

**THE ROMAN CATHOLIC DIOCESE OF
MEMPHIS IN TENNESSEE**

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020
(with summarized financial information for 2019)



TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	8
SUPPLEMENTAL SCHEDULES	
Consolidating Schedule of Financial Position	35
Consolidating Schedule of Activities	36
Consolidated Schedule of Parish Intercompany Bank Indebtedness	38

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, 2020, 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 effects of 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, 2020, 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 2019 financial statements, and we expressed a qualified audit opinion on those audited consolidated financial statements in our report dated February 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 Mikusall, PLLC

Memphis, Tennessee
December 18, 2020

THE ROMAN CATHOLIC DIOCESE OF MEMPHIS IN TENNESSEE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2020

(with summarized financial information at June 30, 2019)

	<u>Assets</u>	
	2020	2019
Cash and cash equivalents	\$ 20,578,562	\$ 16,746,540
Receivables		
Unconditional promises to give, net	652,493	897,608
Tuition, net	104,733	153,530
Related party	1,846,639	1,603,260
Other	410,182	419,882
Prepaid expenses	71,838	110,628
Investments	47,993,014	45,559,478
Beneficial interest in trusts	6,935,021	7,287,950
Property and equipment	265,455,761	263,282,890
Right-of-use assets	1,233,398	1,227,894
Other assets	314,723	241,784
	<u>\$ 345,596,364</u>	<u>\$ 337,531,444</u>
	<u>Liabilities and Net Assets</u>	
Accounts payable and accrued expenses	\$ 3,926,080	\$ 5,276,062
Collections held for transmittal	337,062	237,940
Deferred revenue	3,202,585	4,086,701
Lease liabilities	1,109,854	1,104,403
Due to annuitants	269,862	288,836
Due to beneficiaries	239,305	240,623
Minimum pension liability	26,931,014	19,978,598
Post-retirement benefit obligation	7,032,184	5,631,180
Related party payables	681,035	649,118
Derivative financial instruments	3,247,594	2,235,386
Long-term debt	26,350,879	21,047,111
	<u>73,327,454</u>	<u>60,775,958</u>
Net Assets		
Without Donor Restrictions		
Investment in property and equipment, net of debt	239,104,882	242,235,779
Diocese-designated	6,767,797	5,779,394
Undesignated	(250,503)	340,307
	<u>245,622,176</u>	<u>248,355,480</u>
With Donor Restrictions		
Perpetual in nature	6,002,997	5,969,432
Purpose restrictions	18,289,793	20,292,164
Time-restricted for future periods	2,353,944	2,138,410
	<u>26,646,734</u>	<u>28,400,006</u>
	<u>272,268,910</u>	<u>276,755,486</u>
Total liabilities and net assets	<u>\$ 345,596,364</u>	<u>\$ 337,531,444</u>

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, 2020

(with summarized financial information at June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
Operating Support and Revenues				
Contributions and Grants				
General contributions	\$ 23,925,617	\$ 3,421,209	\$ 27,346,826	\$ 28,262,022
Annual Catholic Appeal	-	2,153,898	2,153,898	1,945,838
Grant revenue	236,687	-	236,687	1,204,901
Estate donations	510,973	-	510,973	511,444
Missions and societies	130,077	-	130,077	137,000
Education				
Tuition and fees, net	25,258,494	-	25,258,494	27,267,633
Other education revenue	3,311,677	-	3,311,677	5,260,477
Social and fundraising	1,349,451	-	1,349,451	2,332,211
Auxiliary services	587,532	-	587,532	606,231
Cemeteries	419,010	-	419,010	385,182
Other income	3,332,063	-	3,332,063	2,737,407
Net assets released from restrictions	7,677,951	(7,677,951)	-	-
Total operating support and revenues	<u>66,739,532</u>	<u>(2,102,844)</u>	<u>64,636,688</u>	<u>70,650,346</u>
Operating Expenses				
Program Services				
Cemeteries	434,198	-	434,198	455,728
Ministry	18,729,474	-	18,729,474	19,570,269
Education	27,539,469	-	27,539,469	39,328,771
Total program services	<u>46,703,141</u>	<u>-</u>	<u>46,703,141</u>	<u>59,354,768</u>
General and administration	15,204,387	-	15,204,387	17,588,486
Fundraising	365,522	-	365,522	532,061
Total operating expenses	<u>62,273,050</u>	<u>-</u>	<u>62,273,050</u>	<u>77,475,315</u>
Income (loss) from operations	4,466,482	(2,102,844)	2,363,638	(6,824,969)
Nonoperating Gains (Losses)				
Change in value of beneficial interest in trusts	(355,955)	-	(355,955)	(80,200)
Net investment return	2,196,797	537,778	2,734,575	3,052,176
Change in fair value of derivatives	(1,012,208)	-	(1,012,208)	(828,699)
Minimum pension liability adjustment	(6,627,416)	-	(6,627,416)	(3,805,407)
Postretirement benefits adjustment	(1,401,004)	-	(1,401,004)	(870,122)
Loss on uncollectible promises to give	-	(188,206)	(188,206)	(78,618)
Gain (loss) on sale of assets	-	-	-	(125,550)
Total nonoperating gains (losses)	<u>(7,199,786)</u>	<u>349,572</u>	<u>(6,850,214)</u>	<u>(2,736,420)</u>
Change in net assets	(2,733,304)	(1,753,272)	(4,486,576)	(9,561,389)
Net assets, beginning of year	<u>248,355,480</u>	<u>28,400,006</u>	<u>276,755,486</u>	<u>286,316,875</u>
Net assets, end of year	<u>\$ 245,622,176</u>	<u>\$ 26,646,734</u>	<u>\$ 272,268,910</u>	<u>\$ 276,755,486</u>

