THE ROMAN CATHOLIC DIOCESE OF MEMPHIS IN TENNESSEE

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019
(with summarized financial information for 2018)

WATKINS UIBERALL
Certified Public Accountants
Independent Member of BKR International

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INDEPENDENT AUDITOR'S REPORT

His Excellency The Most Reverend David P. Talley
The Roman Catholic Diocese of Memphis in Tennessee

We have audited the accompanying consolidated financial statements of the Roman Catholic Diocese of Memphis in Tennessee (a nonprofit organization) (the "Diocese"), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

As described more fully in Note 1, the Diocese has elected not to provide for depreciation of exhaustible property and equipment in accordance with accounting principles generally accepted in the United States of America. Additionally, the Diocese has not recorded the cost of certain land, as the cost of such land is not readily determinable. Disposals, retirements, and the related gains and losses have also not been recorded. The effect of these omissions on the accompanying consolidated financial statements has not been reasonably determined.

Qualified Opinion

In our opinion, except for the matters discussed in the Basis for Qualified Opinion paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Diocese as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Roman Catholic Diocese of Memphis in Tennessee's 2018 financial statements, and we expressed a qualified audit opinion on those audited consolidated financial statements in our report dated December 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Watkins Uhlmann, PLLC

Memphis, Tennessee
February 27, 2020

THE ROMAN CATHOLIC DIOCESE OF MEMPHIS IN TENNESSEE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2019
(with summarized financial information at June 30, 2018)

	2019	2018
Assets		
Cash and cash equivalents	$ 16,746,540	$ 26,079,800
Receivables		
Unconditional promises to give, net	897,608	1,202,644
Tuition, net	153,530	223,605
Related party	1,603,260	1,513,953
Other	419,882	840,411
Prepaid expenses	110,628	207,914
Investments	45,559,478	43,364,502
Beneficial interest in trusts	7,287,950	7,253,363
Property and equipment	263,282,890	261,251,094
Right-of-use assets	1,227,894	980,343
Other assets	241,784	256,103
Total assets	$ 337,531,444	$ 343,173,732
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 5,276,062	$ 4,559,776
Collections held for transmittal	237,940	242,356
Deferred revenue	4,086,701	4,426,464
Lease liabilities	1,104,403	1,013,028
Due to annuitants	288,836	298,023
Due to beneficiaries	240,623	249,400
Minimum pension liability	19,978,598	15,997,214
Post-retirement benefit obligation	5,631,180	4,761,058
Related party payables	649,118	925,290
Derivative financial instruments	2,235,386	1,406,687
Long-term debt	21,047,111	22,977,561
Total liabilities	60,775,958	56,856,857
Net Assets		
Without Donor Restrictions		
Investment in property and equipment, net of debt	242,235,779	238,273,533
Diocese-designated	5,779,394	5,624,064
Undesignated	340,307	5,702,138
	248,355,480	249,599,735
With Donor Restrictions		
Perpetual in nature	5,969,432	5,946,274
Purpose restrictions	20,292,164	28,885,953
Time-restricted for future periods	2,138,410	1,884,913
	28,400,006	36,717,140
Total net assets	276,755,486	286,316,875
Total liabilities and net assets	$ 337,531,444	$ 343,173,732

The accompanying notes are an integral part of the consolidated financial statements.

THE ROMAN CATHOLIC DIOCESE OF MEMPHIS IN TENNESSEE

CONSOLIDATED STATEMENT OF ACTIVITIES

June 30, 2019
(with summarized financial information at June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Operating Support and Revenues				
Contributions and Grants				
General contributions	$ 23,841,799	$ 4,420,223	$ 28,262,022	$ 28,199,316
Annual Catholic Appeal	-	1,945,838	1,945,838	1,731,338
Grant revenue	1,204,901	-	1,204,901	1,418,180
Estate donations	511,444	-	511,444	4,754,749
Missions and societies	137,000	-	137,000	142,000
Education				
Tuition and fees, net	27,267,633	-	27,267,633	27,894,313
Other education revenue	5,260,477	-	5,260,477	4,939,890
Social and fundraising	2,332,211	-	2,332,211	2,439,889
Auxiliary services	606,231	-	606,231	672,152
Cemeteries	385,182	-	385,182	550,847
Other income	2,737,407	-	2,737,407	2,498,566
Net assets released from restrictions	15,162,529	(15,162,529)	-	-
Total operating support and revenues	79,446,814	(8,796,468)	70,650,346	75,241,240
Operating Expenses				
Program Services				
Cemeteries	455,728	-	455,728	549,816
Ministry	19,570,269	-	19,570,269	20,447,675
Education	39,328,771	-	39,328,771	40,712,462
Total program services	59,354,768	-	59,354,768	61,709,953
General and administration	17,588,486	-	17,588,486	16,951,805
Fundraising	532,061	-	532,061	628,276
Total operating expenses	77,475,315	-	77,475,315	79,290,034
Income (loss) from operations	1,971,499	(8,796,468)	(6,824,969)	(4,048,794)
Nonoperating Gains (Losses)				
Change in value of beneficial interest in trusts	(80,200)	-	(80,200)	228,301
Net investment return	2,494,224	557,952	3,052,176	3,542,256
Change in fair value of derivatives	(828,699)	-	(828,699)	1,144,224
Minimum pension liability adjustment	(3,805,407)	-	(3,805,407)	9,324,073
Postretirement benefits adjustment	(870,122)	-	(870,122)	(587,531)
Loss on uncollectible promises to give	-	(78,618)	(78,618)	(148,043)
Gain (loss) on sale of assets	(125,550)	-	(125,550)	405,417
Total nonoperating gains (losses)	(3,215,754)	479,334	(2,736,420)	13,908,697
Change in net assets	(1,244,255)	(8,317,134)	(9,561,389)	9,859,903
Net assets, beginning of year	249,599,735	36,717,140	286,316,875	276,456,972
Net assets, end of year	$ 248,355,480	$ 28,400,006	$ 276,755,486	$ 286,316,875

The accompanying notes are an integral part of the consolidated financial statements.

THE ROMAN CATHOLIC DIOCESE OF MEMPHIS IN TENNESSEE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019
(with summarized financial information for the year ended June 30, 2018)

	Program Services				Supporting Services		Totals	
	Cemeteries	Ministry	Education	Total Program Services	General & Administrative	Fundraising	2019	2018
Salaries and benefits	$ 137,900	$ 6,935,085	$ 28,593,151	$ 35,666,136	$ 12,174,436	$ -	$ 47,840,572	$ 47,401,909
Operations	72,113	8,626,073	6,005,442	14,703,628	3,951,690	475,676	19,130,994	17,474,159
Occupancy costs	244,366	3,446,667	3,200,875	6,891,908	1,150,785	56,385	8,099,078	11,551,854
Technology	1,349	154,630	787,152	943,131	204,974	-	1,148,105	1,370,520
Interest	-	407,814	742,151	1,149,965	106,601	-	1,256,566	1,491,592
Total expenses	$ 455,728	$ 19,570,269	$ 39,328,771	$ 59,354,768	$ 17,588,486	$ 532,061	$ 77,475,315	$ 79,290,034

The accompanying notes are an integral part of the consolidated financial statements.

THE ROMAN CATHOLIC DIOCESE OF MEMPHIS IN TENNESSEE

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2019
(with summarized financial information for the year ended June 30, 2018)

	2019	2018
Cash Flows Provided By (Used In) Operating Activities:		
Change in net assets	$ (9,561,389)	$ 9,859,903
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Change in value of beneficial interest in trusts	80,200	(228,301)
Estate donation of beneficial interest in trust	-	(4,498,910)
Reclassification of beneficial interest in trust	-	(630,590)
Change in fair value of derivatives	828,699	(1,144,224)
Realized and unrealized (gains) and losses on investments	(1,946,960)	(1,681,891)
Minimum pension liability adjustment	3,805,407	(9,324,073)
Post-retirement benefits adjustment	870,122	587,531
Loss on uncollectible promises to give	78,618	148,043
(Gain) loss on sale of property and equipment	125,550	(405,417)
Amortization of right-of-use-assets	892,233	855,794
Changes in Operating Assets and Liabilities:		
Receivables	803,692	584,617
Prepaid expenses	97,286	74,473
Other assets	14,319	31,532
Accounts payable and accrued expenses	716,286	526,080
Collections held for transmittal	(4,416)	(51,305)
Deferred revenue	(339,763)	(335,142)
Related party payables	(7,777)	160,147
Total adjustments	6,013,496	(15,331,636)
Net cash used in operating activities	(3,547,893)	(5,471,733)
Cash Flows Provided By (Used In) Investing Activities:		
Purchases of investments	(2,245,456)	(3,814,120)
Proceeds from sales of investments	1,719,565	22,466,372
Proceeds from sale of property and equipment	24,500	551,059
Purchases of property and equipment	(2,181,846)	(1,127,296)
Payments to annuitants and beneficiaries	(123,271)	(158,177)
Net cash provided by (used in) investing activities	(2,806,508)	17,917,838
Cash Flows Used In Financing Activities:		
Payments on lease liabilities	(1,048,409)	(859,377)
Principal payments on long-term debt	(1,930,450)	(1,949,041)
Principal payments on line of credit	-	(1,541,254)
Net cash used in financing activities	(2,978,859)	(4,349,672)
Net (decrease) increase in cash and cash equivalents	(9,333,260)	8,096,433
Cash and cash equivalents, beginning of year	26,079,800	17,983,367
Cash and cash equivalents, end of year	$ 16,746,540	$ 26,079,800

The accompanying notes are an integral part of the consolidated financial statements.

