obligation at end of year	\$ 29,736,023	\$ 28,414,381
Change in plan assets:		
Fair value of plan assets at beginning of year	27,578,836	24,899,823
Return on plan assets	3,429,976	2,689,295
Employer contributions	448,681	914,135
Benefits paid	(523,995)	(759,868)
Management fees paid	<u>(175,918)</u>	<u>(164,549)</u>
Fair value of plan assets at end of year	<u>30,757,580</u>	<u>27,578,836</u>
Accrued postretirement liability (asset), priests	<u>\$ (1,021,557)</u>	<u>\$ 835,545</u>

Assumptions used to determine the year-end benefit obligation:

Discount rate on the benefit obligation	4.5%	4.5%
Rate of expected return on plan assets	4.5%	4.5%
Rate of priests' postretirement costs increase	4.63%	4.63%

Assumptions used to determine net periodic pension costs:

Discount rate on the benefit obligation	4.5%	4.5%
Rate of expected return on plan assets	4.5%	4.5%
Rate of priests' postretirement costs increase	4.63%	4.63%

The Catholic Bishop of Lincoln

NOTES TO FINANCIAL STATEMENTS

NOTE L - POSTRETIREMENT PLAN – PRIESTS – CONTINUED

Plan assets are maintained in two separate asset accounts. Plan assets with a fair market value of \$25,978,769 are held in a trust fund that is invested approximately 64% equity, 32% fixed income assets and 4% cash at June 30, 2025. Plan assets with a fair market value of \$4,778,811 are held within pooled investments at the Catholic Foundation of Southern Nebraska (the Foundation). The Foundation’s investments at fair value by category include approximately 64% equity, 32% fixed income, and 4% cash as of June 30, 2025. At this time, CBL has no formal funding policy.

NOTE M - NET ASSETS

Net assets without donor restrictions consist of assets that are not subject to outside restrictions. Net assets with donor restrictions are reclassified to this category when the restrictions are satisfied. Net assets without donor restrictions have been designated for a specific use by CBL.

	<u>2025</u>	<u>2024</u>
Undesignated	\$ 32,832,630	\$ 29,193,320
Net assets designated for health insurance plan	1,344,129	2,600,254
Net assets designated for property insurance plan	646,636	390,915
Net assets designated for capital needs	3,848,913	3,848,913
Net assets designated for St John Vianney Association	3,155,000	2,745,841
Other management designated funds	<u>592,092</u>	<u>370,370</u>
	<u>\$ 42,419,400</u>	<u>\$ 39,149,613</u>

Net assets with donor restrictions consist of:

Time and purpose restrictions:		
Charity and Stewardship Appeal	\$ 475,000	\$ 786,751
Apostolic	-	214,763
Education	14,093,903	13,762,131
Saint John Vianney	1,176,027	1,021,978
Vocations	14,866,539	13,672,553
Evangelization	3,157,951	2,844,317
Other	20,845	307,285
Perpetual restrictions:		
Mass trust funds	11,323	11,323
Retirement endowment	<u>8,419</u>	<u>8,419</u>
	<u>\$ 33,810,007</u>	<u>\$ 32,629,520</u>

The Catholic Bishop of Lincoln
NOTES TO FINANCIAL STATEMENTS

NOTE N - RELATED PARTY TRANSACTIONS

The Chancery, by its nature, engages in transactions with other separately incorporated entities of the Diocese of Lincoln. CBL receives substantial support from these related organizations. CBL administers and acts as a conduit for various collections benefitting these organizations. Please reference Notes D, G, and J for more information on related party receivables and payables.

	2025	2024
Revenues:		
Assessment for Chancery operations and SNR publication	\$ 3,378,671	\$ 3,142,569
Assessment for St. John Vianney Association	386,169	359,829
Assessment for Clergy Retirement	608,475	603,913
School fees for education and educational technology	2,525,985	1,981,880
Premiums and insurance billings	12,880,352	11,766,703
John XXIII Diocesan Center rental income	16,335	54,689
Expenses:		
Tuition and fees paid to St. Gregory the Great Seminary	590,209	391,270
Retreat and other expenses paid to Our Lady of Good Counsel Retreat House	42,272	81,937
Contribution to affiliates	3,325,157	2,502,570
Joy of the Gospel education grants to diocesan schools	-	561,611
Joy of the Gospel rebates distributed to parishes	-	29,237
Pass-through contributions:		
CSA distributions made to parishes	1,843,005	1,968,609
CSA distributions made to other related entities	232,000	224,875
Assets:		
Accounts receivable due from parishes, net	2,331,395	1,119,341
Notes receivable due from related entities, net	777,140	1,028,018
Liabilities:		
CSA collections due to parishes and beneficiaries	720,578	750,335

NOTE O - CONCENTRATIONS

Concentration of Credit Risk

Financial instruments which potentially subject CBL to a concentration of credit risk principally consist of cash and cash equivalents. Checking accounts at each institution are insured by the FDIC up to \$250,000. Short-term investment trust accounts (STFIT) are not FDIC-insured. At June 30, 2025 and 2024, the bank accounts exceeded federally insured limits by \$17,518,313 and \$20,507,979, respectively. CBL has not experienced any losses on such accounts.

The Catholic Bishop of Lincoln
NOTES TO FINANCIAL STATEMENTS

NOTE P - LINE OF CREDIT

CBL has a line of credit with a financial institution in the amount of \$200,000 in order for the Education Technology office to do business with certain vendors. The agreement expired on October 15, 2025 and was renewed through October 15, 2026. The line of credit has an interest rate of 8.25% and had not been drawn upon by CBL as of June 30, 2025.

NOTE Q - PRIOR PERIOD ADJUSTMENT

During the year, it was discovered that net assets previously reported as without donor restrictions were actually donor restricted. The July 1, 2023 net assets with donor restrictions balance has been increased by \$620,100 and the net assets without donor restrictions balance has been decreased by \$620,100. Activity during the year ended June 30, 2024 increased net assets with donor restrictions by \$722,201 and decreased net assets without donor restrictions by \$722,201.

NOTE R - SUBSEQUENT EVENTS

Subsequent events have been evaluated through the audit report date, the date the financial statements were available to be issued.