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, 2020
(with summarized financial information for the year ended June 30, 2019)

	Program Services				Supporting Services		Totals	
	Cemeteries	Ministry	Education	Total Program Services	General & Administrative	Fundraising	2020	2019
Salaries and benefits	\$ 144,539	\$ 6,952,519	\$ 20,364,470	\$ 27,461,528	\$ 10,428,001	\$ -	\$ 37,889,529	\$ 47,840,572
Operations	78,168	7,756,392	4,202,917	12,037,477	3,469,591	365,522	15,872,590	19,130,994
Occupancy costs	210,278	3,637,653	1,643,576	5,491,507	961,820	-	6,453,327	8,099,078
Technology	1,213	59,311	589,371	649,895	190,736	-	840,631	1,148,105
Interest	-	323,599	739,135	1,062,734	154,239	-	1,216,973	1,256,566
Total expenses	<u>\$ 434,198</u>	<u>\$ 18,729,474</u>	<u>\$ 27,539,469</u>	<u>\$ 46,703,141</u>	<u>\$ 15,204,387</u>	<u>\$ 365,522</u>	<u>\$ 62,273,050</u>	<u>\$ 77,475,315</u>

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, 2020
(with summarized financial information for the year ended June 30, 2019)

	2020	2019
Cash Flows From Operating Activities:		
Change in net assets	\$ (4,486,576)	\$ (9,561,389)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Change in value of beneficial interest in trusts	355,955	80,200
Change in fair value of derivatives	1,012,208	828,699
Realized and unrealized (gains) and losses on investments	(1,986,735)	(1,946,960)
Minimum pension liability adjustment	6,627,416	3,805,407
Post-retirement benefits adjustment	1,401,004	870,122
Loss on uncollectible promises to give	188,206	78,618
(Gain) loss on sale of property and equipment	-	125,550
Amortization of right-of-use-assets	739,054	892,233
Changes in Operating Assets and Liabilities:		
Receivables	65,413	803,692
Prepaid expenses	38,790	97,286
Other assets	(72,939)	14,319
Accounts payable and accrued expenses	(1,349,982)	716,286
Collections held for transmittal	99,122	(4,416)
Deferred revenue	(884,116)	(339,763)
Related party payables	(440)	(7,777)
Total adjustments	6,232,956	6,013,496
Net cash provided by (used for) operating activities	1,746,380	(3,547,893)
Cash Flows From Investing Activities:		
Purchases of investments	(2,297,930)	(2,245,456)
Proceeds from sales of investments	1,882,168	1,719,565
Proceeds from sale of property and equipment	-	24,500
Purchases of property and equipment	(2,172,871)	(2,181,846)
Payments to annuitants and beneficiaries	(22,000)	(123,271)
Net cash used for investing activities	(2,610,633)	(2,806,508)
Cash Flows From Financing Activities:		
Proceeds from contributions received for capital expenditures	131,614	-
Payments on lease liabilities	(739,107)	(1,048,409)
Principal payments on long-term debt	(1,471,640)	(1,930,450)
Proceeds from issuance of long-term debt	6,775,408	-
Net cash provided by (used for) financing activities	4,696,275	(2,978,859)
Net (decrease) increase in cash and cash equivalents	3,832,022	(9,333,260)
Cash and cash equivalents, beginning of year	16,746,540	26,079,800
Cash and cash equivalents, end of year	\$ 20,578,562	\$ 16,746,540

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, 2020
(with summarized financial information for the year ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
Supplemental Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 1,230,882</u>	<u>\$ 1,268,692</u>
Noncash Investing and Financing Activities:		
Increase (decrease) in related party receivables due to change in their respective pension liabilities	<u>\$ 325,000</u>	<u>\$ 175,977</u>
Decrease (increase) in related party payables due to change in their investments	<u>\$ (31,039)</u>	<u>\$ 277,172</u>
Lease liabilities arising from obtaining right-of-use assets	<u>\$ 744,558</u>	<u>\$ 1,139,784</u>

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

THE ROMAN CATHOLIC DIOCESE OF MEMPHIS IN TENNESSEE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2020
(with summarized financial information for the year ended June 30, 2019)

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, high schools, cemeteries, Catholic Memphis Urban Schools, Inc. (“CMUS”), and the administrative offices. CMUS was formed in April 2003 to assist the Diocese with the funding and development for the Catholic Schools in the Memphis inner city (“Jubilee schools”). As of June 30, 2019, the Diocese ceased operations of the Jubilee schools and leased the facilities to Compass Schools, Inc. The Diocese also closed two parish schools and a high school as of June 30, 2020. The remaining funds held by CMUS will be reserved for repairs and maintenance for the Diocesan-owned leased facilities to Compass Schools, Inc. 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, 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, 2019, 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, that is, those with a measurable performance or other barrier, and a right of return, 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.

The Diocese recognizes revenue from student tuition and fees during the year in which the related services are provided to students. The performance obligation of delivering educational services is simultaneously received and consumed by the students; therefore, the revenue is recognized ratably over the course of the academic year. Any fees received in advance of the applicable school year are reported as deferred revenue in the consolidated statement of financial position. Tuition revenue is reported net of discounts and financial aid awarded to students. Total discounts and financial aid awarded for the years ended June 30, 2020 and 2019 were \$2,860,631 and \$10,430,568, respectively.

Revenue from cemetery services is recognized when the services are performed, and in the case of lot sales, upon transfer of the lot.

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 \$509,934 and \$1,353,187 at June 30, 2020 and 2019, 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. The Diocese has designated, from net assets without donor restrictions, net assets for endowment scholarship funds and other purposes as described in Note 14.