THE ROMAN CATHOLIC DIOCESE OF MEMPHIS IN TENNESSEE

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the Year Ended June 30, 2019
(with summarized financial information for the year ended June 30, 2018)

	2019	2018
Supplemental Cash Flow Information:		
Cash paid during the year for interest	$ 1,268,692	$ 1,400,035
Noncash Investing and Financing Activities:		
Increase (decrease) in related party receivables due to change in their respective pension liabilities	$ 175,977	$ (431,331)
Decrease (increase) in related party payables due to change in their investments	$ 277,172	$ (20,835)
Lease liabilities arising from obtaining right-of-use assets	$ 1,139,784	$ 53,377

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Activities

The Roman Catholic Diocese of Memphis in Tennessee (the "Diocese") is a non-profit religious organization consisting of parishes and missions, grade schools, jubilee grade schools, high schools, cemeteries, Catholic Memphis Urban Schools, Inc. ("CMUS"), and the administrative offices. CMUS is a Tennessee non-profit organization chartered in April, 2003 to assist the Diocese with funding and development for the Catholic schools in the Memphis inner city ("Jubilee schools"). Title to Diocesan property vests in the Bishop and his successors; similarly, Diocesan obligations are those of the Bishop and his successors.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Principles of Consolidation

The accompanying consolidated financial statements include the financial position, activities and cash flows of all parishes and missions, grade schools, jubilee grade schools, high schools, cemeteries, CMUS and the administrative offices, which operate under Diocesan management and are fiscally responsible to the Bishop. All significant inter-organizational balances and transactions have been eliminated to the extent respective equity of those organizations is combined for presentation purposes. Various religious orders, lay societies, and religious organizations that operate within the Diocese, and are not fiscally responsible to the Bishop, have not been included in the accompanying consolidated financial statements.

Comparative Financial Information

The accompanying consolidated financial statements include certain prior-year summarized comparative information in total but only by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the consolidated financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition

The Diocese receives support from a variety of sources including contributions from individuals, estates, missions, and societies. Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the condition on which they depend have been met. Contributions derived from the Annual Catholic Appeal are used primarily for seminarian education, ministries of the Diocese and subsidies for various funded agencies.

These contributions are restricted for use during the following fiscal year. Accordingly, all contributions for the Annual Catholic Appeal have been recognized as contributions with donor restrictions and will be released from restriction in the following fiscal year in order to support operations for that year.

Revenue from cemetery services is recognized when the services are performed, and in the case of lot sales, upon transfer of the lot. Tuition and fees are recorded as revenue in the applicable school year. Any fees received in advance of the applicable school year are reflected as deferred revenue in the consolidated statement of financial position. Tuition revenue is reported net of discounts and financial aid awarded. Total discounts and financial aid awarded for the years ended June 30, 2019 and 2018 were $10,430,568 and $12,735,627, respectively.

Credit Risks

The Diocese's credit risks primarily relate to cash and cash equivalents, receivables, investments and derivatives. The Diocese maintains cash on deposit at local banks in excess of federally insured limits. Accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to an aggregate of $250,000. The Diocese has minimized risk by depositing cash in banks with high credit standings. The Diocese has not experienced any losses of such funds, and management believes the Diocese is not exposed to significant risk on cash.

Investments, which are not insured by the FDIC, are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with investments, it is at least possible that changes in the values of investments will occur in the near term and such changes could materially affect the Diocese's financial position and changes in its net assets. See Note 11 for credit risks related to derivatives.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Diocese considers all highly liquid investments with initial maturities of three months or less to be cash equivalents. All certificates of deposit are considered to be cash equivalents since interest penalties for early withdrawal are insignificant. The Diocese has excluded cash and cash equivalents held in investment accounts.

Receivables

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Promises that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates, and amortization of the discounts is included in contribution revenue. Unconditional promises to give are stated at the amount management expects to collect. Management provides for an allowance based on historical collection rates and the evaluation of past due promises to give.

Tuition and other receivables are stated at the amount management expects to collect from outstanding balances. Management monitors outstanding balances and provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based upon its assessment of the current status of individual accounts. The allowance for uncollectible accounts for tuition and other receivables was $1,353,187 and $1,149,254 at June 30, 2019 and 2018, respectively. Balances that are still outstanding after a reasonable period of time has elapsed are generally written off through a charge to the valuation allowance and a credit to the appropriate receivable.

Investments

Purchased investments are carried at their fair values in the consolidated statements of financial position. Donated investments are recorded at fair value at the date of donation. Net investment return (loss) is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less any related investment advisory fees.

Property and Equipment

The land for thirty-two of the forty-eight parishes and missions, as well as six other properties owned by the Diocese, has been excluded from the accompanying consolidated financial statements. The cost of such land is not readily determinable, since most of it was developed more than forty years ago. Current zoning regulations indicate that this land is restricted for a single purpose and, accordingly, has no determinable commercial resale value. Due to the absence of certain records, most of the buildings and equipment recorded upon the founding of the Diocese in 1971 are stated at insurance appraisal value at that time.

Other property and equipment purchases in excess of $5,000 are capitalized and stated at cost if purchased or constructed, or the estimated fair value on the date received if donated. The Diocese does not record depreciation expense for property and equipment.

Leases

The Diocese follows the provisions of Topic 842 of the FASB Accounting Standards Codification. Topic 842 requires the recognition of right-of-use assets and offsetting lease liabilities for substantially all leases. For finance-type leases, lease costs consist of amortization expense for the right-of-use assets and interest expense. See Note 9 for additional information.

Derivatives

Derivatives are recorded as either assets or liabilities in the consolidated statement of financial position at fair market value. The interest rate swap agreements described in Note 11 are derivative instruments whose fair values are based on the expected cash flows over the lives of the trades.

Net Assets

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:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions –Net assets subject to donor-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. 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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions are reported in the consolidated statement of activities as net assets released from restriction. If a restriction expires in the reporting period in which the revenue is recognized, revenue is reported as an increase in net assets without donor restrictions.

Retirement Plans

The Diocese follows the provisions of the Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans Topic of the FASB Accounting Standards Codification. This topic requires plan sponsors to recognize the funded status of defined benefit pension and other postretirement plans as a net asset or liability and to recognize changes in that funded status in the year in which the changes occur through a change in net assets, apart from expenses, to the extent those changes are not included in the net periodic costs.

Functional Expenses

The costs of program and supporting services have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Expenses that are identified with a specific program or support service are charged directly to the appropriate function. Other shared costs have been allocated among the programs and supporting services benefited based on management's estimate of the relative effort expended for the related functions.

Advertising Costs

Advertising costs are expensed as incurred and totaled $96,303 and $177,373 for the years ended June 30, 2019 and 2018, respectively.

Income Taxes

No provision for federal income taxes is required since the Diocese is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been determined to be an Organization that is not a private foundation. Accordingly, no provision for income taxes is included in the accompanying consolidated financial statements. CMUS files an exempt return in the U.S. federal jurisdiction.

Donated Services

A substantial number of volunteers and contributors donated significant amounts of their time to the Diocese in promoting and assisting with various special fundraising events and other programs. No amounts have been included in the accompanying consolidated financial statements to reflect the value of such donated services since the criteria for recognition has not been met.

Recent Accounting Pronouncements

On June 21, 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which applies to all entities that receive or make contributions. The criteria for evaluating whether contributions are unconditional (and thus recognized immediately in income) or conditional (for which income recognition is deferred) have been clarified. The focus is whether a gift or grant agreement both (1) specifies a "barrier or hurdle" that the recipient must overcome to be entitled to the resources, and (2) releases the donor from its obligation to transfer resources (or if assets are advanced, a right to demand their return) if the barrier or hurdle is not achieved. An agreement that contains both is a conditional contribution. An agreement that omits one or both is unconditional. No new disclosures are required. For grants/contributions made, donors will use the same criteria as recipients (i.e., a barrier or hurdle coupled with a right of return/release) to determine whether gifts or grants are conditional or unconditional.

For federal and other government grants, the ASU clarifies the definition of an exchange transaction. As a result, not-for-profit entities will account for most federal grants as donor-restricted conditional contributions, rather than as exchange transactions (the prevalent practice today). An accommodation ("simultaneous release" option) is provided which, if elected, would allow grants received and used within the same period to be reported in net assets without donor restrictions, consistent with where the grant revenue is reported today.

