# CATHOLIC DIOCESE OF NASHVILLE

## FINANCIAL STATEMENTS
## AND INDEPENDENT AUDITOR'S REPORT

## JUNE 30, 2021 AND 2020

**CATHOLIC DIOCESE OF NASHVILLE**

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**June 30, 2021 and 2020**

PURYEAR &
NOONAN, CPAs

**Independent Auditor's Report**

Most Reverend J. Mark Spalding, Bishop
Diocesan Finance Council
Catholic Diocese of Nashville
Nashville, Tennessee

***Report on Financial Statements***
We have audited the accompanying financial statements of Catholic Diocese of Nashville (the Diocese), a non-profit organization, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***
Management is responsible for the preparation and fair presentation of these 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 the 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 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Diocese's preparation and fair presentation of the 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 Diocese'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 financial statements.

*(Auditor's report continued on next page)*



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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Diocese of Nashville as of June 30, 2021 and 2020, 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.

Puryear & Noonan, CPAs PLLC

Puryear & Noonan, CPAs
Nashville, Tennessee
September 9, 2021

**CATHOLIC DIOCESE OF NASHVILLE**
**Statements of Financial Position**
**June 30, 2021 and 2020**

| | 2021 | 2020 |
|---|---|---|
| **Assets** | | |
| Cash | $ 4,591,059 | $ 11,147,539 |
| Investments in marketable securities | 14,494,862 | 10,119,474 |
| Accounts and other receivables, net of provision for doubtful accounts of $5,296 in 2021 and 2020 | 1,141,557 | 1,493,919 |
| Property held for sale | 226,097 | 226,097 |
| Land, buildings, and equipment, net | 31,872,805 | 31,586,928 |
| Other assets | 29,415 | 141,235 |
| Residual interest in trusts | 5,628,347 | 3,713,458 |
| **Total Assets** | $ 57,984,142 | $ 58,428,650 |
| **Liabilities and Net Assets** | | |
| Accounts payable and accrued expenses | $ 1,798,257 | $ 1,456,283 |
| Grant payable | - | 4,800,000 |
| Loans payable | 7,298,061 | 8,092,193 |
| Capitalized lease payable | 50,253 | 64,864 |
| Deferred revenue | 16,204 | 16,930 |
| Funds owed to others | 337,902 | 248,897 |
| **Total Liabilities** | 9,500,677 | 14,679,167 |
| **Net Assets** | | |
| Without donor restrictions | 2,985,775 | 958,609 |
| Without donor restrictions - Designated | 33,229,321 | 32,751,608 |
| With donor restrictions | 12,268,369 | 10,039,266 |
| **Total Net Assets** | 48,483,465 | 43,749,483 |
| **Total Liabilities and Net Assets** | $ 57,984,142 | $ 58,428,650 |

See accompanying independent auditor's report and notes to financial statements.

**CATHOLIC DIOCESE OF NASHVILLE**
**Statements of Activities and Changes in Net Assets**
**For the Years Ended June 30, 2021 and 2020**

| | 2021 | 2020 |
|---|---|---|
| **Changes in Net Assets Without Donor Restrictions** | | |
| **Operating Support and Revenues** | | |
| Assessments | $ 6,056,668 | $ 6,257,356 |
| Contributions | 6,522,065 | 5,073,990 |
| Service fees/materials supplied | 2,353,364 | 2,700,748 |
| Investment income | 2,433,610 | 883,062 |
| Program grants | 804,407 | 38,244 |
| **Total Operating Support and Revenues Without Donor Restrictions** | 18,170,114 | 14,953,400 |
| **Net Assets Released From Restrictions** | | |
| Satisfaction of donor restrictions | 1,455,570 | 1,124,571 |
| Expiration of time restrictions | 84,349 | 57,281 |
| **Total Net Assets Released From Restrictions** | 1,539,919 | 1,181,852 |
| **Total Support and Revenues Without Donor Restrictions** | 19,710,033 | 16,135,252 |
| **Expenses** | | |
| **Program Services** | | |
| School and institutional assistance | 2,571,241 | 2,203,158 |
| Pastoral, social and educational services | 2,395,343 | 1,868,443 |
| Program facilities and depreciation | 1,611,777 | 1,626,507 |
| Ministries (youth, elderly, campus and ethnic) | 1,545,479 | 1,604,756 |
| Clergy benefits | 1,482,776 | 1,554,890 |
| Vocations | 1,567,934 | 1,511,357 |
| Parish and institutional assistance | 1,367,478 | 1,103,678 |
| Communications | 845,775 | 19,593 |
| Cemeteries | 310,805 | 285,888 |
| Family assistance and payments to beneficiaries | 106,979 | 110,152 |
| **Total Program Services** | 13,805,587 | 11,888,422 |
| **Management and General** | | |
| Governance | 2,382,635 | 2,817,447 |
| Insurance and worker's compensation | (30,265) | (4,518) |
| **Total Management and General** | 2,352,370 | 2,812,929 |
| **Fundraising Expenditures** | 547,197 | 475,184 |
| **Total Expenses** | 16,705,154 | 15,176,535 |
| **Changes in Net Assets With Donor Restrictions** | | |
| Contributions | 783,649 | 502,523 |
| Service fees/materials supplied | 56,115 | 354,342 |
| Program grants | 222,019 | 223,553 |
| Investment income | 1,292,350 | 143,209 |
| Change in value of residual interest | 914,889 | (78,029) |
| **Net Assets Released From Restrictions** | (1,539,919) | (1,181,852) |
| Increase (decrease) in net assets with donor restrictions | 1,729,103 | (36,254) |
| **Change in Net Assets** | 4,733,982 | 922,463 |
| **Net Assets - Beginning of Year** | 43,749,483 | 42,827,020 |
| **Net Assets - End of Year** | $ 48,483,465 | $ 43,749,483 |

See accompanying independent auditor’s report and notes to financial statements.