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 and are reported in the consolidated statement of activities as net assets released from restriction.

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 \$125,996 and \$96,303 for the years ended June 30, 2020 and 2019, 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

In September 2020, the Financial Accounting Standards Board (FASB) issued ASU No. 2020-07 – Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which enhances presentation and disclosure requirements for not-for-profit entities that receive contributed nonfinancial assets. The main provisions require entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, and to disclose additional details including a disaggregation of the various types of contributed nonfinancial assets and whether those assets were monetized or utilized, among others. The amendments will be effective for fiscal years beginning after June 15, 2021. Early adoption is permitted. The Diocese is currently evaluating the effect that implementation of the new standard will have on its financial statements.

Adoption of New Accounting Principles

The Diocese has adopted Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605). This standard provides guidance on evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. Analysis of the provisions of this standard resulted in no significant changes in the way the Diocese recognizes contributions, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

The Diocese has adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended, as management believes the standard improves the usefulness and understandability of the Diocese's financial reporting. Analysis of the provisions of this standard resulted in no significant changes in the way the Diocese recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Date of Management's Review

The Diocese evaluated its June 30, 2020 consolidated financial statements for subsequent events through December 18, 2020, the date the consolidated financial statements were available to be issued. Other than the events described in Note 21, 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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 20,578,562	\$ 16,746,540
Net promises to give due within one year	596,944	835,697
Tuition receivable	104,733	153,530
Other receivables	410,182	419,882
Investments		
Non-designated	32,734,861	30,538,945
Diocese-designated	6,767,797	5,779,394
Endowments	8,490,356	8,268,593
Total investments	<u>47,993,014</u>	<u>44,586,932</u>
	69,683,435	62,742,581
Less: Diocese-designated and endowment amounts	<u>(15,258,153)</u>	<u>(14,047,987)</u>
	<u>\$ 54,425,282</u>	<u>\$ 48,694,594</u>

The Diocese's goal is generally to maintain financial assets to meet 6 months of operating expenses (currently approximately \$31 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:

	<u>2020</u>	<u>2019</u>
Annual Catholic Appeal	\$ 700,254	\$ 818,890
Holy Cross Church, Paris	76,123	92,963
St. Mary Church, Jackson	-	254,289
Cathedral of Immaculate Conception	-	101,901
	<u>\$ 776,377</u>	<u>\$ 1,268,043</u>

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

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 720,828	\$ 1,200,205
Due within one to five years	55,549	67,838
	<u>776,377</u>	<u>1,268,043</u>
Less allowance for uncollectible promises	(119,031)	(364,508)
Less unamortized discount	(4,853)	(5,927)
Total net unconditional promises to give	<u>\$ 652,493</u>	<u>\$ 897,608</u>

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 0.6% and 2.8% for the years ended June 30, 2020 and 2019, 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 0.6% and 2.8% for the years ended June 30, 2020 and 2019, 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:

	<u>2020</u>	<u>2019</u>
Powell Trust	\$ 396,368	\$ 396,901
Gauthreaux Trust	200,046	192,572
Kavanagh Trust	182,980	184,221
Lattus Trust	644,962	640,256
Carmer Trust	4,309,080	4,609,779
Jarboe Trust	1,201,585	1,264,221
	<u>\$ 6,935,021</u>	<u>\$ 7,287,950</u>

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.

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, 2020 and 2019. 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, 2020 and 2019:

	June 30, 2020				
	Fair Value Measurements				
	Level 1	Level 2	Level 3	Investments Measured at Net Asset Value	Total
Investments					
Mutual Funds					
Equity	\$ 10,866,437	\$ -	\$ -	\$ -	\$ 10,866,437
Fixed income	20,286,457	-	-	-	20,286,457
Total mutual funds	31,152,894	-	-	-	31,152,894
Common stocks	4,158,468	-	-	-	4,158,468
Limited Partnerships					
Strategic hedge funds	-	-	-	4,344,451	4,344,451
Conservative hedge fund	-	-	-	3,103,347	3,103,347
Total limited partnerships	-	-	-	7,447,798	7,447,798
Money market funds	-	5,233,854	-	-	5,233,854
Total investments	35,311,362	5,233,854	-	7,447,798	47,993,014
Beneficial interest in trusts	-	-	6,935,021	-	6,935,021
Total assets at fair value	\$ 35,311,362	\$ 5,233,854	\$ 6,935,021	\$ 7,447,798	\$ 54,928,035
Liabilities					
Due to annuitants	\$ -	\$ -	\$ 269,862	\$ -	\$ 269,862
Due to beneficiaries	-	-	239,305	-	239,305
Derivative financial instruments	-	3,247,594	-	-	3,247,594
Total liabilities at fair value	\$ -	\$ 3,247,594	\$ 509,167	\$ -	\$ 3,756,761

June 30, 2019

Fair Value Measurements					
	Level 1	Level 2	Level 3	Investments Measured at Net Asset	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 fund	-	-	-	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	<u>\$ 34,720,858</u>	<u>\$ 3,913,465</u>	<u>\$ 7,287,950</u>	<u>\$ 6,925,155</u>	<u>\$ 52,847,428</u>
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	<u>\$ -</u>	<u>\$ 2,235,386</u>	<u>\$ 529,459</u>	<u>\$ -</u>	<u>\$ 2,764,845</u>

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, 2020 and 2019 was \$656,035 and \$624,118, 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:

	2020		
	Beneficial Interest in Trusts	Gift Annuities	Due to Beneficiaries
Balance, beginning of year	\$ 7,287,950	\$ 288,836	\$ 240,623
Investment return (loss), net	(20,074)	5,129	(1,318)
Distributions/payments	(332,855)	(24,103)	-
Balance, end of year	<u>\$ 6,935,021</u>	<u>\$ 269,862</u>	<u>\$ 239,305</u>