For transactions in which a non-public entity serves as a resource recipient, the entity should apply the amendments in this ASU on contributions received to annual periods beginning after December 15, 2018. For transactions in which a non-public entity serves as a resource provider, the entity should apply the amendments in this ASU on contributions made to annual periods beginning after December 15, 2019. Early adoption of the amendments is permitted. The Diocese is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

Adoption of New Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addressed the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

The Diocese has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to the prior period presented, which did not have a material effect on the financial statements.

Date of Management's Review

The Diocese evaluated its June 30, 2019 consolidated financial statements for subsequent events through February 27, 2020, the date the consolidated financial statements were available to be issued. Other than the events described in Note 20, the Diocese is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor purpose restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	$ 16,746,540
Unconditional promises to give due within one year	835,697
Tuition receivable	153,530
Other receivables	419,882
Beneficial interest in trusts	125,000
Investments	
Non-designated	30,538,945
Diocese-designated	5,717,978
Endowments	9,302,555
Total investments	45,559,478
	63,840,127
Less: Diocese-designated and endowment amounts	(15,020,533)
	$ 48,819,594

The Diocese's goal is generally to maintain financial assets to meet 6 months of operating expenses (currently approximately $40 million). As part of its liquidity plan, the Diocese's liquidity management focuses on investing its cash balances in short and longer term investments to balance its needs between the short term liquidity needs of its operations versus the long term needs of future operations including its Priest and Lay retirement funds. These investments are managed by the investment committee of the Diocese, with additional oversight from the Diocesan Finance Council. Additional liquidity is available by drawing down on its lines of credit with First Horizon Bank (as further discussed in Note 7).

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following at June 30:

	2019	2018
Annual Catholic Appeal	$ 818,890	$ 756,964
Holy Cross Church, Paris	92,963	111,803
Church of the Nativity	-	192,470
St. Mary Church, Jackson	254,289	335,354
Cathedral of Immaculate Conception	101,901	283,195
	$ 1,268,043	$ 1,679,786

A summary of expected collections of unconditional promises to give, net of present value discounts and allowances, at June 30 are as follows:

	2019	2018
Due within one year	$ 1,200,205	$ 1,450,343
Due within one to five years	67,838	229,443
	1,268,043	1,679,786
Less allowance for uncollectible promises	(364,508)	(458,480)
Less unamortized discount	(5,927)	(18,662)
Total net unconditional promises to give	$ 897,608	$ 1,202,644

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 5%.

NOTE 4 – BENEFICIAL INTEREST IN TRUSTS

The Diocese is the designated beneficiary for several irrevocable charitable remainder trusts. The Diocese is the trustee for one of the trusts; the others are administered by third-party trustees. The agreement for which the Diocese is the trustee requires quarterly payments to the lead beneficiaries equal to 7% of the fair value of the trust assets. The difference between the fair value of the assets received and the present value of the obligation to beneficiaries over their estimated life expectancies is recognized as contribution revenue in the year the agreement is signed. The fair value of the trust assets has been included in the consolidated statement of financial position, and a corresponding liability has been recorded to reflect the present value of required lifetime payments to the named beneficiaries using the IRS discount rate of 2.8% and 3.4% for the years ended June 30, 2019 and 2018, respectively.

The trust agreements for which assets are held and administered by other trustees are similar. Upon the death of the lead beneficiaries, the Diocese will receive a percentage of the remaining trust assets, ranging from 37.5% to 75%. The estimated amount to be collected upon the death of the lead beneficiaries is recorded in the consolidated statement of financial position and is based on the fair value of the trust assets and the respective life expectancies, discounted to present value at the IRS discount rate of 2.8% and 3.4% for the years ended June 30, 2019 and 2018, respectively. Realized and unrealized gains and losses from market value fluctuations of the trust assets and amortization of discounts and changes in life expectancy assumptions are reported in the change in fair value of beneficial interest in trusts in the consolidated statement of activities.

The Diocese is the sole beneficiary of an irrevocable trust for priest retirement housing. The trust terms stipulate periodic distributions as determined by the trustee, which are restricted for the Villa Vianney priest retirement community or other residences for retired priests of the Diocese. The trust is intended to continue indefinitely as there is no termination date specified. The Diocese's beneficial interest in this trust is carried at fair value in the consolidated statement of financial position based on the fair value of the underlying trust assets.

The Diocese is the sole beneficiary of an irrevocable trust. The trust terms stipulate periodic distributions of the net income of the trust, without restriction, to Holy Angels Catholic Church in Dyersburg, Tennessee. Distributions of the principal of the Trust to Holy Angels Catholic Church are restricted for the construction of a new sanctuary. The trust is intended to continue indefinitely as there is no termination date specified. The Diocese's beneficial interest in this trust is carried at fair value in the consolidated statement of financial position based on the fair value of the underlying trust assets.

Beneficial interest in trusts consisted of the following at June 30:

	2019	2018
Powell Trust	$ 396,901	$ 392,719
Gauthreaux Trust	192,572	153,575
Kavanagh Trust	184,221	151,858
Lattus Trust	640,256	633,856
Carmer Trust	4,609,779	4,498,910
Jarboe Trust	1,264,221	1,422,445
	$ 7,287,950	$ 7,253,363

NOTE 5 – FAIR VALUE MEASUREMENTS

The Diocese reports certain assets at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the most advantageous market at the measurement date. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the Diocese. Unobservable inputs are inputs that reflect the Diocese's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities the Diocese has the ability to access.

- Level 2 – Inputs (other than quoted prices within Level 1) such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or other inputs that can be corroborated by observable market data.

- Level 3 – Inputs which are unobservable for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level as the lowest level input that is significant to the entire measurement.

The following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018. See Notes 4 and 10 for valuation methods used for beneficial interest in trusts, due to beneficiaries and charitable gift annuities.

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

Money market funds: Valued based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

Limited partnerships: Management uses significant unobservable inputs including information from fund managers and general partners. The fund managers value these investments using the practical expedient based upon the Diocese's proportional share of the net asset values ("NAV") of the underlying securities or as reported by the underlying entities. Since these investments are measured at NAV, there is no requirement to categorize them within the fair value hierarchy. Rather, they are presented in a separate column labeled "Investments Measured at Net Asset Value" in order to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position. Management reviews and evaluates the values provided by the fund managers and general partners and agrees with the valuation methods and assumptions used in determining the fair values. Because of the inherent uncertainty of the valuation of these assets, the values reported in these financial statements may differ significantly from the values that would have been used had a ready market for the investments existed.

The following tables set forth by level, within the fair value hierarchy, the Diocese's assets and liabilities at fair value at June 30, 2019 and 2018:

	June 30, 2019				
	Fair Value Measurements				
	Level 1	Level 2	Level 3	Investments Measured at Net Asset Value	Total
Investments					
Mutual Funds					
Equity	$ 11,001,848	$ -	$ -	$ -	$ 11,001,848
Fixed income	19,357,218	-	-	-	19,357,218
Total mutual funds	30,359,066	-	-	-	30,359,066
Common stocks	4,361,792	-	-	-	4,361,792
Limited Partnerships					
Strategic hedge funds	-	-	-	3,959,647	3,959,647
Conservative hedge fund	-	-	-	2,965,508	2,965,508
Total limited partnerships	-	-	-	6,925,155	6,925,155
Money market funds	-	3,913,465	-	-	3,913,465
Total investments	34,720,858	3,913,465	-	6,925,155	45,559,478
Beneficial interest in trusts	-	-	7,287,950	-	7,287,950
Total assets at fair value	$ 34,720,858	$ 3,913,465	$ 7,287,950	$ 6,925,155	$ 52,847,428
Liabilities					
Due to annuitants	$ -	$ -	$ 288,836	$ -	$ 288,836
Due to beneficiaries	-	-	240,623	-	240,623
Derivative financial instruments	-	2,235,386	-	-	2,235,386
Total liabilities at fair value	$ -	$ 2,235,386	$ 529,459	$ -	$ 2,764,845

	June 30, 2018				
	Fair Value Measurements				
	Level 1	Level 2	Level 3	Investments Measured at Net Asset	Total
Investments					
Mutual Funds					
Equity	$ 6,055,741	$ -	$ -	$ -	$ 6,055,741
Fixed income	17,398,074	-	-	-	17,398,074
Total mutual funds	23,453,815	-	-	-	23,453,815
Common Stocks	7,639,820	-	-	-	7,639,820
Limited Partnerships					
Strategic hedge fund	-	-	-	3,830,562	3,830,562
Conservative hedge fund	-	-	-	2,627,997	2,627,997
Total limited partnerships	-	-	-	6,458,559	6,458,559
Money market funds	-	5,812,308	-		5,812,308
Total investments	31,093,635	5,812,308	-	6,458,559	43,364,502
Beneficial interest in trusts	-	-	7,253,363	-	7,253,363
Total assets at fair value	$ 31,093,635	$ 5,812,308	$ 7,253,363	$ 6,458,559	$ 50,617,865
Liabilities					
Due to annuitants	$ -	$ -	$ 298,023	$ -	$ 298,023
Due to beneficiaries	-	-	249,400	-	249,400
Derivative financial instruments	-	1,406,687	-	-	1,406,687
Total liabilities at fair value	$ -	$ 1,406,687	$ 547,423	$ -	$ 1,954,110

The Diocese serves as custodian for the investments for several religious organizations that operate within the Diocese and are not consolidated. Investments for these organizations are offset by liabilities included in the consolidated statement of financial position as related party payables. The amount included in investments and related party payables at June 30, 2019 and 2018 was $624,118 and $900,284, respectively.