**CATHOLIC DIOCESE OF NASHVILLE**

**Statements of Cash Flows**

**For the Years Ended June 30, 2021 and 2020**

| | 2021 | 2020 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Change in net assets | $ 4,733,982 | $ 922,463 |
| **Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used for) Operating Activities** | | |
| Depreciation | 596,902 | 566,846 |
| Net realized and unrealized gain on marketable securities | (3,196,671) | (225,865) |
| Unrealized gain, reclassifications, and adjustments of residual interests in trusts | (914,889) | 78,029 |
| Changes in assets and liabilities | | |
| (Increase) decrease in accounts receivable | 352,362 | (431,279) |
| (Increase) decrease in other assets | 111,820 | (141,235) |
| Increase (decrease) in accounts payable and accrued expenses | 341,973 | (67,855) |
| Increase (decrease) in deferred revenue | (727) | (1,718) |
| Increase (decrease) in funds owed to others | 89,006 | (8,059) |
| **Net Cash Provided by (Used for) Operating Activities** | 2,113,758 | 691,327 |
| **Cash Flows from Investing Activities** | | |
| Proceeds (purchases) from sale of investments in marketable securities, net | (2,178,716) | 2,075,026 |
| Purchase of land, buildings, and equipment | (882,779) | (4,704,551) |
| **Net Cash Provided by (Used for) Investing Activities** | (3,061,495) | (2,629,525) |
| **Cash Flows from Financing Activities** | | |
| Repayments on loan payable | (249,510) | (251,501) |
| Repayments on grants payable | (4,800,000) | - |
| Proceeds from SBA PPP loan | - | 766,382 |
| Forgiveness of SBA PPP loan | (766,382) | - |
| Proceeds from loans payable | 221,760 | - |
| Repayments on capitalized lease payable | (14,611) | (11,243) |
| **Net Cash Provided by (Used for) Financing Activities** | (5,608,743) | 503,638 |
| **Net Change in Cash** | (6,556,480) | (1,434,560) |
| **Cash - Beginning of Year** | 11,147,539 | 12,582,099 |
| **Cash - End of Year** | $ 4,591,059 | $ 11,147,539 |
| **Supplemental Disclosures of Cash Flow Information** | | |
| Cash paid for | | |
| Interest | $ 195,166 | $ 265,088 |

**Non-cash transactions**

During 2021, the Diocese transferred $1,000,000 from investments to residual interests in trusts.
During 2020, the Diocese wrote off fully depreciated equipment of $6,315 and transferred $603,000 from investments to residual interests in trusts.

See accompanying independent auditor's report and notes to financial statements.

**CATHOLIC DIOCESE OF NASHVILLE**
**Statements of Functional Expenses**
**For the Years Ended June 30, 2021 and 2020**

| | 2021 | | | |
|---|---|---|---|---|
| | Program Services | Management and General | Fundraising | Total |
| Salaries and benefits | $ 4,462,226 | $ 1,189,384 | $ 168,281 | $ 5,819,891 |
| Subsidies and distributions | 4,031,957 | 8,499 | - | 4,040,456 |
| Professional services | 1,148,139 | 409,368 | 240,006 | 1,797,513 |
| Supplies and other | 1,188,621 | 370,814 | 15,274 | 1,574,709 |
| Tuition, room and board | 991,193 | 4,510 | - | 995,703 |
| Depreciation | 596,902 | - | - | 596,902 |
| Maintenance and repairs | 392,772 | 82,446 | 5,625 | 480,843 |
| Utilities | 324,710 | 72,064 | 5,561 | 402,335 |
| Travel, meals and conferences attended | 258,455 | 31,965 | 8,769 | 299,189 |
| Interest | (7,890) | 203,217 | (161) | 195,166 |
| Postage and printing | 66,537 | 19,273 | 97,130 | 182,940 |
| Food and beverage | 88,253 | 59,459 | 4,743 | 152,455 |
| Conferences given | 141,209 | 3,767 | - | 144,976 |
| Insurance | 122,503 | (102,396) | 1,969 | 22,076 |
| **Total Functional Expenses** | $ 13,805,587 | $ 2,352,370 | $ 547,197 | $ 16,705,154 |

| | 2020 | | | |
|---|---|---|---|---|
| | Program Services | Management and General | Fundraising | Total |
| Salaries and benefits | $ 3,800,873 | $ 1,532,511 | $ 178,852 | $ 5,512,236 |
| Subsidies and distributions | 3,457,526 | - | - | 3,457,526 |
| Professional services | 944,035 | 387,464 | 161,977 | 1,493,476 |
| Tuition, room and board | 1,093,432 | 10,648 | - | 1,104,080 |
| Supplies and other | 537,137 | 176,146 | 19,118 | 732,401 |
| Maintenance and repairs | 391,115 | 192,869 | 5,006 | 588,990 |
| Depreciation | 566,846 | - | - | 566,846 |
| Utilities | 360,236 | 77,618 | 5,989 | 443,843 |
| Travel, meals and conferences attended | 323,268 | 47,732 | 9,326 | 380,326 |
| Interest | 10,169 | 254,711 | 208 | 265,088 |
| Conferences given | 116,492 | 81,564 | 11 | 198,067 |
| Postage and printing | 70,208 | 8,029 | 87,491 | 165,728 |
| Food and beverage | 94,256 | 60,069 | 5,186 | 159,511 |
| Insurance | 122,829 | (16,432) | 2,020 | 108,417 |
| **Total Functional Expenses** | $ 11,888,422 | $ 2,812,929 | $ 475,184 | $ 15,176,535 |

See accompanying independent auditor's report and notes to financial statements.