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

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, 2020 and 2019:

	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, 2020	\$ 3,103,347	\$ 4,344,451
Fair value at June 30, 2019	\$ 2,965,508	\$ 3,959,647

- (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, 2020 and 2019:

<u>2020</u>	Cost			
	Land and Improvements	Buildings and Equipment	1971 Appraisal	Total
Administrative offices	\$ 1,135,494	\$ 17,080,866	\$ 2,355,087	\$ 20,571,447
Parish churches and rectories	4,923,613	156,613,172	21,411,339	182,948,124
Parish and Diocesan schools	4,475,145	49,102,500	4,353,290	57,930,935
Cemeteries and other Diocesan institutions	10,875	3,245,907	748,473	4,005,255
	<u>\$ 10,545,127</u>	<u>\$ 226,042,445</u>	<u>\$ 28,868,189</u>	<u>\$ 265,455,761</u>

<u>2019</u>	Cost			
	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
	<u>\$ 10,230,749</u>	<u>\$ 224,183,951</u>	<u>\$ 28,868,190</u>	<u>\$ 263,282,890</u>

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 2.43%. There was no outstanding balance at June 30, 2020 and 2019. The line is secured by a negative pledge agreement and matures on April 20, 2022.

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 2.43%. There was no outstanding balance at June 30, 2020 and 2019. This line is secured by negative pledge agreements and matures on January 31, 2021.

NOTE 8 – LONG-TERM DEBT

Bonds

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.

Bank Note

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 agreement terminates 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, 2020, the Diocese was not aware of any non-compliance with such covenants.

Outstanding long-term debt at June 30, 2020 and 2019 is summarized as follows:

	<u>2020</u>	<u>2019</u>
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.	\$ 7,120,271	\$ 7,595,107
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.	7,158,113	7,632,494
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 1.82%, matures September 1, 2025, secured by substantially all assets of the Diocese.	5,298,294	5,785,315
St. Brigid Church unsecured note payable, payable in three interest only payments then monthly installments of principal and interest of \$663, including interest at 2.00%, through January 10, 2025.	34,796	-
Small Business Administration Paycheck Protection Program loans, payable in monthly installments of \$280,809 beginning in April 2021 plus interest at 1%, with a final payment due in March 2023. Eligible for loan forgiveness contingent upon incurring qualifying expenses. See Note 20.	6,739,405	-
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
	<u>\$ 26,350,879</u>	<u>\$ 21,047,111</u>

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

2021	\$ 2,390,857
2022	4,982,615
2023	4,207,444
2024	1,750,324
2025	1,820,178
Thereafter	11,199,461
	<u>\$ 26,350,879</u>

Interest expense on long-term debt totaled \$1,109,967 and \$1,132,782 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, the leases have a weighted-average remaining term of 2.1 years and 1.7 years, respectively.

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

2021	\$	617,038
2022		309,383
2023		225,717
2024		165,510
2025		34,813
Less amount representing interest		(242,607)
	\$	<u>1,109,854</u>

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

	<u>2020</u>	<u>2019</u>
Finance-Type Lease Costs:		
Amortization of right-of-use assets	\$ 739,054	\$ 892,233
Interest on lease liabilities	107,006	123,784
	<u>\$ 846,060</u>	<u>\$ 1,016,017</u>

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, 2020 and 2019. Related assets are recognized at fair value, with no contributions received in 2020 or 2019.

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, 2020 and 2019 are summarized as follows:

Swap Inception	Notional Principal at 6/30/2020	Fixed Rate	Variable Rate	Termination Date	2020 Asset/ (Liability)	2019 Asset/ (Liability)
7/1/2003	\$ 7,355,000	3.61%	% of 30-day LIBOR	5/1/2033	\$ (1,762,410)	\$ (1,282,588)
9/4/2013	\$ 10,228,203	5.09%	30-day LIBOR +1.65	9/1/2025	(1,485,184)	(952,798)
					<u>\$ (3,247,594)</u>	<u>\$ (2,235,386)</u>

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 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	60.0%
Fixed income	17.5%
Alternative/hedge fund investments	22.5%
	<u>100.0%</u>

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

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Forsdick Scholarship Trust	\$ -	\$ 2,982,598	\$ 2,982,598
Walsh Trust	-	1,205,575	1,205,575
Canale Scholarship Trust	-	648,523	648,523
Todd Education Trust	-	186,719	186,719
Hearst Scholarship Trust	-	143,025	143,025
Sister Graeber Memorial	-	33,841	33,841
Gadomski Scholarship Trust	-	948,829	948,829
Dr. Sullivan Memorial	-	11,640	11,640
St. Louis Parish - Msgr. Clunan	1,108,700	1,664,692	2,773,392
OLPH School (Costa Family)	-	249,497	249,497
Our Lady of Sorrows School	-	53,362	53,362
St. Francis School - Msgr. Buchignani	679,512	362,055	1,041,567
	<u>\$ 1,788,212</u>	<u>\$ 8,490,356</u>	<u>\$ 10,278,568</u>

	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
	<u>\$ 1,040,632</u>	<u>\$ 8,268,593</u>	<u>\$ 9,309,225</u>

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, 2020 and 2019.

The changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,040,632	\$ 8,268,593	\$ 9,309,225
Net investment return	77,400	537,778	615,178
Transfers	670,180	-	670,180
Contributions	-	33,565	33,565
Appropriations	-	(349,580)	(349,580)
Endowment net assets, end of year	<u>\$ 1,788,212</u>	<u>\$ 8,490,356</u>	<u>\$ 10,278,568</u>

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 for expenditure	-	(344,955)	(344,955)
Endowment net assets, end of year	<u>\$ 1,040,632</u>	<u>\$ 8,268,593</u>	<u>\$ 9,309,225</u>

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Purpose Restrictions:		
Capital projects	\$ 7,708,472	\$ 7,517,498
Education	4,594,738	6,283,283
Debt reduction	858,302	1,364,711
Housing - priests/retired priests	2,377,256	2,376,418
Other ministries	2,751,025	2,750,254
	<u>18,289,793</u>	<u>20,292,164</u>
Time-restricted for future periods	2,353,944	2,138,410
Perpetual in nature	6,002,997	5,969,432
	<u>\$ 26,646,734</u>	<u>\$ 28,400,006</u>

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

	2020	2019
Satisfaction of Purpose Restrictions:		
Capital projects	\$ 871,467	\$ 778,106
Education	2,827,932	9,932,910
Debt reduction	1,744,020	2,557,893
Housing - priests/retired priests	63,722	159,231
Other ministries	224,972	3,051
Expiration of time restrictions	1,945,838	1,731,338
	<u>\$ 7,677,951</u>	<u>\$ 15,162,529</u>

NOTE 14 – DIOCESE-DESIGNATED NET ASSETS

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

	2020	2019
Perpetual care for cemeteries	\$ 3,093,294	\$ 2,891,005
Retreat center	831,476	826,665
St. Louis Parish - Msgr. Clunan	1,108,700	1,040,632
St. Francis School - Msgr. Buchignani	679,512	-
Holy Rosary school trust	1,054,815	1,021,092
	<u>\$ 6,767,797</u>	<u>\$ 5,779,394</u>

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, 2020 and 2019, employer contributions to the plan totaled \$261,071 and \$226,294, 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, 2020 and 2019:

	2020		
	Priest Plan	Employee Plan	Total
Change in Projected Benefit Obligation:			
Projected benefit obligation, beginning of year	\$ 8,071,234	\$ 92,099,870	\$ 100,171,104
Service cost	142,615	-	142,615
Interest cost	256,055	2,959,431	3,215,486
Actuarial (gain)/loss	1,196,135	10,627,262	11,823,397
Benefits paid	(354,729)	(4,883,843)	(5,238,572)
Projected benefit obligation, end of year	<u>\$ 9,311,310</u>	<u>\$ 100,802,720</u>	<u>\$ 110,114,030</u>
Change in Plan Assets:			
Fair value of plan assets, beginning of year	\$ 7,762,901	\$ 72,429,605	\$ 80,192,506
Actual return on plan assets, net of expenses	500,683	4,269,523	4,770,206
Employer contributions	144,450	3,314,426	3,458,876
Benefits paid	(354,729)	(4,883,843)	(5,238,572)
Fair value of plan assets, end of year	<u>\$ 8,053,305</u>	<u>\$ 75,129,711</u>	<u>\$ 83,183,016</u>
Funded status	<u>\$ (1,258,005)</u>	<u>\$ (25,673,009)</u>	<u>\$ (26,931,014)</u>
	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	<u>\$ 8,071,234</u>	<u>\$ 92,099,870</u>	<u>\$ 100,171,104</u>
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	<u>\$ 7,762,901</u>	<u>\$ 72,429,605</u>	<u>\$ 80,192,506</u>
Funded status	<u>\$ (308,333)</u>	<u>\$ (19,670,265)</u>	<u>\$ (19,978,598)</u>

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 \$1,660,259 and \$1,335,259 at June 30, 2020 and 2019, respectively.

Weighted-average actuarial assumptions used to calculate the projected benefit obligation were as follows for June 30, 2020 and 2019:

	2020	
	Priest Plan	Employee Plan
Discount rate	2.31%	2.39%
Rate of compensation increase	N/A	N/A

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

The components of the net periodic pension cost for the years ended June 30, 2020 and 2019 are as follows:

	2020		
	Priest Plan	Employee Plan	Total
Net Periodic Pension Cost:			
Service cost	\$ 142,615	\$ -	\$ 142,615
Interest cost	256,055	2,959,431	3,215,486
Expected return on plan assets	(573,188)	(5,375,002)	(5,948,190)
Amortization of net loss	112,479	2,705,851	2,818,330
	<u>\$ (62,039)</u>	<u>\$ 290,280</u>	<u>\$ 228,241</u>

	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
	<u>\$ (92,743)</u>	<u>\$ 188,740</u>	<u>\$ 95,997</u>

Weighted-average actuarial assumptions used to calculate the net periodic benefit cost for the years ended June 30, 2020 and 2019 are as follows:

	2020	
	Priest Plan	Employee Plan
Discount rate	3.25%	3.30%
Expected return on plan assets	7.50%	7.50%
Rate of compensation increase	N/A	N/A

	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

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, 2020 and 2019:

	2020		
	Priest Plan	Employee Plan	Total
Prepaid Pension Cost:			
Balance, beginning of year	\$ 2,192,725	\$ 10,618,300	\$ 12,811,025
Net periodic pension credit (cost)	62,039	(290,280)	(228,241)
Employer contributions	144,450	3,314,426	3,458,876
Balance, end of year	<u>\$ 2,399,214</u>	<u>\$ 13,642,446</u>	<u>\$ 16,041,660</u>

	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)	91,877	(188,740)	(96,863)
Employer contributions	119,291	2,445,283	2,564,574
Balance, end of year	<u>\$ 2,192,725</u>	<u>\$ 10,618,300</u>	<u>\$ 12,811,025</u>

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

	Priest Plan	Employee Plan	Total
2021	\$ 428,000	\$ 5,027,000	\$ 5,455,000
2022	481,000	5,039,000	5,520,000
2023	494,000	5,043,000	5,537,000
2024	506,000	5,069,000	5,575,000
2025	522,000	5,096,000	5,618,000
2025 - 2029	2,594,000	25,275,000	27,869,000
	<u>\$ 5,025,000</u>	<u>\$ 50,549,000</u>	<u>\$ 55,574,000</u>

Funding

The Diocese has historically funded its pension plans using a formula of approximately 8% of employee salaries. 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 2021 will be approximately \$2,000,000.