The following tables set forth summaries of changes in the fair value of the Diocese's Level 3 assets and liabilities for the years ended June 30:

	2019		
	Beneficial Interest in Trusts	Gift Annuities	Due to Beneficiaries
Balance, beginning of year	$ 7,253,363	$ 298,023	$ 249,400
Investment return, net	385,593	15,071	(8,777)
Distributions/payments	(351,006)	(24,258)	-
Balance, end of year	$ 7,287,950	$ 288,836	$ 240,623

	2018		
	Beneficial Interest in Trusts	Gift Annuities	Due to Beneficiaries
Balance, beginning of year	$ 1,849,239	$ 409,877	$ 114,274
Prior period reclassifications	773,909	-	143,319
Investment return, net	4,736,761	(92,068)	(8,193)
Distributions/payments	(106,546)	(19,786)	-
Balance, end of year	$ 7,253,363	$ 298,023	$ 249,400

The table below presents additional information regarding investments whose fair value is estimated using the practical expedient of reported net asset value (NAV) at June 30, 2019 and 2018:

	Conservative Hedge Fund (1)	Strategic Hedge Funds (2)
Liquidity		
Initial lock-up	1 year	0 - 2 years
Redemption fees	Up to 5%	0 - 3%
Redemption frequency	Quarterly/semi-annual	Quarterly/semi-annual
Notice	95 days	90 - 105 days
Gate	10%	None
Fair value at June 30, 2019	$ 2,965,508	$ 3,959,647
Fair value at June 30, 2018	$ 2,627,997	$ 3,830,562

(1) *Conservative hedge fund:* This is a fund of funds that seeks consistent returns by primarily investing in funds that generally engage in more non-directional strategies such as Equity Market Neutral and Fixed Income Arbitrage.

(2) *Strategic hedge funds*: These are funds of funds that seek superior returns by primarily investing in funds that engage in more opportunistic strategies such as Emerging Markets, Sector specific, Equity Hedge, credit-related investments, and structured products.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2019 and 2018:

	Cost			
2019	Land and Improvements	Buildings and Equipment	1971 Appraisal	Total
Administrative offices	$ 1,135,494	$ 13,538,794	$ 665,622	$ 15,339,910
Parish churches and rectories	4,071,058	145,941,574	17,788,335	167,800,967
Parish and Diocesan schools	5,013,322	61,457,676	9,665,760	76,136,758
Cemeteries and other Diocesan institutions	10,875	3,245,907	748,473	4,005,255
	$ 10,230,749	$ 224,183,951	$ 28,868,190	$ 263,282,890

	Cost			
2018	Land and Improvements	Buildings and Equipment	1971 Appraisal	Total
Administrative offices	$ 1,135,494	$ 13,571,466	$ 665,622	$ 15,372,582
Parish churches and rectories	3,671,093	144,751,802	17,788,335	166,211,230
Parish and Diocesan schools	4,982,747	61,068,072	9,665,760	75,716,579
Cemeteries and other Diocesan institutions	-	3,202,230	748,473	3,950,703
	$ 9,789,334	$ 222,593,570	$ 28,868,190	$ 261,251,094

NOTE 7 – LINES OF CREDIT

The Diocese has a $7,500,000 line of credit with a bank at a variable interest rate of 30-day LIBOR plus 225 basis points, currently 4.65%. There was no outstanding balance at June 30, 2019 and 2018. The line is secured by a negative pledge agreement and matures on April 20, 2020.

The Diocese has a $3,000,000 line of credit with a bank at a variable interest rate of 30-day LIBOR plus 225 basis points, currently 4.65%. There was no outstanding balance at June 30, 2019 and 2018. This line is secured by negative pledge agreements and matures on January 31, 2021.

NOTE 8 – LONG-TERM DEBT

<u>Bonds</u>

In May 2003, the Diocese was involved in the issuance by the Health, Educational and Housing Facility Board of the County of Shelby, Tennessee of $25,170,000 of variable rate demand revenue bonds for the St. Benedict at Auburndale High School Project. In July 2010, the 2003 variable rate demand revenue bonds were redeemed through the issuance of Series 2010 Revenue Refunding Bonds. In September 2013, the Series 2010 Revenue Refunding Bonds were redeemed through the issuance of Series 2013A and Series 2013B Revenue Refunding Bonds. Pursuant to the bond issuance, the Diocese entered into a loan agreement with a bank for $20,000,000 (two $10,000,000 tranches) at a fixed interest rate of 3.55% (“bank-qualified loan”). The agreement contains a mandatory prepayment clause at the election of the bank. Not later than November 30, 2022, the bank shall give written notice to the Diocese as to whether it will continue to own the Series 2013A and Series 2013B bonds upon the same or different terms after July 1, 2023, or the bank could elect to require prepayment in full of the bonds on July 1, 2023. If no prepayment is required, the bonds will mature on May 1, 2033.

<u>Bank Note</u>

In September 2009, the Diocese entered into a loan agreement with a bank for $11,000,000. In September 2013, the Diocese refinanced the note in the amount of $13,336,667 at a variable rate of interest, which included additional indebtedness of $4,000,000 for the purpose of paying down the line of credit. The specific terms of the loan agreement are presented in the following table. In connection with the refinancing, the Diocese entered into an interest rate swap agreement at the notional amount of $13,039,514, effectively fixing the interest rate at approximately 5.09%. The swap agreements terminate on September 1, 2025. See Note 11 for additional information.

The Diocese is subject to various restrictive debt covenant ratios for the bank loan agreements. At June 30, 2019, the Diocese was not aware of any non-compliance with such covenants.

Outstanding long-term debt at June 30, 2019 and 2018 is summarized as follows:

	2019	2018
Bank qualified loan, Tranche A, payable in monthly installments of $61,313 at 3.55% interest, matures on May 1, 2033, secured by a deed of trust on real estate.	$ 7,595,107	$ 8,050,947
Bank qualified loan, Tranche B, payable in monthly installments of $61,509 at 3.55% interest, matures on May 1, 2033, secured by a deed of trust on real estate.	7,632,494	8,090,762
Bank note, principal payments ranging from $33,017 to $57,475 due monthly plus interest at a variable rate of 1.65% over one month LIBOR, currently 4.05%, matures September 1, 2025, secured by substantially all assets of the Diocese.	5,785,315	6,767,461
St. Mary Memphis Church note payable, payable in monthly installments of $2,833, including interest at 6.51%, through June 20, 2020, secured by equipment.	34,195	68,391
	$ 21,047,111	$ 22,977,561

Principal maturities of long-term debt are as follows for the years ending June 30:

2020	$ 1,513,626
2021	1,541,108
2022	1,605,441
2023	1,672,546
2024	1,742,549
Thereafter	12,971,841
	$ 21,047,111

Interest expense on long-term debt totaled $1,132,782 and $1,407,941 for the years ended June 30, 2019 and 2018, respectively.

NOTE 9 – FINANCE-TYPE LEASES

The Diocese leases copiers, computer equipment, and postage machines under finance-type leases. Lease liabilities are calculated as the present value of lease payments not yet paid, using a discount rate equal to the Diocese's incremental borrowing rate of 6%. Right-of-use assets are amortized on a straight-line basis over the lease term, or over their useful lives, if shorter. At June 30, 2019 and 2018, the leases have a weighted-average remaining term of 1.7 years and 2.1 years, respectively.

Future maturities of lease liabilities are as follows for the years ending June 30:

2020	$ 533,005
2021	565,728
2022	77,219
2023	23,769
2024	13,852
Less amount representing interest	(109,170)
	$ 1,104,403

The components of lease expense were as follows for the years ended June 30:

	2019	2018
Finance-Type Lease Costs:		
Amortization of right-of-use assets	$ 892,233	$ 855,794
Interest on lease liabilities	123,784	83,651
	$ 1,016,017	$ 939,445

NOTE 10 – CHARITABLE GIFT ANNUITIES

The Diocese is a party to charitable gift annuity arrangements under which donors make gifts to the Diocese and, in turn, receive income payments for the remainder of their lives. The expected future cash flows to be paid to the annuitants have been discounted to present values using a rate of 5.0% at June 30, 2019 and 2018. Related assets are recognized at fair value, with no contributions received in 2019 or 2018.