## Note 1 - Summary of Significant Accounting Policies

***Organization and Purpose***

Catholic Diocese of Nashville (the Diocese) is a juridic person under canon law and an unincorporated religious association under the civil law of the State of Tennessee. The Diocese carries out religious activities primarily in and for the benefit of the Catholic community in the middle Tennessee area.

Effective July 1, 2020, the leadership of Tennessee Register legally changed from control solely by one Member, the Bishop of Nashville, to four governing Members. With the Bishop no longer the sole trustee for the Tennessee Register, it will no longer be consolidated with the Diocese. For comparative purposes, the activity of Tennessee Register is also not included in these financial statements for the year ended June 30, 2020.

***Basis of Accounting***

The financial statements of the Diocese are prepared using the accrual basis of accounting, under which revenue is recognized when earned rather than when collected and expenses are recognized when incurred rather than when disbursed.

***Financial Statement Presentation***

For financial statement presentation, the Diocese reports its financial information according to two classes of net assets (net assets with and without restrictions) based on the existence or absence of donor-imposed restrictions.

***Net Assets Without Donor Restrictions***

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Diocese. Net assets without restrictions may be designated for specific purposes by the Bishop in consultation with the Chief Administrative Officer (CAO), the Chief Financial Officer (CFO), Finance Council and College of Consultors, as necessary, for specific long-term purposes.

***Net Assets With Donor Restrictions***

Net assets subject to stipulations imposed by donors and grantors that can be fulfilled by actions of the Diocese pursuant to those restrictions or that expire by the passage of time.

Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

***Measure of Operations***

The Statements of Activities and Changes in Net Assets report changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Diocese's ongoing activities and interest and investment income. Non-operating activities are limited to resources that generate return from other investments, permanently restricted contributions, net assets released for capital expenditures, and other activities considered to be of a more unusual or non-recurring nature.

***Use of Estimates***

Management of the Diocese has made a number of estimates and assumptions relating to the reporting of assets and liabilities and disclosure of contingent assets and liabilities to prepare these financial statements and accompanying notes in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Actual results could differ from these estimates.

***Program and Supporting Services - Functional Expenses***

The following program and supporting services are included in the accompanying financial statements on the statements of functional expenses.

**Program Services -** includes activities carried out to fulfill the Diocese's mission of Living and Proclaiming the Good News of Jesus Christ, Welcoming All. Specific activities include school assistance, ministries, vocations, clergy benefits, educational services, communications and Parish assistance.

**Supporting Services - Management and General -** relates to the overall direction of the Diocese through the office of the Bishop. It encompasses the canonical offices required for a Diocese (Bishop, Vicar General, Chancellor and CFO). These expenses are not identifiable with a particular program, event or fundraising, but are indispensable to the conduct of those activities and are essential to the Diocese. Specific activities include organizational oversight, Chancellor, business management, record keeping, budgeting, financing, and other administrative activities.

**Supporting Services - Fundraising -** includes cost of activities directed toward appeals for financial support and the cost of solicitations, and creation and distribution of fundraising materials.

***Classifications of Expenses***

Expenses are classified functionally as a measure of service efforts and accomplishments. Direct expenses, incurred for a single function, are allocated entirely to that function. Joint expenses applicable to more than one function, are allocated on the basis of objectively summarized information or management estimates.

***Cash***

The Diocese maintains savings accounts and zero balance checking accounts at Truist (formerly SunTrust Bank) through Catholic Community Investment and Loan, Inc. (CCIL). Other banks are used as needed for specific functions. Cash maintained within investment accounts is reported as investments in marketable securities.

***Self-Insured Medical Coverage***

The Diocese maintains a self-insured medical benefits plan for those entities participating in the previous Blue Cross Blue Shield of Tennessee (BCBS-TN) insured plan. A key consideration was to be able to define the terms of coverage consistent with Catholic teachings. It is anticipated this will also allow the Diocese to better manage costs and the impact on premium rate increases. Premium rates were established with the consultation of experts. BCBS-TN was selected to administer the plan. Stop loss coverage was purchased to limit catastrophic claim losses. Included in accounts payable and accrued expenses at June 30, 2021 and 2020, is an estimate of $570,600 and $546,400, respectively, for incurred but not reported claims.

Premium payments are recorded as revenue and netted against claim expenses and are included in service fees/materials supplied in the Statements of Activities and Changes in Net Assets. The cumulative balance is recorded as unrestricted designated – self-insured medical coverage.

***Investments in Marketable Securities***

Marketable securities are carried at estimated fair value as of June 30, 2021 and 2020. Gifts of marketable securities are recorded at the estimated fair market value at date of gift if retained or the sale price if immediately sold. Estimated fair market values are based primarily on quoted market prices. Realized gains or losses on the sale of marketable securities are recognized on the trade date based upon specific identification of the security sold and are included in the Statements of Activities and Changes in Net Assets.

The Diocese utilizes various investment instruments. The Diocese invests in fixed income securities including government bonds, publicly traded stocks and mutual funds and occasionally real property. At June 30, 2021 and 2020, the Diocese had no direct financial investment in financial derivatives. Investment securities, in general, are exposed to a variety of risks, such as interest rate, credit, business performance, world events and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably likely that changes in the estimated fair values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the Statements of Financial Position and Statements of Activities and Changes in Net Assets.

***Accounts Receivable***
Accounts receivable from parishes and institutions are uncollateralized obligations for assessments, priests' retreats, employee and priest benefits and Catholic education. Receivables may include advances or loans to employees or diocesan entities. It is the Diocese's policy to charge off uncollectible accounts when management determines the receivable will not be collected. Late fees and interest are not assessed on delinquent accounts. The provision for doubtful accounts is estimated based on management's knowledge of the people, parishes, institutions, historical loss experience and existing economic conditions. At June 30, 2021 and 2020, approximately $18,000 and $30,000, respectively, of accounts receivable were greater than 90 days.