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%	31%
Fixed income	10%	60%	42%
Alternative/hedge fund investments	0%	25%	16%
Cash and equivalents	0%	10%	11%
			<u>100%</u>

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, 2020 and 2019:

	2020		
	Priest Plan	Employee Plan	Total
<u>Level 1</u>			
Mutual Funds			
Equities	\$ 4,350,265	\$ 40,933,973	\$ 45,284,238
Fixed Income	1,366,371	11,815,566	13,181,937
Total mutual funds	<u>5,716,636</u>	<u>52,749,539</u>	<u>58,466,175</u>
<u>Level 2</u>			
Money market funds	326,824	2,345,710	2,672,534
<u>Investments Measured at Net Asset Value</u>			
Limited Partnerships			
Conservative hedge fund	755,495	7,812,434	8,567,929
Strategic hedge fund	1,254,350	12,222,028	13,476,378
Total investments measured at NAV	<u>2,009,845</u>	<u>20,034,462</u>	<u>22,044,307</u>
Total plan assets at fair value	<u>\$ 8,053,305</u>	<u>\$ 75,129,711</u>	<u>\$ 83,183,016</u>
	2019		
	Priest Plan	Employee Plan	Total
<u>Level 1</u>			
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	<u>5,587,124</u>	<u>51,920,894</u>	<u>57,508,018</u>
<u>Level 2</u>			
Money market funds	348,402	2,319,283	2,667,685
<u>Investments Measured at Net Asset Value</u>			
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	<u>1,827,375</u>	<u>18,189,428</u>	<u>20,016,803</u>
Total plan assets at fair value	<u>\$ 7,762,901</u>	<u>\$ 72,429,605</u>	<u>\$ 80,192,506</u>

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, 2020 and 2019:

	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, 2020	<u>\$ 8,567,929</u>	<u>\$ 13,476,378</u>
Fair value at June 30, 2019	<u>\$ 8,183,418</u>	<u>\$ 11,833,385</u>

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, 2020 and 2019:

	2020	2019
Change in Projected Benefit Obligation:		
Projected benefit obligation, beginning of year	\$ 5,631,180	\$ 4,761,058
Service cost	275,435	288,171
Interest cost	191,709	192,323
Actuarial (gain)/loss	1,028,058	489,667
Benefits paid	(94,198)	(100,039)
Projected benefit obligation, end of year	<u>\$ 7,032,184</u>	<u>\$ 5,631,180</u>
Fair value of plan assets	-	-
Funded status	<u>\$ (7,032,184)</u>	<u>\$ (5,631,180)</u>

The components of net periodic post-retirement benefit cost are as follows for the years ended June 30, 2020 and 2019:

	2020	2019
Net Periodic Benefit Cost:		
Service cost	\$ 275,435	\$ 288,171
Interest cost	191,709	192,323
Amortization of prior service cost	218,133	218,133
Amortization of net (gain)/loss	(135,718)	(170,033)
Net periodic benefit cost	<u>\$ 549,559</u>	<u>\$ 528,594</u>

Weighted-average actuarial assumptions used to calculate the projected benefit obligation and net periodic benefit cost were as follows for 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Discount rate	<u>2.58%</u>	<u>3.45%</u>

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, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Prepaid (Accrued) Benefit Cost:		
Balance, beginning of year	\$ (7,799,261)	\$ (7,370,706)
Net periodic benefit cost	549,559	528,594
Employer contributions	94,198	100,039
Balance, end of year	<u>\$ (8,254,622)</u>	<u>\$ (7,799,261)</u>

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, 2020 and 2019.

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

2021	\$ 180,000
2022	210,000
2023	232,000
2024	250,000
2025	265,000
2026 - 2030	1,477,000
	<u>\$ 2,614,000</u>

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 2020 and 2019. Amounts accrued totaled \$441,897 and \$825,921 at June 30, 2020 and 2019, 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, 2020 and 2019, of \$214,783 and \$225,100, 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Catholic Charities, Inc.		
Pension liability	\$ 1,660,259	\$ 1,335,259
Cafeteria benefits	505,714	549,018
Other	8,488	120
Loan receivable	<u>262,160</u>	<u>262,160</u>
Total due from Catholic Charities, Inc.	2,436,621	2,146,557
Less allowance	<u>(589,982)</u>	<u>(589,982)</u>
	1,846,639	1,556,575
Note receivable from priest, unsecured, non-interest bearing	-	46,685
	<u>\$ 1,846,639</u>	<u>\$ 1,603,260</u>

See Note 5 for related party payable information.

NOTE 20 – CONTINGENCIES

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19), a pandemic, which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. As described in Note 8, the Diocese obtained a loan in the amount of \$6,739,405, through the Paycheck Protection Program administered by the U.S. Small Business Administration (SBA) to mitigate against any potential financial distress the pandemic could cause. The loan is forgivable as long as the Diocese uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. While the Diocese currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, it cannot be assured that actions will be taken that could cause the Diocese to be ineligible for forgiveness of the loan, in whole or in part.

The outbreak could have a continued material adverse impact on economic and market conditions. The fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Diocese, its performance, and its financial results.