NOTE 11 – DERIVATIVE FINANCIAL INSTRUMENTS

The Diocese has entered into various interest rate swap contracts under which the Diocese pays a fixed rate of interest times a notional principal amount, and receives in return an amount equal to a specified variable rate of interest times a notional principal amount. No other cash payments are made unless the contracts are terminated prior to maturity, in which case the amount paid or received in settlement is established by an agreement at the time of termination, and usually represents the net present value, at current rates of interest, of the remaining obligations to exchange payments under the terms of the contracts. The interest rate swaps are considered to be economic hedges against the change in the amount of future cash flows associated with the Diocese's bond and bank loan interest payments. Outstanding interest rate swap contracts at June 30, 2019 and 2018 are summarized as follows:

Swap Inception	Notional Principal at 6/30/2019	Fixed Rate	Variable Rate	Termination Date	2019 Asset/ (Liability)	2018 Asset/ (Liability)
7/1/2003	$ 7,795,000	3.61%	% of 30-day LIBOR	5/1/2033	$ (1,282,588)	$ (973,410)
9/4/2013	$ 10,757,702	5.09%	30-day LIBOR +1.65	9/1/2025	(952,798)	(433,277)
					$ (2,235,386)	$ (1,406,687)

In the event that the counterparty fails to perform under the contract, the Diocese bears the risk that payments due to the Diocese may not be collected. The amounts recorded for all swap contracts have been combined as a net liability in the accompanying consolidated statement of financial position. The changes in fair value of the swaps are included in the consolidated statement of activities.

NOTE 12 – ENDOWMENT FUNDS

The Diocese maintains endowment funds which consist of donor-restricted net assets intended to support the various ministries of the Diocese in perpetuity. To the extent allowed by donor stipulations, the spending policy of the Diocese is to annually spend up to 5% of the five-year rolling average of the endowment fair values. In the event the fair values of the endowment assets fall below the original restricted gift amounts, the Diocese will make no appropriations until the original gift amounts are restored.

Interpretation of Relevant Law

The Diocese is subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which governs the State of Tennessee, the provisions of which apply to its endowment funds. The Diocese has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Diocese retains in perpetuity the following:

(1) The original value of gifts donated to the endowment;
(2) Subsequent gifts to the endowment; and
(3) Accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument.

Donor-restricted amounts not retained in perpetuity are classified as donor-restricted until those amounts are appropriated for expenditure by the Finance Council in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Diocese considers the following factors in making decisions related to appropriations for expenditures or accumulations of donor-restricted endowment funds:

(1) The duration and preservation of the various funds;
(2) The purposes of the donor-restricted endowment funds;
(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; and
(7) The Diocese's investment policies.

Endowment Investment Policy

The Diocese follows an investment policy of placing endowments in its long-term investment portfolio because of their intended long-term duration. The overall objective of this portfolio is to preserve capital and achieve, at a minimum, a total return, net of investment management fees, which is sufficient to offset normal inflation plus reasonable spending.

The asset allocation targets are as follows:

Equities	60%
Fixed income	17.5%
Alternative/hedge fund investments	22.5%
	100%

The following tables set forth the net asset composition of the endowment funds at June 30:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Forsdick Scholarship Trust	$ -	$ 2,925,110	$ 2,925,110
Walsh Trust	-	1,139,643	1,139,643
Canale Scholarship Trust	-	636,495	636,495
Todd Education Trust	-	183,345	183,345
Hearst Scholarship Trust	-	140,443	140,443
Sister Graeber Memorial	-	33,448	33,448
Gadomski Scholarship Trust	-	934,715	934,715
Dr. Sullivan Memorial	-	11,505	11,505
St. Louis Parish - Msgr. Clunan	1,040,632	1,654,279	2,694,911
OLPH School (Costa Family)	-	244,795	244,795
Our Lady of Sorrows School	-	52,727	52,727
St. Francis School - Msgr. Buchignani	-	312,088	312,088
	$ 1,040,632	$ 8,268,593	$ 9,309,225

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Forsdick Scholarship Trust	$ -	$ 2,854,176	$ 2,854,176
Walsh Trust	-	1,061,450	1,061,450
Canale Scholarship Trust	-	620,573	620,573
Todd Education Trust	-	178,803	178,803
Hearst Scholarship Trust	-	136,988	136,988
Sister Graeber Memorial	-	32,601	32,601
Gadomski Scholarship Trust	-	918,401	918,401
Dr. Sullivan Memorial	-	11,214	11,214
St. Louis Parish - Msgr. Clunan	979,216	1,640,860	2,620,076
OLPH School (Costa Family)	-	238,618	238,618
Our Lady of Sorrows School	-	44,705	44,705
St. Francis School - Msgr. Buchignani	-	294,049	294,049
	$ 979,216	$ 8,032,438	$ 9,011,654

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Diocese to retain as a fund of perpetual duration. There were no deficiencies of this nature at June 30, 2019 and 2018.

The changes in endowment net assets for the year ended June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 979,216	$ 8,032,438	$ 9,011,654
Net investment return	61,416	557,952	619,368
Contributions	-	23,158	23,158
Appropriations	-	(344,955)	(344,955)
Endowment net assets, end of year	$ 1,040,632	$ 8,268,593	$ 9,309,225

The changes in endowment net assets for the year ended June 30, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 916,044	$ 8,249,302	$ 9,165,346
Prior period adjustment	-	(636,233)	(636,233)
Net investment return	63,172	707,091	770,263
Contributions	-	52,733	52,733
Appropriations for expenditure	-	(340,455)	(340,455)
Endowment net assets, end of year	$ 979,216	$ 8,032,438	$ 9,011,654

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS

A summary of net assets with donor restrictions at June 30 is as follows:

	2019	2018
Purpose Restrictions:		
Capital projects	$ 7,517,498	$ 7,419,718
Education	6,283,283	14,794,304
Debt reduction	1,364,711	1,637,842
Housing - priests/retired priests	2,376,418	2,468,475
Other ministries	2,750,254	2,565,614
	20,292,164	28,885,953
Time-restricted for future periods	2,138,410	1,884,913
Perpetual in nature	5,969,432	5,946,274
	$ 28,400,006	$ 36,717,140

A summary of releases from net assets with donor restrictions at June 30 is as follows:

	2019	2018
Satisfaction of Purpose Restrictions:		
Capital projects	$ 778,106	$ 1,593,829
Education	9,932,910	10,988,331
Debt reduction	2,557,893	2,143,559
Housing - priests/retired priests	159,231	8,350
Other ministries	3,051	377,360
Expiration of time restrictions	1,731,338	2,096,665
	$ 15,162,529	$ 17,208,094

NOTE 14 – DIOCESE-DESIGNATED NET ASSETS

Net assets without donor restrictions were designated by the Diocese for the following purposes at June 30:

	2019	2018
Perpetual care for cemeteries	$ 2,891,005	$ 2,687,892
Retreat center	826,665	769,446
Msgr. Clunan	1,040,632	979,216
Holy Rosary school trust	1,021,092	1,187,510
	$ 5,779,394	$ 5,624,064

NOTE 15 – RETIREMENT PLANS

403(b) Plan

On July 1, 2011, the Diocese established a 403(b) retirement plan for employees with discretionary employer matching contributions up to 1% of compensation. All employees are immediately eligible to make contributions under the Plan. Participants are immediately vested in their voluntary contributions plus actual earnings thereon. Vesting in the employer contributions portion of their accounts is based on a 3 Year Cliff (0% Years 1-2, 100% at end of 3rd year). For the years ended June 30, 2019 and 2018, employer contributions to the plan totaled $226,294 and $232,659, respectively.

Priest Plan

On July 1, 1973, the Diocese adopted a non-contributory defined benefit plan covering all of its eligible priests (the "Priest Plan"). The Diocese acts as the receiving agent for parish and institutional contributions, which are forwarded to the trustee. Prior service costs are being funded over a thirty (30) year period, after giving effect to actuarial gains or losses.

Employee Plan

On July 1, 1974, a similar non-contributory defined benefit plan (the "1974 Employee Plan") was adopted covering all full-time lay employees of the Diocese and related organizations included in this report as well as those related entities not included in these financial statements. Prior service costs are being funded over a thirty (30) year period, after giving effect to actuarial gains or losses. The Diocese executed an agreement to freeze accumulated benefits as of August 31, 2007. Accordingly, no new participants have been admitted to the Employee Plan after that date, and years of credited service were frozen on that date.

Additionally, On September 1, 2007, the Diocese adopted another non-contributory defined benefit plan (the "2007 Employee Plan") with similar terms as the 1974 Employee Plan. The Diocese executed an agreement to freeze accumulated benefits as of June 30, 2011. Accordingly, no new participants have been admitted to the 2007 Employee Plan after that date, and years of credited service were frozen on that date. The 1974 Employee Plan and the 2007 Employee Plan were merged effective December 31, 2012, hereinafter referred to as (the "Employee Plan").