***Intentions to Give***
Each year the Diocese asks the Catholic community to submit pledge cards as part of the Bishop's Annual Appeal for Ministry indicating the donations the Catholics intend to give for budgeted diocese and pastoral services during the upcoming calendar year. The pledge cards are used only for budgetary purposes and are not considered legally enforceable commitments. As such, these pledges do not meet the criteria for revenue recognition under U.S. GAAP. They are not reported as contributions in the Statements of Activities and Changes in Net Assets until the pledges are collected.

***Residual Interest in Trusts***
The Diocese is the beneficiary of certain perpetual trusts held and controlled by others. The estimated fair value of the underlying trust accounts are an asset in the accompanying Statements of Financial Position, although the Diocese has no access nor control over those funds. Contribution revenue is recognized at the date such trusts are established. Changes in the estimated fair value of the trust accounts are recognized as a gain or loss in the period such changes occur and income disbursements received from the trusts are recorded as revenue.

***Land, Buildings, and Equipment***
Land, buildings, and equipment are stated at cost, if purchased or constructed, or fair market value at date of gift if received by donation, net of accumulated depreciation and amortization. For buildings and systems/equipment, depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the assets or lease term, net of salvage value. Salvage value is estimated by asset type per the Diocese expense capitalization policy. Land is not depreciated and remains on the books at the purchase or donated value. Useful lives by asset category are as follows:

| | |
|---|---|
| Land | Infinite |
| Buildings - other, additions, and improvements | 30 - 50 years |
| Machinery and equipment | 3 - 10 years |
| Furniture and fixtures | 10 years |
| Vestments | 20 years |

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments costing more than $2,500 per item are capitalized unless an exception is approved. All capitalized assets are inventoried and a record kept even if the item is fully depreciated. When assets are retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in the Statements of Activities and Changes in Net Assets.

***Federal Income Taxes***

The Diocese is exempt from federal income taxes on related income as a religious organization under the Internal Revenue Code (IRC) Section 501(c)(3); accordingly, no provision for income taxes has been made in the accompanying financial statements. The Diocese, as a church, is also exempt from filing a U.S. Federal information tax return (Form 990).

The Diocese accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Diocese include, but are not limited to, the tax-exempt status and determination of whether certain income is subject to unrelated business income tax; however, the Diocese has determined that such tax positions do not result in an uncertainty requiring recognition.

***Impairment of Long-Lived Assets***

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairments have been recognized on any property at June 30, 2021 and 2020.

***Fair Value Measurements***

The Diocese follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820-10, *Fair Value Measurements*, with respect to its financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Diocese groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are as follows:

**Level 1** - Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

**Level 2** - Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

**Level 3** - Unobservable inputs that cannot be corroborated by observable market data.

***Revenue Recognition***

Revenues are recognized when control of the promised goods or services is transferred to the customer in an amount that reflects consideration the Diocese expects to be entitled to in exchange for transferring those goods or services.

Revenue is recognized based on the following five step model:

- Identification of the contract
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price
- Recognition of revenue when, or as, the Diocese satisfies a performance obligation.

The Diocese's revenues primarily consist of assessments, contributions and service fees.

Assessments are recognized on a monthly basis.

Contributions are considered unrestricted unless they are received with donor stipulations that limit their use either through purpose or time restrictions. 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.

Services fees are recognized as the services are performed. Some fees are a flat monthly fee which are recognized on a monthly basis but some fees are for specific services or events which are billed separately and recognized when the specific service or event occurs.

**Reclassifications**

Certain amounts in the 2020 consolidated financial statements have been reclassified to conform to the 2021 presentation.

## Note 2 - Adoption of New Accounting Pronouncement

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). This guidance supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, (Topic 605), and most industry-specific revenue recognition guidance throughout the Industry Topics of the ASC. The updated guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Topic 606 also includes Subtopic 340-40, *Other Assets and Deferred Costs – Contracts with Customers*, which requires deferral of incremental costs of obtaining a contract with a customer. Collectively, Topic 606 and Subtopic 340-40 are referred to as the "new standard." The Diocese adopted the new standard effective July 1, 2020. There was no effect on change in net assets as a result of this adoption.

## Note 3 - Liquidity and Availability

The Diocese's financial assets available within one year of the Statements of Financial Position for general expenditure are as follows:

| | 2021 | 2020 |
|---|---|---|
| Cash | $ 4,591,059 | $ 11,147,539 |
| Investments | 14,494,862 | 10,119,474 |
| Accounts and other receivables | 1,141,557 | 1,493,919 |
| Total financial assets | 20,227,478 | 22,760,932 |
| Less - Net assets with donor restrictions | (6,640,022) | (6,325,808) |
| Less - Net assets without donor restrictions - Board designated | (3,603,977) | (3,637,276) |
| Financial assets available to meet general expenditures over the next twelve months | $ 9,983,479 | $ 12,797,848 |

The Diocese's goal generally is to maintain financial assets at a minimum of $1,000,000.

## Note 4 - Funds on Deposit with Catholic Community Investment and Loan, Inc. (CCIL)

As of June 30, 2021 and 2020, the Diocese has funds on deposit with Truist (formerly SunTrust Bank) through CCIL. CCIL is a not-for-profit public benefit and charitable corporation established to benefit exclusively certain juridic persons within the diocese through loans to parishes and Diocesan institutions as well as to invest pooled deposits to provide a better return on those deposits to the account holders. The funds on deposit with CCIL are placed with Truist Bank and insured to Federal Deposit Insurance Corporation (FDIC) limits or invested through brokerage firms. CCIL has private insurance for malfeasance losses up to $2,000,000 per incident. In management's opinion, these deposits are not subject to a significant risk of loss.