NOTE 21 – SUBSEQUENT EVENT

In December 2020, the Diocese closed on the sale of an apartment building it owned for \$750,000. The Diocese received net proceeds of approximately \$700,000 after commissions and fees.

SUPPLEMENTAL SCHEDULES

THE ROMAN CATHOLIC DIOCESE OF MEMPHIS IN TENNESSEE

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

June 30, 2020

(with summarized financial information at June 30, 2019)

	Diocesan Activities									
	Diocesan Administrative Offices	Parishes		CMUS & Jubilee Schools	St. Benedict at Auburndale High School	Cemeteries	Combined Total	Eliminations	2020 Consolidated Total	2019 Consolidated Total
		Churches	Schools							
Assets										
Cash and cash equivalents	\$ 1,794,804	\$ 12,598,614	\$ 3,508,776	\$ -	\$ 2,644,045	\$ 32,323	\$ 20,578,562	\$ -	\$ 20,578,562	\$ 16,746,540
Receivables										
Unconditional promises to give, net	601,275	51,218	-	-	-	-	652,493	-	652,493	897,608
Tuition, net	-	(697)	81,368	-	28,500	-	109,171	(4,438)	104,733	153,530
Related party	20,848,436	10,937,461	3,444,291	-	236,581	118,333	35,585,102	(33,738,463)	1,846,639	1,603,260
Other	230,232	47,368	14,768	-	-	131,681	424,049	(13,867)	410,182	419,882
Prepaid expenses	141,107	9,347	12,299	-	-	-	162,753	(90,915)	71,838	110,628
Investments	36,204,042	6,091,393	2,588,826	-	-	3,108,753	47,993,014	-	47,993,014	45,559,478
Beneficial interest in trusts	1,980,980	4,954,041	-	-	-	-	6,935,021	-	6,935,021	7,287,950
Property and equipment	20,571,447	182,948,124	24,549,124	-	33,381,811	4,005,255	265,455,761	-	265,455,761	263,282,890
Right-of-use assets	1,233,398	-	-	-	-	-	1,233,398	-	1,233,398	1,227,894
Other assets	215,830	88,439	10,454	-	-	-	314,723	-	314,723	241,784
Total assets	\$ 83,821,551	\$ 217,725,308	\$ 34,209,906	\$ -	\$ 36,290,937	\$ 7,396,345	\$ 379,444,047	\$ (33,847,683)	\$ 345,596,364	\$ 337,531,444
Liabilities and Net Assets										
Accounts payable and accrued expenses	\$ 1,687,942	\$ 2,511,256	\$ 1,109,683	\$ -	\$ 382,834	\$ 23,663	\$ 5,715,378	\$ (1,789,298)	\$ 3,926,080	\$ 5,276,062
Line of credit	-	5,100,531	-	-	279,452	-	5,379,983	(5,379,983)	-	-
Collections held for transmittal	126,164	179,003	4,121	-	27,774	-	337,062	-	337,062	237,940
Deferred revenue	12,343	11,726	1,487,102	-	1,780,039	2,290	3,293,500	(90,915)	3,202,585	4,086,701
Lease liabilities	1,109,854	-	-	-	-	-	1,109,854	-	1,109,854	1,104,403
Due to annuitants	269,862	-	-	-	-	-	269,862	-	269,862	288,836
Due to beneficiaries	239,305	-	-	-	-	-	239,305	-	239,305	240,623
Minimum pension liability	26,931,014	-	-	-	-	-	26,931,014	-	26,931,014	19,978,598
Post-retirement benefit obligation	7,032,184	-	-	-	-	-	7,032,184	-	7,032,184	5,631,180
Related party payables	13,083,250	3,879,273	6,655,717	-	-	3,650,282	27,268,522	(26,587,487)	681,035	649,118
Derivative financial instruments	1,485,184	-	-	-	1,762,410	-	3,247,594	-	3,247,594	2,235,386
Long-term debt	12,037,698	34,796	-	-	14,278,385	-	26,350,879	-	26,350,879	21,047,111
Total liabilities	64,014,800	11,716,585	9,256,623	-	18,510,894	3,676,235	107,175,137	(33,847,683)	73,327,454	60,775,958
Net assets	19,806,751	206,008,723	24,953,283	-	17,780,043	3,720,110	272,268,910	-	272,268,910	276,755,486
Total liabilities and net assets	\$ 83,821,551	\$ 217,725,308	\$ 34,209,906	\$ -	\$ 36,290,937	\$ 7,396,345	\$ 379,444,047	\$ (33,847,683)	\$ 345,596,364	\$ 337,531,444

See independent auditor's report.

THE ROMAN CATHOLIC DIOCESE OF MEMPHIS IN TENNESSEE
CONSOLIDATING SCHEDULE OF ACTIVITIES

For the Year Ended June 30, 2020
(with summarized financial information for the year ended June 30, 2019)