The following tables provide a reconciliation of benefit obligations, plan assets, and funded status of the Plans for the years ended June 30, 2019 and 2018:

	2019		
	Priest Plan	Employee Plan	Total
Change in Projected Benefit Obligation:			
Projected benefit obligation, beginning of year	$ 7,239,472	$ 86,333,825	$ 93,573,297
Service cost	114,088	-	114,088
Interest cost	282,185	3,358,104	3,640,289
Actuarial (gain)/loss	773,578	7,197,772	7,971,350
Benefits paid	(338,089)	(4,789,831)	(5,127,920)
Projected benefit obligation, end of year	$ 8,071,234	$ 92,099,870	$ 100,171,104
Change in Plan Assets:			
Fair value of plan assets, beginning of year	$ 7,468,384	$ 70,107,699	$ 77,576,083
Actual return on plan assets, net of expenses	490,215	4,666,454	5,156,669
Employer contributions	142,391	2,445,283	2,587,674
Benefits paid	(338,089)	(4,789,831)	(5,127,920)
Fair value of plan assets, end of year	$ 7,762,901	$ 72,429,605	$ 80,192,506
Funded status	$ (308,333)	$ (19,670,265)	$ (19,978,598)

	2018		
	Priest Plan	Employee Plan	Total
Change in Projected Benefit Obligation:			
Projected benefit obligation, beginning of year	$ 7,285,196	$ 90,439,621	$ 97,724,817
Service cost	129,729	-	129,729
Interest cost	256,830	3,216,644	3,473,474
Actuarial (gain)/loss	(170,809)	(2,473,675)	(2,644,484)
Benefits paid	(261,474)	(4,848,765)	(5,110,239)
Projected benefit obligation, end of year	$ 7,239,472	$ 86,333,825	$ 93,573,297
Change in Plan Assets:			
Fair value of plan assets, beginning of year	$ 6,786,078	$ 65,202,724	$ 71,988,802
Actual return on plan assets, net of expenses	768,532	7,380,005	8,148,537
Employer contributions	175,248	2,373,735	2,548,983
Benefits paid	(261,474)	(4,848,765)	(5,110,239)
Fair value of plan assets, end of year	$ 7,468,384	$ 70,107,699	$ 77,576,083
Funded status	$ 228,912	$ (16,226,126)	$ (15,997,214)

Since the accumulated benefits have been frozen for the employee plan, the accumulated benefit obligation is equal to the projected benefit obligation. The accumulated benefit obligation for the priest plan is equal to the projected benefit obligation as the plan benefits are not based on compensation of the priests.

The additional minimum pension liability as reflected on the consolidated statement of financial position is offset by related party receivables for the portion of this liability owed by Catholic Charities, Inc. The portion of the additional minimum pension liability attributed to Catholic Charities, Inc. totaled $1,335,259 and $1,159,282 at June 30, 2019 and 2018, respectively.

Weighted-average actuarial assumptions used to calculate the projected benefit obligation were as follows for June 30, 2019 and 2018:

	2019	
	Priest Plan	Employee Plan
Discount rate	3.25%	3.30%
Rate of compensation increase	N/A	N/A

	2018	
	Priest Plan	Employee Plan
Discount rate	4.00%	4.00%
Rate of compensation increase	N/A	N/A

The components of the net periodic pension cost for the years ended June 30, 2019 and 2018 are as follows:

	2019		
	Priest Plan	Employee Plan	Total
Net Periodic Pension Cost:			
Service cost	$ 114,088	$ -	$ 114,088
Interest cost	282,185	3,358,104	3,640,289
Expected return on plan assets	(551,605)	(5,171,183)	(5,722,788)
Amortization of net loss	62,589	2,001,819	2,064,408
	$ (92,743)	$ 188,740	$ 95,997

	2018		
	Priest Plan	Employee Plan	Total
Net Periodic Pension Cost:			
Service cost	$ 129,729	$ -	$ 129,729
Interest cost	256,830	3,216,644	3,473,474
Expected return on plan assets	(502,756)	(4,805,789)	(5,308,545)
Amortization of net loss	98,763	2,852,051	2,950,814
	$ (17,434)	$ 1,262,906	$ 1,245,472

Weighted-average actuarial assumptions used to calculate the net periodic benefit cost for the years ended June 30, 2019 and 2018 are as follows:

	2019	
	Priest Plan	Employee Plan
Discount rate	4.00%	4.00%
Expected return on plan assets	7.50%	7.50%
Rate of compensation increase	N/A	N/A

	2018	
	Priest Plan	Employee Plan
Discount rate	3.60%	3.65%
Expected return on plan assets	7.50%	7.50%
Rate of compensation increase	N/A	N/A

The rate used for the expected return on plan assets is within an acceptable range of typical long-term expected return on plan assets assumptions used by actuaries and is based upon the expected return on each asset class together with consideration of the long-term asset strategy of the plan sponsor.

A reconciliation of prepaid pension cost is as follows for the years ended June 30, 2019 and 2018:

	2019		
	Priest Plan	Employee Plan	Total
Prepaid Pension Cost:			
Balance, beginning of year	$ 1,981,557	$ 8,361,757	$ 10,343,314
Net periodic pension credit (cost)	92,743	(188,740)	(95,997)
Employer contributions	142,391	2,445,283	2,587,674
Balance, end of year	$ 2,216,691	$ 10,618,300	$ 12,834,991

	2018		
	Priest Plan	Employee Plan	Total
Prepaid Pension Cost:			
Balance, beginning of year	$ 1,788,875	$ 7,250,927	$ 9,039,802
Net periodic pension credit (cost)	17,434	(1,262,906)	(1,245,472)
Employer contributions	175,248	2,373,735	2,548,983
Balance, end of year	$ 1,981,557	$ 8,361,756	$ 10,343,313

Expected future benefit payments for the next ten years ending June 30 are as follows:

	Priest Plan	Employee Plan	Total
2020	$ 385,000	$ 4,840,000	$ 5,225,000
2021	412,000	4,919,000	5,331,000
2022	460,000	4,941,000	5,401,000
2023	469,000	4,966,000	5,435,000
2024	479,000	4,994,000	5,473,000
2025 - 2029	2,438,000	25,252,000	27,690,000
	$ 4,643,000	$ 49,912,000	$ 54,555,000

Funding

The Diocese has historically funded its pension plans using a formula of approximately 8% of employee salaries and $2,580 annually per priest. In 2019, management increased the annual amount funded per priest to $2,880. Management anticipates continuing this funding approach in the foreseeable future and estimates employer contributions to the plans in 2020 will be approximately $3,000,000, including $1,000,000 to satisfy the obligations related to the Jubilee Schools employees. See Note 20 for additional information on the closing of the Jubilee Schools.

Investment Strategy for Plan Assets

The Retirement Allowance Committee of the Diocese has established four primary objectives for the plans which include (1) to maximize total return within reasonable and prudent levels of risk, (2) to provide annual cash flow sufficient to meet the annual benefit and cash expenditures, (3) to control costs of administering and managing the plans and managing the investments, and (4) to ensure that the investment portfolios are managed responsibly and in compliance with investment manager defined guidelines.

To achieve its investment objectives, the following asset allocation mix has been established:

	Minimum Weight	Maximum Weight	Actual Weight
Equities	30%	70%	34%
Fixed income	10%	60%	42%
Alternative/hedge fund investments	0%	25%	15%
Cash and equivalents	0%	10%	9%
			100%

The following tables set forth by level, within the fair value hierarchy, the Plans' assets that are measured on a recurring basis at June 30, 2019 and 2018:

	2019		
	Priest Plan	Employee Plan	Total
Level 1			
Mutual Funds			
Equities	$ 4,570,294	$ 43,321,356	$ 47,891,650
Fixed Income	1,016,830	8,599,538	9,616,368
Total mutual funds	5,587,124	51,920,894	57,508,018
Level 2			
Money market funds	348,402	2,319,283	2,667,685
Investments Measured at Net Asset Value			
Limited Partnerships			
Conservative hedge fund	731,512	7,451,906	8,183,418
Strategic hedge fund	1,095,863	10,737,522	11,833,385
Total investments measured at NAV	1,827,375	18,189,428	20,016,803
Total plan assets at fair value	$ 7,762,901	$ 72,429,605	$ 80,192,506

	2018		
	Priest Plan	Employee Plan	Total
Level 1			
Mutual Funds			
Equities	$ 1,996,045	$ 18,953,068	$ 20,949,113
Fixed Income	987,400	8,351,016	9,338,416
Total mutual funds	2,983,445	27,304,084	30,287,529
Common Stocks	2,425,568	23,059,759	25,485,327
Total level 1	5,409,013	50,363,843	55,772,856
Level 2			
Money market funds	286,807	2,121,422	2,408,229
Investments Measured at Net Asset Value			
Limited Partnerships			
Conservative hedge fund	713,906	7,248,604	7,962,510
Strategic hedge fund	1,058,658	10,373,830	11,432,488
Total investments measured at NAV	1,772,564	17,622,434	19,394,998
Total plan assets at fair value	$ 7,468,384	$ 70,107,699	$ 77,576,083

See Note 5 for a description of the valuation methodologies used for assets measured at fair value.