## Note 5 - Investments

Investments are subject to market risk, the risk inherent in a fluctuating market. The broker/dealer that is the custodian of 88% and 85%, respectively, of the Diocese's investments in marketable securities at June 30, 2021 and 2020 is covered by the Securities Investor Protection Corporation (SIPC), which provides limited protection to investors. SIPC coverage is limited to specified investor-owned securities (notes, bonds, mutual funds, investment company securities, and registered securities) held by an insolvent SIPC member at the time a supervising trustee is appointed. The SIPC also protects against unauthorized trading in the Diocese's security account. SIPC coverage is limited to $500,000 per customer, including $250,000 for cash that is on deposit as the result of a security transaction. The SIPC protection does not insure against market risk.

A summary of investments as of June 30, 2021 and 2020 is as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Cost | Fair Value | Cost | Fair Value |
| Cash and money market | $ 1,873,836 | $ 1,873,836 | $ 293,499 | $ 293,499 |
| Fixed income funds | 2,662,488 | 2,562,198 | 1,798,649 | 2,081,709 |
| Equity and mutual funds | | | | |
| US funds | 3,563,617 | 8,061,786 | 5,187,570 | 6,306,634 |
| Non - US market funds | 1,982,633 | 1,997,042 | 1,624,139 | 1,437,632 |
| Total equity and mutual funds | 5,546,250 | 10,058,828 | 6,811,709 | 7,744,266 |
| Total marketable securities | 10,082,574 | 14,494,862 | 8,903,857 | 10,119,474 |
| Residual interest in trust | 4,253,323 | 5,628,347 | 3,253,323 | 3,713,458 |
| Total investments | $ 14,335,897 | $ 20,123,209 | $ 12,157,180 | $ 13,832,932 |

The following schedule summarizes the investment gains in the Statements of Activities and Changes in Net Assets for the years ended June 30, 2021 and 2020:

| | 2021 | 2020 |
|---|---|---|
| Interest and dividends | $ 529,289 | $ 800,406 |
| Unrealized gain (loss) on investments, net | 3,196,671 | 225,865 |
| | $ 3,725,960 | $ 1,026,271 |

## Note 6 - Fair Value Measurements

Required disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on the Diocese's assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at June 30, 2021 and 2020 for the assets measured at fair value on a recurring basis under FASB ASC 820, *Fair Value Measurements and Disclosures*:

| | Assets Measured at Fair Value | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 |
| **2021** | | | | |
| Cash and money market | $ 1,873,836 | $ 1,873,836 | $ - | $ - |
| Fixed income funds | 2,562,198 | 2,562,198 | - | - |
| Equity and mutual funds | | | | |
| US funds | 8,061,786 | 8,061,786 | - | - |
| Non - US market funds | 1,997,042 | 1,997,042 | - | - |
| Total equity and mutual funds | 10,058,828 | 10,058,828 | - | - |
| Total marketable securities | 14,494,862 | 14,494,862 | - | - |
| Residual interest in trusts | 5,628,347 | - | - | - |
| Total investments | $ 20,123,209 | $ 14,494,862 | $ - | $ - |
| **2020** | | | | |
| Cash and money market | $ 293,499 | $ 293,499 | $ - | $ - |
| Fixed income funds | 2,081,709 | 2,081,709 | - | - |
| Equity and mutual funds | | | | |
| US funds | 6,306,634 | 6,306,634 | - | - |
| Non - US market funds | 1,437,632 | 1,437,632 | - | - |
| Total equity and mutual funds | 7,744,266 | 7,744,266 | - | - |
| Total marketable securities | 10,119,474 | 10,119,474 | - | - |
| Residual interest in trusts | 3,713,458 | - | - | - |
| Total investments | $ 13,832,932 | $ 10,119,474 | $ - | $ - |

The fair value of residual interest in trusts is based upon percent of beneficiary interest in the trust times its measured market value determined by the custodians of the funds. The fair value of the Diocese's interest of the residual trust has been determined based on the net asset values of the underlying investments as a practical expedient and have not been classified in a level within the fair value hierarchy.

## Note 7 - Loans Payable

On June 30, 2015, the Diocese entered into a six year $8.5 million loan agreement with a negative pledge. Monthly principal and interest payments were $42,008 through June 5, 2021 with an approximate $7,100,000 balloon payment due on June 30, 2021. This loan was refinanced at $7.5 million for five years on October 28, 2020 with a maturity date of October 30, 2025. The loan bears interest at a rate of 2.11%. The new monthly principal and interest payments are $38,443 with an approximate $5,900,000 balloon payment due on October 30, 2025. The outstanding balance of the loan payable at June 30, 2021 and 2020 was $7,298,061 and $7,325,811, respectively.

The provisions of the loan place certain covenants upon the Diocese including maintaining a minimum of $500,000 cash with the lender and the maintenance of certain debt covenants. The Diocese was in compliance with the required covenants at June 30, 2021 and June 30, 2020.

The expected aggregate maturities of the loan agreement are as follows:

| Year Ending June 30, | Principal Due |
|---|---|
| 2022 | $ 308,996 |
| 2023 | 315,579 |
| 2024 | 322,303 |
| 2025 | 329,170 |
| 2026 | 6,022,013 |
| | $ 7,298,061 |

Included in loans payable at June 30, 2020 is $766,382 of Small Business Administration (SBA) Payroll Protection Plan (PPP) loan (See Note 16). This loan was forgiven and has a balance of $0 as of June 30, 2021. The loan forgiveness revenue of $766,382 is included in Program grants on the Statements of Activities and Changes in Net Assets.