	Diocesan Activities							2020 Consolidated Total	2019 Consolidated Total	
	Diocesan Administrative Offices	Parishes		CMUS & Jubilee Schools	St. Benedict at Auburndale High School	Cemeteries	Combined Total			Eliminations
		Churches	Schools							
Operating Support and Revenues										
Contributions and Grants										
General contributions	\$ 1,635,645	\$ 25,888,606	\$ 139,664	\$ -	\$ 609,281	\$ 25,445	\$ 28,298,641	\$ (951,815)	\$ 27,346,826	\$ 28,262,022
Annual Catholic Appeal	2,153,898	-	-	-	-	-	2,153,898	-	2,153,898	1,945,838
Grant revenue	-	23,000	252,733	-	14,198	-	289,931	(53,244)	236,687	1,204,901
Estate donations	105,000	405,973	-	-	-	-	510,973	-	510,973	511,444
Missions and societies	130,077	-	-	-	-	-	130,077	-	130,077	137,000
Education										
Tuition and fees, net	-	-	18,731,144	-	6,527,350	-	25,258,494	-	25,258,494	27,267,633
Other education revenue	-	385,708	2,117,743	-	808,226	-	3,311,677	-	3,311,677	5,260,477
Social and fundraising	240	933,319	414,642	-	1,250	-	1,349,451	-	1,349,451	2,332,211
Auxiliary services	498,663	148,941	360	-	1,270	-	649,234	(61,702)	587,532	606,231
Cemeteries	-	31,199	-	-	-	387,811	419,010	-	419,010	385,182
Assessments and subsidies	3,488,196	-	226,684	-	-	-	3,714,880	(3,714,880)	-	-
Other income	418,796	1,605,517	1,246,976	-	55,071	17,196	3,343,556	(11,493)	3,332,063	2,737,407
Total operating support and revenue	8,430,515	29,422,263	23,129,946	-	8,016,646	430,452	69,429,822	(4,793,134)	64,636,688	70,650,346

See independent auditor's report.

THE ROMAN CATHOLIC DIOCESE OF MEMPHIS IN TENNESSEE

CONSOLIDATING SCHEDULE OF ACTIVITIES (continued)

For the Year Ended June 30, 2020
(with summarized financial information for the year ended June 30, 2019)

	Diocesan Activities							2020 Consolidated Total	2019 Consolidated Total	
	Diocesan Administrative Offices	Parishes		CMUS & Jubilee Schools	St. Benedict at Auburndale High School	Cemeteries	Combined Total			Eliminations
	Churches	Schools								
Operating Expenses										
Program Services										
Cemeteries	-	-	-	-	-	434,198	434,198	-	434,198	455,728
Education	-	-	20,588,932	-	6,973,547	-	27,562,479	(23,010)	27,539,469	39,328,771
Ministry	2,610,712	16,170,277	-	-	-	-	18,780,989	(51,515)	18,729,474	19,570,269
Total program services	2,610,712	16,170,277	20,588,932	-	6,973,547	434,198	46,777,666	(74,525)	46,703,141	59,354,768
General and administration	5,510,581	6,282,033	3,920,233	-	342,036	187,301	16,242,184	(1,037,797)	15,204,387	17,588,486
Fundraising	185,266	169,171	10,469	-	-	616	365,522	-	365,522	532,061
Total operating expenses	8,306,559	22,621,481	24,519,634	-	7,315,583	622,115	63,385,372	(1,112,322)	62,273,050	77,475,315
Income (loss) from operations	123,956	6,800,782	(1,389,688)	-	701,063	(191,663)	6,044,450	(3,680,812)	2,363,638	(6,824,969)
Nonoperating Gains (Losses)										
Subsidies - Diocesan entities	(958,933)	(4,205,353)	1,062,266	-	281,280	-	(3,820,740)	(3,820,740)	-	-
Change in value of beneficial interest in trusts	(68,738)	(287,217)	-	-	-	-	(355,955)	-	(355,955)	(80,200)
Net investment return	1,847,818	658,690	182,914	-	2,574	182,507	2,874,503	(139,928)	2,734,575	3,052,176
Change in value of derivatives	(532,386)	-	-	-	(479,822)	-	(1,012,208)	-	(1,012,208)	(828,699)
Minimum pension liability adjustment	(6,627,416)	-	-	-	-	-	(6,627,416)	-	(6,627,416)	(3,805,407)
Postretirement benefits adjustment	(1,401,004)	-	-	-	-	-	(1,401,004)	-	(1,401,004)	(870,122)
Loss on uncollectible promises to give	(79,800)	(108,406)	-	-	-	-	(188,206)	-	(188,206)	(78,618)
Gain/(loss) on sale of assets	-	-	-	-	-	-	-	-	-	(125,550)
Total nonoperating gains (losses)	(7,820,459)	(3,942,286)	1,245,180	-	(195,968)	182,507	(10,531,026)	(3,960,668)	(6,850,214)	(2,736,420)
Change in net assets	(7,696,503)	2,858,496	(144,508)	-	505,095	(9,156)	(4,486,576)	-	(4,486,576)	(9,561,389)
Net assets, beginning 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
Transfers	(12,326,608)	17,550,600	8,047,418	(15,435,437)	1,990,706	173,321	-	-	-	-
Net assets, beginning of year	27,503,254	203,150,227	25,097,791	-	17,274,948	3,729,266	276,755,486	-	276,755,486	286,316,875
Net assets, end of year	\$ 19,806,751	\$ 206,008,723	\$ 24,953,283	\$ -	\$ 17,780,043	\$ 3,720,110	\$ 272,268,910	\$ -	\$ 272,268,910	\$ 276,755,486

See independent auditor's report.

THE ROMAN CATHOLIC DIOCESE OF MEMPHIS IN TENNESSEE
CONSOLIDATED SCHEDULE OF PARISH INTERCOMPANY BANK INDEBTEDNESS

June 30, 2020 and 2019

	2020	2019
Incarnation School	\$ -	\$ 285,504
St. Ann Church, Bartlett	2,434,693	2,730,488
St. Anne Church	264,273	249,601
St. Benedict at Auburndale School	279,452	352,330
St. Brigid Church	841,085	1,044,326
St. Mary Church, Memphis	1,560,480	1,665,653
Additional payments by the Diocese	(81,689)	(542,587)
	\$ 5,298,294	\$ 5,785,315
 Bank note balance (Note 8)	 \$ 5,298,294	 \$ 5,785,315

The above figures do not include non-bank related inter-Parish debts.

See independent auditor's report.