The table below presents additional information regarding plan assets whose fair value is estimated using the practical expedient of reported net asset value (NAV) at June 30, 2019 and 2018:

	Conservative Hedge Fund (1)	Strategic Hedge Funds (2)
Liquidity		
Initial lock-up	1 year	0 - 2 years
Redemption fees	Up to 5%	0 - 3%
Redemption frequency	Quarterly/semi-annual	Quarterly/semi-annual
Notice	95 days	90 - 105 days
Gate	10%	None
Fair value at June 30, 2019	$ 8,183,418	$ 11,833,385
Fair value at June 30, 2018	$ 7,962,510	$ 11,432,488

The following are descriptions of the investment strategies and any restrictions of the Plan's hedge funds:

(1) *Conservative hedge fund:* This is a fund of funds that seeks consistent returns by primarily investing in funds that generally engage in more non-directional strategies such as Equity Market Neutral and Fixed Income Arbitrage.

(2) *Strategic hedge funds*: These are funds of funds that seek superior returns by primarily investing in funds that engage in more opportunistic strategies such as Emerging Markets, Sector specific, Equity Hedge, credit-related investments, and structured products.

NOTE 16 – POST-RETIREMENT BENEFIT OBLIGATION

The Diocese pays all healthcare costs incurred for its retired priests. The following table presents a summary of Plan assets, projected benefit obligation, funded status and benefit activity of the Plan for the years ended June 30, 2019 and 2018:

	2019	2018
Change in Projected Benefit Obligation:		
Projected benefit obligation, beginning of year	$ 4,761,058	$ 4,173,527
Service cost	288,171	213,335
Interest cost	192,323	157,000
Actuarial (gain)/loss	489,667	300,615
Benefits paid	(100,039)	(83,419)
Projected benefit obligation, end of year	$ 5,631,180	$ 4,761,058
Fair value of plan assets	-	-
Funded status	$ (5,631,180)	$ (4,761,058)

The components of net periodic post-retirement benefit cost are as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Net Periodic Benefit Cost:		
Service cost	$ 288,171	$ 213,335
Interest cost	192,323	157,000
Amortization of prior service cost	218,133	218,133
Amortization of net (gain)/loss	(170,033)	(196,428)
Net periodic benefit cost	$ 528,594	$ 392,040

Weighted-average actuarial assumptions used to calculate the projected benefit obligation and net periodic benefit cost were as follows for 2019 and 2018:

	2019	2018
Discount rate	3.45%	4.10%

For the next five years, the healthcare cost trend rate is 7% and graded to 4% in year seven and beyond.

Accrued post-retirement benefit costs at June 30, 2019 and 2018 are as follows:

	2019	2018
Prepaid (Accrued) Benefit Cost:		
Balance, beginning of year	$ (7,370,706)	$ (7,062,085)
Net periodic benefit cost	528,594	392,040
Employer contributions	100,039	83,419
Balance, end of year	$ (7,799,261)	$ (7,370,706)

As this obligation is unfunded, the projected benefit obligation exceeds the fair value of the Plan assets requiring recognition of an additional post-retirement liability at June 30, 2019 and 2018.

Expected future benefit payments are as follows for the next ten years ending June 30:

2020	$ 149,000
2021	168,000
2022	197,000
2023	216,000
2024	233,000
2025 - 2029	1,323,000
	$ 2,286,000

NOTE 17 – OTHER EMPLOYEE BENEFIT PLANS

It is Diocesan policy to self-insure for health and medical benefits for its employees. The Diocese accrues its estimated liability for these self-insured benefits, including an estimate for incurred but not reported claims, and maintains stop-loss insurance for those individual claims exceeding $175,000 for 2019 and 2018. Amounts accrued totaled $825,921 and $496,516 at June 30, 2019 and 2018, respectively.

The Diocese maintains an Employee Flexible Benefits Plan (the “Plan”) for full-time employees. The Plan is qualified under Section 125 of the Internal Revenue Code, Cafeteria Compensation Plans. The Plan includes various medical and life insurance coverage, childcare reimbursement accounts, medical care reimbursement accounts, and other qualified pre-tax benefits. The Plan is funded by both employer and employee contributions depending upon the benefits selected. The Diocese serves as the receiving agent in the administration of the funding for this Plan.

NOTE 18 – CATHOLIC UMBRELLA POOL

The Diocese participates in a self-insurance fund for certain Dioceses of the Roman Catholic Church in North America (the “Pool”) which provides excess liability coverages for its membership. Participating Dioceses share in the operating and investment income and expenses of the Pool based on their contributions for each fiscal year. Participants are responsible for claims and claim expenses incurred during fiscal years in which they participate in the Pool; however, historically claims have been less than participant equity. Management believes the Pool’s reserve for unpaid claims and claim expenses is adequate. The Diocese’s equity in the pool at June 30, 2019 and 2018, of $225,100 and $230,444, respectively is included in other assets on the consolidated statement of financial position.

NOTE 19 – RELATED PARTY TRANSACTIONS

The Diocese advances and borrows amounts on behalf of related party religious organizations which operate within the Diocese. Amounts due from related parties consisted of the following at June 30, 2019 and 2018:

	2019	2018
Catholic Charities, Inc.		
Pension liability	$ 1,335,259	$ 1,159,282
Cafeteria benefits	549,018	612,684
Other	120	23,124
Loan receivable	262,160	262,160
Total due from Catholic Charities, Inc.	2,146,557	2,057,250
Less allowance	(589,982)	(589,982)
	1,556,575	1,467,268
Note receivable from priest, unsecured, non-interest bearing	46,685	46,685
	$ 1,603,260	$ 1,513,953

See Note 5 for related party payable information.

NOTE 20 – SUBSEQUENT EVENT

As of July 1, 2019, the Diocese ceased its operation of the Jubilee Schools. Some of these facilities were then re-opened as new charter schools by the Compass School System, an entity not affiliated with the Diocese. As part of this event, the Diocese has entered into lease agreements to lease these school facilities to the Compass School System. At June 30, 2019, the Jubilee Schools and CMUS had assets of $18,927,450, liabilities of $3,492,013, net assets of $15,435,437, and a change in net assets of $(9,110,887) for the year then ended. For 2019, the net operating cash requirement of the Jubilee Schools was approximately $9,100,000.

NOTE 21 – PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2018, the Diocese made adjustments to correct errors in the classification of beginning net assets and to properly account for donor restrictions. The effect of these adjustments was an increase in net assets without donor restrictions of $8,162,577 and a decrease in net assets with donor restrictions of the same amount. The adjustments had no impact on previously reported total net assets or change in net assets.

SUPPLEMENTAL SCHEDULES

THE ROMAN CATHOLIC DIOCESE OF MEMPHIS IN TENNESSEE

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

June 30, 2019
(with summarized financial information at June 30, 2018)