## Note 8 - Land, Buildings, and Equipment

A summary of land, buildings, and equipment as of June 30, 2021 and 2020 is as follows:

| | 2021 | 2020 |
|---|---|---|
| Land | $ 11,120,318 | $ 11,120,318 |
| Buildings | 11,581,174 | 10,633,861 |
| Machinery and equipment | 248,923 | 313,457 |
| Automobiles | 137,223 | 137,223 |
| Furniture and fixtures | 80,414 | 80,414 |
| Rental property - Land | 2,556,557 | 2,556,557 |
| Rental property - Buildings | 9,452,418 | 9,452,418 |
| | 35,177,027 | 34,294,248 |
| Less - Accumulated depreciation and amortization | (3,304,222) | (2,707,320) |
| | $ 31,872,805 | $ 31,586,928 |

## Note 9 - Pension and Other Post Retirement Benefit Plans

***Defined Benefit Pension Plans***

The Diocese participates in a qualified noncontributory Internal Revenue Service (IRS) recognized church pension plan for all eligible lay employees of the Diocese and its related parishes and institutions (Lay Plan). Pension costs are funded by the Diocese for qualified Diocesan lay employees, and by the parishes and institutions for their qualified lay employees. Only the expenses associated with the Diocese employees are reflected in the accompanying financial statements. Management has also determined that the defined benefit plan qualifies for treatment as a multi-employer plan under U.S. GAAP. The disclosure requirements for this pronouncement are limited to a description of the multi-employer plan and the amount of pension cost recognized. Church pension plans are exempt from compliance with participation, vesting, reporting, and funding rules of the Employee Retirement Income Security Act of 1974 (ERISA).

The Diocese made quarterly contributions to the Lay Plan based on 5% of eligible salaries for calendar years 2021 and 2020. Total contributions by the Diocese during 2021 and 2020 were $144,679 and $147,125, respectively.

The Diocese, through the Priests Benefit Foundation (PBF), provides a qualified noncontributory defined benefit pension plan for incardinated priests of the Diocese (Priest Plan) who became 65 years of age after January 1, 1975. Contributions of $150,000 and $0 were made by the PBF into the Priest Plan in 2021 and 2020, respectively.

An independent actuary prepares an annual actuarial valuation for both the Lay and Priest Plans.

The following table sets forth the defined benefit obligations, fair value of plan assets, and funded status of the noncontributory defined benefit pension plans as of the date of actuarial valuation:

| | December 31, 2020 Lay | December 31, 2019 Lay | June 30, 2021 Priest | June 30, 2020 Priest |
|---|---|---|---|---|
| Pension benefits | | | | |
| Benefit obligation at end of plan year | $ (56,721,012) | $ (53,935,651) | $ (9,848,363) | $ (8,446,714) |
| Plan assets at fair value at end of plan year | 65,829,181 | 57,535,403 | 15,341,297 | 10,481,775 |
| Funded (unfunded) | $ 9,108,169 | $ 3,599,752 | $ 5,492,934 | $ 2,035,061 |

The market value of the Lay Plan assets as of June 30, 2021 and 2020, respectively, were $72,580,068 and $55,475,780.

***Defined Contribution Retirement Plan (403b)***

The Diocese has an Employee's Retirement Savings Plan (the Plan) covering participating lay employees and priests in the Diocese and parishes, and certain institutions within the Diocese. The Plan is a defined contribution plan under IRC Section 403(b)(9), whereby member employers contributed a standard percentage of payroll as recommended by the Actuaries and Lay Retirement Committee.

Participating employers currently contribute a dollar for dollar match equal to the participating lay employee's contribution up to 3% of that employee's payroll. The Diocese contributes a flat 4% of a priest's salary into their Plan whether they contribute or not. Employees and priests may contribute additional amounts up to the IRS limitations. All participants are immediately vested fully in their individual and employer contributions. The Diocese recognized contributions to these Plans of $171,265 and $177,419 in 2021 and 2020, respectively.

***Priest Post-Retirement Health Benefits***

The Diocese, through the PBF, provides supplemental post-retirement health benefits (HB Plan) to incardinated priests of the Diocese who retain faculties granted from the Bishop for the Diocese. This obligation is met through the PBF. In 1992, through the PBF, a commitment was made to provide for assistance to covered diocesan priests for whom the Diocese could not purchase long-term care insurance or required financial medical assistance during retirement. Under the HB Plan, which was fully self-insured beginning in calendar year 2001, supplemental benefits are provided for qualifying medical expenses (primarily major medical, dental, and vision benefits). During the year ended June 30, 2010, the Diocese elected to include long-term care benefits as part of the priest post-retirement health benefit package. Accordingly, the long-term care insurance was incorporated into the priest post-retirement health benefits actuarial liability calculation.

A separate trust (Priests Medical Trust) has been established to manage and invest funds designated for the post-retirement health benefits for priests. The Trust balance was $3,553,017 and $4,093,826 as of June 30, 2021 and 2020, respectively. The Priest Pension made a change this year to its plan by removing the cap on service years to calculate the benefit. There had been a cap of 25 years which will be removed in phases over the next 5 years to allow actual years of service. The impact on the actuarial liability has been calculated and funded.

The pension and medical trust funds have been legally transferred from the Diocese to the PBF, who assumed the accumulated benefit obligation in its entirety. Accordingly, since the funds and the liability are now under the control of the PBF and not the Diocese, the related assets and liabilities are not reflected in these financial statements.

***Priests Individual Needs Trust***

A separate trust has been established to manage and invest funds designated for the individual needs of priests (i.e. sabbaticals, education, special needs, burial). As of June 30, 2021 and 2020, the value of cash and investments in the Priest Individual Needs Trust was $842,305 and $726,220, respectively.

***Retired Bishop's Supplemental Retirement Funds***

In 1975, a commitment was made to provide supplemental retirement benefits to the Bishop for the Diocese, if he retires while in office in Nashville. During 2019, a corpus of $60,000 was set aside for this purpose in the Priest Individual Needs Trust. No payment obligation exists at this time. Trust balance as of June 30, 2021 and 2020 is $67,710 and $66,042, respectively.

## Note 10 - Net Assets

Net asset without donor restrictions - Board designated are those assets received for a specific purpose, and designated by the Diocese for the following purpose or periods:

| | 2021 | 2020 |
|---|---|---|
| Physical plant | $ 29,625,344 | $ 29,114,332 |
| Church ministry | 1,523,065 | 1,663,465 |
| Cemetery perpetual care | 613,572 | 819,121 |
| Priest benefits | 885,286 | 729,864 |
| Self-insured medical coverage | 582,054 | 424,826 |
| | $ 33,229,321 | $ 32,751,608 |

The Cemetery perpetual care net assets represent contractual obligations established through exchange transactions. Priest benefits nets assets are funds assessed and collected from Parishes for this restricted purpose.

Net asset with donor restrictions are available for the following purposes or periods:

| | 2021 | 2020 |
|---|---|---|
| Parish assistance | $ 4,625,377 | $ 4,462,165 |
| Residual interests in trusts (income substantially restricted to seminarian education) | 5,628,347 | 3,713,458 |
| Vocations | 1,775,581 | 1,630,537 |
| Annuities | 197,137 | 157,393 |
| Programs | 41,927 | 75,713 |
| | $ 12,268,369 | $ 10,039,266 |

## Note 11 - Residual Interest

The Diocese is the beneficiary of two types of restricted trust funds. (1) Donors who have designed the Diocese as the beneficiaries of trust funds for a stated purpose. (2) Funds received through contractual obligations to use funds for the stated restricted purpose.

The State of Tennessee has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). As prescribed by UPMIFA, the Diocese intends to preserve 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 Diocese classifies as net assets with permanent donor restrictions (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 net assets with permanent donor restrictions is classified as net assets with temporary donor restrictions until those amounts are appropriated for expenditures by the Diocese in a manner consistent with the standard of prudence prescribed by UPMIFA. Although not bound by it, in taking guidance from the UPMIFA, the Diocese 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 Diocese 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 Diocese
(7) The investment policies of the Diocese
(8) The needs of the beneficiaries

At June 30, 2021 and 2020, the endowment fund is composed of:

| | 2021 | 2020 |
|---|---|---|
| Residual interests in trusts | $ 5,628,347 | $ 3,713,458 |

## Note 12 - Subsidies and Other Distributions

Details of subsidies and other distributions provided to various individuals and entities for the years ended June 30, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|---|---|---|
| Grants to | | |
| Schools | $ 1,860,841 | $ 1,574,969 |
| Diocesan institutions | 1,321,949 | 1,237,733 |
| Parishes | 755,529 | 473,446 |
| Family and individual assistance | 35,423 | 92,374 |
| Campus ministry | 45,000 | 45,000 |
| Catholic institutions | 10,899 | 23,189 |
| Trust beneficiaries | 10,815 | 10,815 |
| | $ 4,040,456 | $ 3,457,526 |

## Note 13 - Property Usage Arrangements

### *Facility Usage and Land Lease Revenues*

The Diocese owns several properties devoted to ministries of the Diocese and providing housing to priests. Each arrangement is discussed below.

The Diocese entered into an operating lease agreement on October 1, 2015 with Catholic Charities of Tennessee, Inc. (Catholic Charities). The lease covers the period from April 1, 2015 to June 30, 2020. Catholic Charities has the right to renew the lease for up to three successive additional five-year terms. Catholic Charities will renew for five years and the current lease extends month-to-month until the new lease is signed. Annual income of $366,000 is recorded as service fees/materials supplied fee income in the Statements of Activities and Changes in Net Assets as of June 30, 2021 and 2020.

The Diocese is the lessor of a long-term operating land lease with Mary Queen of Angels for $1 a year. The Mary Queen of Angels land lease of 2.95 acres began in August 2000 and matures in 2040. Mary Queen of Angels constructed a facility in 2001 that will belong to the Diocese at the end of the lease period.

The Diocese is the lessor of a long-term operating property lease with Villa Maria Manor for an annual rental fee of $1 that terminates in June 2059. During 2021 and 2020, the fair market value of the rental income revenue of $600,000 and contributed rental expense of $599,999 was recorded in service fees/materials supplied and, subsidies and distributions, respectively, in the Statements of Activities and Changes in Net Assets. Concurrent to the signing of the property lease agreement, Villa Maria Manor entered into a loan agreement with the Department of Housing and Urban Development (HUD). The Diocese had no direct liability from the loan, but it contained a forced sale provision if the Diocese did not cure any service defaults by Villa Maria Manor. In October 2020, Villa Maria Manor refinanced their HUD loan, with no forced sale provision or any obligation on the Diocese.

The Diocese is the lessor under three land leases with Camp Marymount. One lease covers 160 acres at $1 a year for 50 years (2006-2056) and is the original property of the camp and the most usable portion. This lease has a contingent option allowing Camp Marymount to purchase the land. The second lease is for 200 acres acquired through a land swap involving other land donated to the Diocese and is a one-year evergreen lease at $1 a year. This land is only partially usable due to the terrain. The third lease of ten acres with two houses was entered into in January 2014 for $1 per year as an annual evergreen lease. The second and third leases do not include options to purchase.