		Diocesan Activities								
	Diocesan Administrative Offices	Parishes		CMUS & Jubilee Schools	St. Benedict at Auburndale High School	Cemeteries	Combined Total	Eliminations	2019 Consolidated Total	2018 Consolidated Total
		Churches	Schools							
Assets										
Cash and cash equivalents	$ (1,173,737)	$ 10,202,710	$ 2,268,506	$ 2,441,964	$ 2,979,214	$ 27,883	$ 16,746,540	$ -	$ 16,746,540	$ 26,079,800
Receivables										
Unconditional promises to give, net	698,890	198,718	-	-	-	-	897,608	-	897,608	1,202,644
Tuition, net	-	-	66,528	28,016	60,720	-	155,264	(1,734)	153,530	223,605
Related party	15,878,483	11,062,509	3,751,891	135,591	234,795	116,203	31,179,472	(29,576,212)	1,603,260	1,513,953
Other	460,619	59,564	21,282	13,720	1,275	145,920	702,380	(282,498)	419,882	840,411
Prepaid expenses	59,695	25,167	14,560	80	11,126	-	110,628	-	110,628	207,914
Investments	34,941,440	5,781,276	1,878,638	51,819	-	2,906,305	45,559,478	-	45,559,478	43,364,502
Beneficial interest in trusts	2,046,692	5,241,258	-	-	-	-	7,287,950	-	7,287,950	7,253,363
Property and equipment	15,339,910	167,800,967	26,538,324	16,256,260	33,342,174	4,005,255	263,282,890	-	263,282,890	261,251,094
Right-of-use assets	1,227,894	-	-	-	-	-	1,227,894	-	1,227,894	980,343
Other assets	225,100	16,684	-	-	-	-	241,784	-	241,784	256,103
Total assets	$ 69,704,986	$ 200,388,853	$ 34,539,729	$ 18,927,450	$ 36,629,304	$ 7,201,566	$ 367,391,888	$ (29,860,444)	$ 337,531,444	$ 343,173,732
Liabilities and Net Assets										
Accounts payable and accrued expenses	$ 2,091,206	$ 2,253,454	$ 1,185,136	$ 688,117	$ 568,125	$ 10,769	$ 6,796,807	$ (1,520,745)	$ 5,276,062	$ 4,559,776
Line of credit	-	5,975,572	-	-	352,330	-	6,327,902	(6,327,902)	-	-
Collections held for transmittal	138,222	112,903	4,755	(20,716)	2,776	-	237,940	-	237,940	242,356
Deferred revenue	13,441	38,010	2,114,830	-	1,918,130	2,290	4,086,701	-	4,086,701	4,426,464
Lease liabilities	1,104,403	-	-	-	-	-	1,104,403	-	1,104,403	1,013,028
Due to annuitants	288,836	-	-	-	-	-	288,836	-	288,836	298,023
Due to beneficiaries	240,623	-	-	-	-	-	240,623	-	240,623	249,400
Minimum pension liability	554,861	5,549,357	8,973,475	2,736,880	1,990,705	173,320	19,978,598	-	19,978,598	15,997,214
Post-retirement benefit obligation	5,631,180	-	-	-	-	-	5,631,180	-	5,631,180	4,761,058
Related party payables	13,074,239	825,735	5,211,160	87,732	2,807	3,459,242	22,660,915	(22,011,797)	649,118	925,290
Derivative financial instruments	952,798	-	-	-	1,282,588	-	2,235,386	-	2,235,386	1,406,687
Long-term debt	5,785,315	34,195	-	-	15,227,601	-	21,047,111	-	21,047,111	22,977,561
Total liabilities	29,875,124	14,789,226	17,489,356	3,492,013	21,345,062	3,645,621	90,636,402	(29,860,444)	60,775,958	56,856,857
Net assets	39,829,862	185,599,627	17,050,373	15,435,437	15,284,242	3,555,945	276,755,486	-	276,755,486	286,316,875
Total liabilities and net assets	$ 69,704,986	$ 200,388,853	$ 34,539,729	$ 18,927,450	$ 36,629,304	$ 7,201,566	$ 367,391,888	$ (29,860,444)	$ 337,531,444	$ 343,173,732

See independent auditor’s report.

THE ROMAN CATHOLIC DIOCESE OF MEMPHIS IN TENNESSEE

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the Year Ended June 30, 2019
(with summarized financial information for the year ended June 30, 2018)

	Diocesan Activities									
	Diocesan Administrative Offices	Parishes		CMUS & Jubilee Schools	St. Benedict at Auburndale High School	Cemeteries	Combined Total	Eliminations	2019 Consolidated Total	2018 Consolidated Total
		Churches	Schools							
Operating Support and Revenues										
Contributions and Grants										
General contributions	$ 891,033	$ 26,158,186	$ 828,026	$ 325,038	$ 692,114	$ 59,263	$ 28,953,660	$ (691,638)	$ 28,262,022	$ 28,199,316
Annual Catholic Appeal	1,945,838	-	-	-	-	-	1,945,838	-	1,945,838	1,731,338
Grant revenue	-	-	307,938	965,383	58,375	-	1,331,696	(126,795)	1,204,901	1,418,180
Estate donations	-	511,444	-	-	-	-	511,444	-	511,444	4,754,749
Missions and societies	137,000	-	-	-	-	-	137,000	-	137,000	142,000
Education										
Tuition and fees, net	-	-	18,619,899	1,795,650	6,852,084	-	27,267,633	-	27,267,633	27,894,313
Other education revenue	-	458,225	3,387,673	337,578	1,077,001	-	5,260,477	-	5,260,477	4,939,890
Social and fundraising	540	1,872,229	434,181	21,267	3,994	-	2,332,211	-	2,332,211	2,439,889
Auxiliary services	520,887	151,560	2,425	-	2,885	-	677,757	(71,526)	606,231	672,152
Cemeteries	-	25,828	-	-	-	359,354	385,182	-	385,182	550,847
Assessments and subsidies	3,382,644	21,800	158,383	-	-	-	3,562,827	(3,562,827)	-	-
Other income	373,962	1,052,025	1,183,517	66,541	48,012	13,350	2,737,407	-	2,737,407	2,498,566
Total operating support and revenue	7,251,904	30,251,297	24,922,042	3,511,457	8,734,465	431,967	75,103,132	(4,452,786)	70,650,346	75,241,240

See independent auditor’s report.

THE ROMAN CATHOLIC DIOCESE OF MEMPHIS IN TENNESSEE

CONSOLIDATING SCHEDULE OF ACTIVITIES (continued)

For the Year Ended June 30, 2019
(with summarized financial information for the year ended June 30, 2018)

	Diocesan Administrative Offices	Diocesan Activities: Parishes – Churches	Diocesan Activities: Parishes – Schools	Diocesan Activities: CMUS & Jubilee Schools	Diocesan Activities: St. Benedict at Auburndale High School	Diocesan Activities: Cemeteries	Combined Total	Eliminations	2019 Consolidated Total	2018 Consolidated Total
Operating Expenses										
Program Services										
Cemeteries	-	-	-	-	-	455,728	455,728	-	455,728	549,816
Education	-	-	21,612,772	10,705,173	7,718,861	-	40,036,806	(708,035)	39,328,771	40,712,462
Ministry	2,651,518	16,973,880	-	-	-	-	19,625,398	(55,129)	19,570,269	20,447,675
Total program services	2,651,518	16,973,880	21,612,772	10,705,173	7,718,861	455,728	60,117,932	(763,164)	59,354,768	61,709,953
General and administration	5,191,304	6,224,958	4,015,525	1,922,315	333,012	183,106	17,870,220	(281,734)	17,588,486	16,951,805
Fundraising	193,738	246,112	8,730	83,481	-	-	532,061	-	532,061	628,276
Total operating expenses	8,036,560	23,444,950	25,637,027	12,710,969	8,051,873	638,834	78,520,213	(1,044,898)	77,475,315	79,290,034
Income (loss) from operations	(784,656)	6,806,347	(714,985)	(9,199,512)	682,592	(206,867)	(3,417,081)	(3,407,888)	(6,824,969)	(4,048,794)
Nonoperating Gains (Losses)										
Subsidies - Diocesan entities	(663,481)	(3,485,934)	234,489	(62,350)	289,636	-	(3,687,640)	(3,687,640)	-	-
Change in value of beneficial interest in trusts	(80,200)	-	-	-	-	-	(80,200)	-	(80,200)	228,301
Net investment return	1,966,994	791,831	227,900	150,975	5,951	188,277	3,331,928	(279,752)	3,052,176	3,542,256
Change in value of derivatives	(519,521)	-	-	-	(309,178)	-	(828,699)	-	(828,699)	1,144,224
Minimum pension liability adjustment	(3,805,407)	-	-	-	-	-	(3,805,407)	-	(3,805,407)	9,324,073
Postretirement benefits adjustment	(870,122)	-	-	-	-	-	(870,122)	-	(870,122)	(587,531)
Loss on uncollectible promises to give	(39,463)	(39,155)	-	-	-	-	(78,618)	-	(78,618)	(148,043)
Gain/(loss) on sale of assets	(8,172)	(117,378)	-	-	-	-	(125,550)	-	(125,550)	405,417
Total nonoperating gains (losses)	(4,019,372)	(2,850,636)	462,389	88,625	(13,591)	188,277	(6,144,308)	(3,967,392)	(2,736,420)	13,908,697
Change in net assets	(4,804,028)	3,955,711	(252,596)	(9,110,887)	669,001	(18,590)	(9,561,389)	-	(9,561,389)	9,859,903
Net assets, beginning of year	44,633,890	181,643,916	17,302,969	24,546,324	14,615,241	3,574,535	286,316,875	-	286,316,875	276,456,972
Net assets, end of year	$ 39,829,862	$ 185,599,627	$ 17,050,373	$ 15,435,437	$ 15,284,242	$ 3,555,945	$ 276,755,486	$ -	$ 276,755,486	$ 286,316,875

See independent auditor's report.

THE ROMAN CATHOLIC DIOCESE OF MEMPHIS IN TENNESSEE

CONSOLIDATED SCHEDULE OF INDEBTEDNESS

June 30, 2019 and 2018

	2019	2018
Catholic Center - principal payment	$ (542,587)	$ (1,597,774)
Church of the Incarnation	-	1,599,725
Incarnation School	285,504	-
Church of the Nativity	-	31
St. Ann Church, Bartlett	2,730,488	3,014,041
St. Anne Church	249,601	239,241
St. Benedict at Auburndale School	352,330	444,564
St. Brigid Church	1,044,326	1,300,738
St. Mary Church, Memphis	1,665,653	1,766,895
	$ 5,785,315	$ 6,767,461
Bank note balance (Note 8)	$ 5,785,315	$ 6,767,461

See independent auditor’s report.