A donor restricted fund owned by the Diocese owns a parking lot adjacent to St. Mary's of the Seven Sorrows Church that is leased to a private operator. The Diocese entered into a five-year contract in October 2013 and by contract extended the lease through December 31, 2024. The property is recorded on the Diocese's books as rental property and a donor restricted net asset. All income and expense associated with the parking lot is recorded to that temporarily restricted fund and the financial statements accordingly. As a result of COVID-19 (see Note 16), the lease payments were mutually agreed to be significantly reduced to 60% of actual parking fees, or about 10% of the original contract rate, until activity resumes to pre-COVID-19 levels.

Sagrado Corazon Church Community and Hispanic Ministries resides in the Catholic Pastoral Center. For the years ended June 30, 2021 and 2020, the annual lease payment was $336,000. The Sagrado Corazon Church Community and Hispanic Ministries contributed use fees income to the Diocese during 2021 and 2020, which were eliminated in the combining of the financial statements.

Tennessee Register also resides in the Catholic Pastoral Center. For the years ended June 30, 2021 and 2020, the annual lease payment was $72,000.

The Diocese owns several houses that are used by the priests and seminarians of diocesan entities. In some instances, a use fee is provided by the person or entity benefiting from the use of the property. Annual income of approximately $12,000 is recorded as service fees/materials supplied income in the Statements of Activities and Changes in Net Assets for the years ended June 30, 2021 and 2020.

The following is a schedule by years of future minimum rental income under the leases at June 30, 2021:

| | |
|---|---|
| 2022 | $ 524,064 |
| 2023 | 555,504 |
| 2024 | 588,834 |
| 2025 | 302,994 |
| Total minimum lease payments receivable | $ 1,971,396 |

As of June 30, 2021 and 2020, accumulated depreciation for rental property-buildings (See Note 8) was approximately $1,257,000 and $1,080,000, respectively.

***Lease Expenses***

The Diocese leases equipment under various operating leases all of which expire during the next year. Expenses incurred to operate and maintain these assets was approximately $10,800 and $35,000 in 2021 and 2020, respectively.

The Diocese has capitalized the present value of office equipment leases in the amount of $78,625 with related accumulated depreciation of $35,381 and $3,931 at June 30, 2021 and 2020, respectively. Minimum future lease payments at June 30, 2021 are as follows:

| | | |
|---|---|---|
| 2022 | $ | 23,738 |
| 2023 | | 23,738 |
| 2024 | | 17,803 |
| Future minimum payments | | 65,279 |
| Less imputed interest | | (15,026) |
| | $ | 50,253 |

**Note 14 - Management Service Agreements**

The Diocese has entered into a management service agreement with CCIL. The services provided under the agreement include general administration and accounting services, through its personnel and facilities. Services include, but are not limited to, administration of parish and/or institution deposits; loan administration; treasury services related to investment of funds on deposit; general bookkeeping and record keeping services; data processing; filing and accounting for all revenue and expenditures of CCIL; and accounting and management support for the annual audit. The contract automatically renews each year unless terminated. The contracted fee for performance of these services was $144,000 for 2021 and 2020.

The Diocese has a service agreement with Catholic Charities to provide human resources services, and accounting software systems. The fee paid by Catholic Charities was approximately $35,000 in 2021 and 2020.

The Diocese also provides management and accounting services to the Catholic Foundation - Diocese of Nashville (CF - DON), Advancement for Catholic Education (ACE) and Hand in Hand Options (HIHO).

**Note 15 - Risk on Uninsured Cash**

The standard FDIC insurance amount is $250,000 per depositor, per insured bank; and therefore, amounts in excess of $250,000 held by the Diocese during the current year were uninsured and uncollateralized. The Diocese is aware of the insured limitation and has not experienced any losses in such accounts and management believes the Diocese is not exposed to any significant credit risk related to cash.

**Note 16 - Commitments and Contingencies**

***Pope John Paul II High School***

The Diocese was a guarantor to Truist (formerly SunTrust Bank) of a $10,000,000 tax exempt industrial bond (ID Bond) for the construction of Pope John Paul II High School, Inc. (JPII). In 2011, JPII and the Diocese executed a donor agreement wherein the Diocese agreed to gift $8,750,000 of the total $13,000,000 (including the $10,000,000 ID Bond) debt. At June 30, 2020, the remaining obligation of the Diocese under the agreement was $4,800,000 which was paid in full by the Diocese in December 2020. As a result, the Diocese has been removed as a guarantor on the remaining indebtedness and JPII remains responsible for paying all remaining related principal and interest payments.

***Conditional Future Gifts***

CCIL has stated a willingness to contribute, subject to certain conditions, up to $3,000,000 to assist the Diocese with its mission of evangelization over the next three years.

***Litigation***

The Diocese is involved in litigation from time to time arising in the ordinary course of business. In the opinion of management and general counsel, there is presently no litigation pending which could likely have a material adverse effect on the financial position of the Diocese.

***Other***

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. During the years ended June 30, 2020 and 2021, the Diocese incurred increased expenses and lost revenue from COVID-19 protocols and the resultant shutdowns. Those expenses and losses were offset by the SBA PPP loan for $766,382, forgiven during the year ended June 30, 2021.

## Note 17 - Subsequent Events

The Diocese has evaluated subsequent events through September 9, 2021 the date the financial statements were available for issuance, and has determined that there are no additional subsequent events that require disclosure.

## Note 18 - Accounting Standards Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASC 842), which requires lessees to recognize assets and liabilities for most leases. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee is not expected to significantly change under such guidance. The standard, as amended, will be effective for annual reporting periods beginning after December 15, 2021. Accordingly, this ASU will be effective for the Diocese for the year ending June 30, 2023. The Diocese is currently evaluating the impact that adoption of this ASU will have on the Diocese’s financial position and results of operations.